

# Department of Education and Early Childhood Development

Annual Report 2012–13



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October 2013

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October 2013

The Hon. Peter Hall MLC  
Minister for Higher Education and Skills  
Minister responsible for the Teaching Profession

The Hon. Martin Dixon MP  
Minister for Education

The Hon. Wendy Lovell MLC  
Minister for Children and Early Childhood Development

Dear Ministers

In accordance with the *Education and Training Reform Act 2006* and the *Financial Management Act 1994*, I am pleased to present the Department of Education and Early Childhood Development's Annual Report for the year ending 30 June 2013.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Richard Bolt', written in a cursive style.

**Richard Bolt**  
**Secretary**

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# Secretary's foreword



Over the past year, the Department of Education and Early Childhood Development funded, provided or constituted development and education services including Maternal and Child Health, Early Childhood Intervention, kindergarten, school, vocational training and higher education.

Most of our services are good, and some are excellent – but there is significant room to improve with good reasons to do so. Important progress was made over the past year, which will be furthered through 2013–14.

- In early childhood education and care, we implemented universal access to 15 hours of 4-year-old kindergarten, the Victorian Early Years Learning and Development Framework, and the National Quality Framework covering both kindergarten and child care. The post-2014 future of universal access will be a high priority negotiation with the new Commonwealth Government, and we are devising an Early Years Strategic Plan to guide future reform and investment in these vital services.
- In school education, we settled the school workforce enterprise agreement, and did most of the ground work that resulted in our funding agreement with the Commonwealth in August 2013. We developed the *Towards Victoria as a Learning Community Action Plan* that will implement the Government's major reforms to school autonomy, accountability, practice, workforce management and governance. The year ahead will see most of the action plan implemented, the remainder of the Government's reform program announced, and negotiations started so that the new Commonwealth–State funds better meet the needs of students in all schools.
- In vocational education and training (VET), a clear trend in enrolments to courses with higher economic value emerged under the reformed subsidy system. The governance of TAFEs was reformed to place them on a sustainable and commercial footing, supplemented with the

## Some facts

- 74 per cent of rated Victorian early childhood services exceeded or met the National Quality Standard, compared with 56 per cent nationally.
- To support the rollout of the Victorian Early Years Learning and Development Framework, more than 1000 early childhood professionals attended Bastow Institute leadership programs and 4000 attended face-to-face development modules.
- The implementation of universal access to kindergarten was done while maintaining Victoria's already high participation rate by national standards.
- A peer review trial has been developed, involving more than 60 school leaders and 18 Victorian government schools to pioneer enhanced peer-led accountability arrangements.
- The Refocusing Vocational Training in Victoria reforms will see an extra \$1.2 billion invested in subsidised training delivery annually over four years.
- In the second quarter of 2013, training in specialised and in-shortage occupations accounted for 40 per cent of government-subsidised enrolments, up from 31 per cent at the same time last year.
- More direct engagement with industry on VET has been established through the Industry Participation Model under which there have been over 550 consultations and briefings with industry associations and peak organisations.
- The Regional Partnerships Facilitation Fund is a \$20 million investment by the Victorian Government that supports the development of regional educational alliances between VET and higher education providers in regional Victoria. Over 40 higher education qualifications and articulation pathways are in development.

Government's commitment of a \$200 million structural adjustment fund. Our drive to improve training quality made good progress. The year ahead will consolidate this work, and pursue complementary national reforms to further raise the quality and economic value of training.

- A strategic view on higher education reform was developed in consultation with universities, the Commonwealth government and specialist advisers. Next year we will participate in Commonwealth-State councils and other forums with the goals of raising the quality and relevance of higher education and better integrating it with vocational education and training.
- Progress was made on the design of key sector-wide reforms, such as a refreshed Koorie strategy, a new plan for disability and disengagement, and area-based multi-agency coordination of social services. Next year's focus is to complete our plans and implement them.
- The reorganisation and renewal of the Department, which will make us more productive, responsive, connected and strategic, was largely completed. We will build on this throughout 2013–14 to further raise our corporate capacity, and hence our contribution to our government and public.

The Victorian education system is large and diverse. Change requires careful design and concerted and sustained effort to have an impact. The reform program developed real momentum through 2012–13 and we made important progress.

In the end, the progress that matters is our impact on the learning and development of Victorians, particularly – though not exclusively – our children and young people. Since 2008, discernible trends have occurred in three of the Department's four outcomes. The engagement of Victorians in our services has increased markedly; measures of child and student wellbeing have been stable or improving; and while productivity measures are being finalised for full reporting next year, they are likely to compare favourably to other states.

However, the fourth outcome, achievement, which relates to gains in learning, has been essentially unchanged over the last five years. The Government's focus is to raise achievement to world-leading levels over ten years, to boost Victoria's prosperity and liveability.

We made important steps towards this goal in 2012–13. This is due to the dedication and skill of the staff in our schools and other service providers, my Department and the statutory authorities in our portfolio. They have provided excellent service to the Victorian public, for which I thank them.



**Richard Bolt**  
**Secretary**



# About the Department

## Vision

The Department exists to support Victorians to build prosperous, socially engaged, happy and healthy lives. We do this by supporting lifelong learning, through strengthening families, and helping people to gain the skills and knowledge they need to thrive and participate in a complex and challenging economy and society.

The provision of education, training, development, wellbeing and child health services (that is, our learning and development services) are central to rewarding lives for individuals and families, and for a strong society that has lower crime rates, better health outcomes, greater social mobility, and strong economic growth, productivity and employment. The goals we set, the changes we implement, the systems we support, and the services we offer – all must lead to improved learning and development outcomes.

## Mission

The Department's mission ensures a high-quality and coherent birth-to-adulthood learning and development system to build the capability of every young Victorian.

## Values

The Department is a learning organisation. In our relationships with colleagues, children and young people, parents and families, partners, and local and global communities we commit to the following values:

- collaboration and knowledge sharing
- outcomes
- respect and diversity
- empowerment.

## Key responsibilities

The Department is responsible for:

- providing policy advice to the three portfolio Ministers
- implementing early childhood development, school education, and skills and higher education policy
- designing, funding, regulating and delivering portfolio services
- improving the effectiveness of the state's overall learning and development system.

The Department brings together a range of services for Victorian children, young people and adults. These services cover three overlapping life stages:

- *Early childhood development (birth–8 years)*. These services reach over 400,000 children and families, and include maternal and child health services, early years learning and development, including early childhood education and care services, and early childhood intervention services.
- *School education (5–18 years)*. These services reach over 850,000 students and include primary and secondary education, special education, health and wellbeing.
- *Higher education and skills (15–65+)*. These services reach over 890,000 learners and include vocational education and training, higher education, apprenticeships and traineeships, and adult, community and further education.

Whatever our particular job – from working in corporate services, supporting early childhood, school or vocational education providers, delivering education and development services, providing support and advice to our portfolio Ministers, designing curriculum, working with local employers, to developing policy – we are all in the business of improving education and development outcomes for Victorians.

The Department's central and regional offices and authorities play a number of key roles including:

- **System architect:** The Government can improve the outcomes of the education system by improving its design. The Department's role is to advise the Government on design improvements, especially in relation to funding incentives and regulation.
- **Owner:** The Government remains the largest owner of educational providers in the state. Ownership and scale are a great strength. As owners we are giving our educational providers real autonomy because we believe that will lead to the best outcomes for our clients.
- **Manager of system performance:** Providers have responsibility for running their own institutions but autonomy will be closely tied to accountability. We acknowledge the great work that they do and will make sure that their best practices are shared across the system.
- **Talent developer:** Our role is to make education and development careers of choice for the best and brightest, to make sure our institutions are distinguished by their cultures of professional learning, and to identify and develop great leaders.
- **Centre of excellence:** Areas that improve performance such as great curriculum design require levels of investment and expertise not easily found in single institutions. The Department has a role to make these investments and share this expertise across the system.
- **Shared service centre:** For the parts of the system we own and operate, we will provide economies of scale, for example, allowing government schools to opt in to large IT purchases and other consolidated services. We also provide payroll and human resource management services to a range of agencies.



## Strategic direction

Looking forward, the Department is focused on achieving outcomes to meet our 10-year goal to make Victoria a world leader in learning and development, and to contribute to a vibrant economy and society. In a world of intensifying global competition and public policy challenges, the main source of competitive advantage will be an educated and skilled workforce.

The Department has developed a set of priorities to achieve this strategic direction. These priorities are to:

- improve the opportunities for all learners without exception
- boost children's learning and wellbeing in their early years
- achieve large gains in literacy, maths and science
- ensure that secondary schooling is more inclusive, flexible and engaging, and equips young people for further study and work
- give Victorians relevant skills by raising the quality and economic value of vocational and higher education.

The strategies through which these priorities will be achieved include:

- supporting parents and carers to be actively involved in their child's learning
- strengthening leadership and professional practice across all services
- giving more power to service providers and cutting red tape – while holding them more accountable for results
- relentlessly focusing our services on the needs of learners, communities and businesses
- increasing and informing the educational choice of learners, parents and employers
- working closely and openly with our communities, service providers and staff
- simplifying and joining up our work, managing change well and using resources wisely.

## Our approach

Successfully performing these roles will require us to shift the balance of our efforts from:

- vision to strategy: moving from a broad vision to specific strategies that the evidence tells us will deliver strong outcomes relative to investment
- qualitative to quantitative analysis: better harnessing our data to undertake sophisticated performance monitoring and identify what works best
- care to development: building on our pastoral care role, with high-quality instructional and developmental practices to support strong outcomes for children
- a focus on inputs to accountability for outcomes: moving from a focus on how providers structure their operations to autonomy combined with strengthened accountability for outcomes, including the right to intervene where education and development services are poor
- central direction to use of markets and guidelines: moving away from top-down approaches to service delivery to using Government levers to design markets that provide more autonomy and incentives to innovate, customise and deliver high-quality services
- initiatives and pilots to system reforms at scale: focusing on systemic improvements that have the potential to lift performance across the board or for whole cohorts
- focusing on the division between public-private providers to a more ownership neutral approach: supporting better outcomes for families.

## Outcomes

In 2012–13, the Department adopted four outcomes to lift Victorian education performance into the global top tier. These outcomes are:

- **Achievement** – to raise standards of learning and development achieved by Victorians using education, development and child health services
- **Engagement** – to increase the number of Victorians actively participating in education, development and child health services
- **Wellbeing** – to increase the contribution education, development and child health services make to good health and quality of life of Victorians, particularly children and young people
- **Productivity** – to increase the productivity of our services.

## Departmental organisation

Over 2012–13 the Department's structure was reorganised. At June 2013, there were two groups based on life stages: Early Childhood and School Education Group and Higher Education and Skills Group. Four Groups provided cross-functional support: Regional Services, Infrastructure and Finance, People and Executive Services, and Strategy and Review. Business areas in each Group had been redesigned, and nine regional offices had been consolidated into four regional offices.

The new structure was designed to support an operating model that:

- ensures services are cost effective
- improves the level of service
- ceases duplicated or inefficient functions
- consolidates functions where this will be more efficient and aligns with strategy
- enables the Department to deliver its strategic policy agenda, while undertaking ongoing policy development work.

### People and Executive Services Group

The People and Executive Services Group delivers people services, stakeholder engagement, legal services, ministerial support, communications, probity, information management, and audit and risk management. It provides services to the Department's central office, regional offices and to government schools.

### Infrastructure and Finance Services Group

The Infrastructure and Finance Services Group develops and implements finance and infrastructure policies, procedures and strategy. It provides services to the Department's central office, regional offices and government schools in the areas of finance and resourcing, information technology, project management, environmental support and infrastructure.

### Strategy and Review Group

The Strategy and Review Group develops and provides advice on strategy for early childhood, schools and higher education. It also provides advice on emerging issues and government priorities. The Group manages annual planning, reporting, evaluation and performance that are part of the Department's Strategic Management Framework; as well as intergovernmental and external relations.

### Early Childhood and School Education Group

The Early Childhood and School Education Group focuses on the learning, development and wellbeing of children 0-18 years. It develops policy and programs to drive workforce improvement, engage families and communities, and include all children and young people in high-quality education and development. The Group holds schools and early childhood services to account for performance outcomes against quality standards and outcome measures. It promotes capable and competent leadership and high-quality teaching and learning that is responsive to the needs of children, families and communities.

## Regional Services Group

The Regional Services Group is responsible for the design, development, planning and delivery of integrated local learning and development services, including early childhood services, schools, registered training organisations and other providers. It also manages the Department's emergency management response and monitors and reports on the VET market.

## Higher Education and Skills Group

The Higher Education and Skills Group facilitates participation and achievement in senior secondary and tertiary education and training by supporting partnerships between providers, employers and the community, and by advising on public funding and regulation. It manages the government-funded training market, public provider governance and accountability, and the apprenticeship system.

## Statutory bodies

The Department also works in conjunction with the following statutory bodies:

- Adult, Community and Further Education Board
- Children's Services Coordination Board
- Disciplinary Appeals Boards
- Merit Protection Boards
- Victorian Children's Council
- Victorian Curriculum and Assessment Authority
- Victorian Institute of Teaching
- Victorian Registration and Qualifications Authority.

# Leadership and governance

## Ministers

The Department supports three ministers across four portfolios – the Hon. Peter Hall MLC (Minister for Higher Education and Skills and Minister responsible for the Teaching Profession), the Hon. Martin Dixon MP (Minister for Education) and the Hon. Wendy Lovell MLC (Minister for Children and Early Childhood Development).



Hon. Peter Hall MLC

### **Minister for Higher Education and Skills Minister responsible for the Teaching Profession**

#### **The Hon. Peter Hall MLC**

Mr Peter Hall has been Minister for Higher Education and Skills and the Minister responsible for the Teaching Profession since 2 December 2010.

The Minister is a strong advocate for increasing tertiary education opportunities for all, especially in regional Victoria. As Minister for Higher Education and Skills, his responsibilities include ensuring that the training system provides the skilled workforce required by Victorian businesses; support for apprentices, trainees and their employers; and providing a strong governance and oversight framework for the tertiary education sector.

A former mathematics teacher, Minister Hall is the first Victorian Minister responsible for the Teaching Profession. The Minister's responsibilities include teacher registration (through the Victorian Institute of Teaching), teaching and workforce supply, workforce industrial relations issues, and supporting and promoting the teaching profession.



Hon. Martin Dixon  
MP

### **Minister for Education**

#### **The Hon. Martin Dixon MP**

Mr Martin Dixon has been Minister for Education since 2 December 2010. A former principal, the Minister is committed to pursuing a framework that will achieve better student outcomes in Victorian schools and lift student performance into the global top tier through greater parent choice, local decision-making and school-community integration.

The Minister's portfolio responsibilities include student curriculum and learning programs; the international dimension of school education; school capital and maintenance; and school registration, policy and governance. The portfolio also encompasses State Government involvement in, and funding of, Catholic and independent schools.

The Minister is the Champion Minister for Disability in the Standing Council on School Education and Early Childhood Development, a forum of all Australian Education Ministers.



Hon. Wendy Lovell  
MLC

## Minister for Children and Early Childhood Development

### The Hon. Wendy Lovell MP

Ms Wendy Lovell has been the Minister for Children and Early Childhood Development since 2 December 2010.

The Minister for Children and Early Childhood Development's responsibilities include early childhood services (encompassing the maternal and child health service, and licensing and regulation of children's services), kindergartens, kindergarten cluster management, the Children's Facilities Capital Grants Program, children's policy and research, Aboriginal early childhood policy and services, and early childhood intervention services.

In addition to her responsibilities as Minister for Children and Early Childhood Development, Minister Lovell is also Minister for Housing, supported by the Department of Human Services.

## Department executives

### Secretary

#### Mr Richard Bolt

Richard Bolt joined the Department as Secretary in August 2011.

As Secretary, Richard is responsible for the management of the Department and provides advice to the Minister for Higher Education and Skills, and the Minister responsible for the Teaching Profession; the Minister for Education; and the Minister for Children and Early Childhood Development.

Prior to joining the Department, Richard was Secretary of Victoria's Department of Primary Industries. He holds a Bachelor's degree in Electrical Engineering and a Master's degree in Public Policy and Management.

### Deputy Secretary, People and Executive Services Group

#### Ms Monique Dawson

Monique Dawson commenced as Deputy Secretary, People and Executive Services Group in March 2012.

As Deputy Secretary, Monique's leadership and guidance encompasses human resources, communications, stakeholder engagement, cabinet, legal services, ministerial support, information management, and audit and risk.

Monique has held senior roles in the Queensland and New Zealand public sectors, including General Manager, Policy Development Division with the Queensland Department of Employment and Training, and Deputy Secretary, Work Directions, New Zealand Department of Labour.

Monique holds a Bachelor of Laws and a Graduate Diploma of Legal Practice and is an Executive Fellow of the Australia New Zealand School of Government (ANZSOG).



## Deputy Secretary, Infrastructure and Finance Services Group

### Mr Jim Miles

Jim Miles commenced as Deputy Secretary, Infrastructure and Finance Services Group in March 2012. Prior to his appointment, Jim acted as Executive Director for the Office of Resources and Infrastructure.

In both roles, Jim has managed the Departmental budget process, providing financial monitoring and reporting, and delivering large-scale financial and asset-management projects.

Jim's previous roles include General Manager, Resources and Infrastructure Strategy, and 11 years with the Department of Treasury and Finance.

Jim holds a Bachelor of Arts, a Postgraduate Diploma in Economics and a Masters of Commerce.

## Deputy Secretary, Strategy and Review Group

### Mr Chris Wardlaw

Chris Wardlaw joined the Department in July 2009 as Deputy Secretary, Office for Policy, Research and Innovation (now the Strategy and Review Group). He retired from the Department in April 2013.

Chris had a leading role in a range of reform agendas in the Department. He was the Deputy Secretary for Education (Curriculum and Quality Assurance) for the Hong Kong Government from 2002 to 2008.

Chris holds a Bachelor of Economics (Hons) and a Diploma of Education.

### Mr Simon Kent

Simon Kent commenced as Deputy Secretary, Strategy and Review Group, in April 2013.

As Deputy Secretary, Simon works with colleagues throughout the Department to support a lifelong learning agenda and to improve learning and development outcomes for all Victorians. Prior to joining the Department, he was the Director, Social Policy Branch, in Victoria's Department of Premier and Cabinet.

Simon holds a Bachelor of Arts and an Executive Master of Public Administration.

## Deputy Secretary, School Education Group

### Dr Jim Watterston

Jim Watterston was Deputy Secretary of the School Education Group from April 2012 to April 2013.

As Deputy Secretary, School Education Group, Jim was responsible for developing policy, programs and frameworks to drive improved school leadership, professional practice, and high-quality curriculum and assessment through the school system.

In previous roles Jim was Director-General of the ACT Education and Training Directorate, and Regional Director of the Department's Eastern Metropolitan Region.

Jim has a Doctorate in Education.

## Acting Deputy Secretary, Early Childhood Development Group

### Mr Michael Maher

Michael Maher was Acting Deputy Secretary, Early Childhood Development Group from June to August 2012.

Michael's previous roles included General Manager and Executive Director, Programs and Partnerships Division, and management positions within the Department of Treasury and Finance and the Department of Premier and Cabinet.

Michael holds a Bachelor of Arts (Hons) and an Executive Masters of Public Administration.

## Deputy Secretary, Early Childhood Development Group Deputy Secretary, Early Childhood and School Education Group

### Dr Sonia Sharp

Sonia Sharp was Deputy Secretary, Early Childhood Development Group, from August 2012 until April 2013. She took up a new portfolio that combines the School Education and the Early Childhood Development Groups in April 2013.

As Deputy Secretary, Early Childhood and School Education Group, Sonia's role is to provide high-calibre learning from 0–18, with a focus on lifting standards of instructional and developmental practice and improving children's health and wellbeing.

Prior to this she was Executive Director for children, young people, families, lifelong learning and skills in Sheffield, the fourth largest city in the United Kingdom.

Sonia's background is in teaching, research and educational psychology. She holds a Master's degree and Doctorate in Education Psychology, and the National Professional Qualification for Head Teachers. She was Chair of the Division of Educational and Child Psychology of the British Psychological Society and a Director of the Association of Directors of Children's Services, and led national policy on workforce development. She has published a number of books and articles and is known internationally for her work on tackling bullying in schools.

## Deputy Secretary, Regional Services Group

### Mr Nicholas Pole

Nicholas Pole commenced as Deputy Secretary, Regional Services Group, in April 2012. His role is to design, plan, broker and deliver integrated education, child and family services that contribute to the learning and wellbeing of Victorian children and young people.

Nicholas has more than 27 years' experience across the education, welfare and public sectors, and a reputation for leading and implementing reform. Prior to joining the Department, Nicholas was Deputy Secretary, Special Education and Canterbury Earthquake Recovery, for the New Zealand Ministry of Education.

Nicholas holds a Bachelor of Education and Diploma in Teaching, and a Master of Business Administration.

## Deputy Secretary, Higher Education and Skills Group

### Ms Kym Peake

Kym Peake joined the Department in 2010 as Deputy Secretary, Higher Education and Skills Group (formerly Skills Victoria).

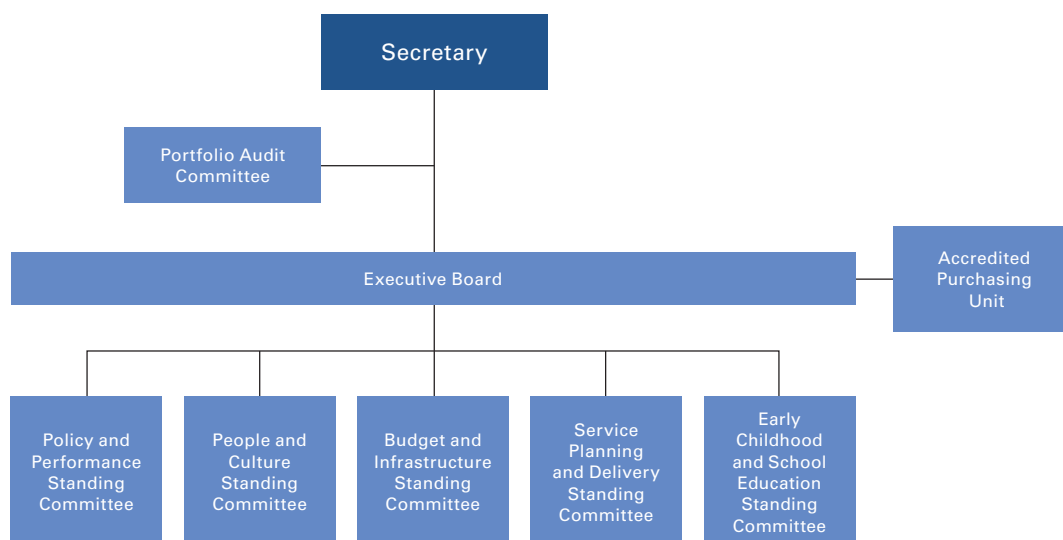
As Deputy Secretary, Kym has overseen the implementation of major reform to Victoria's demand-driven vocational training market. The reforms are underpinned by student entitlement and market contestability with a focus on increasing participation, enabling informed consumer choice, greater industry engagement, market facilitation, targeted government investment and the provision of high-quality training.

Kym has extensive experience working at the State and Commonwealth levels, leading complex policy, legislation and service delivery reforms. Before commencing at the Department, Kym worked in the Department of Prime Minister and Cabinet as Executive Coordinator, Productivity and Inclusion, and as Senior Departmental Advisor, Policy Liaison, to the Prime Minister's Office.

Kym holds a Bachelor of Laws and an Executive Master of Public Administration.

## Corporate governance

The Department's corporate governance structure supports the Department to set direction and make decisions, assess and treat risk, meet compliance and accountability requirements, and monitor and improve performance.



## Executive Board

The Executive Board is the ultimate governance and decision-making body for the Department. It is accountable for:

- strategic direction and leadership of the Department
- management of the Department
- decision-making
- risk management
- monitoring and evaluation of the Department's activities
- compliance
- stakeholder management.

## Executive Board members

- Mr Richard Bolt, Secretary
- Ms Monique Dawson, Deputy Secretary, People and Executive Services Group
- Mr Jim Miles, Deputy Secretary, Infrastructure and Finance Services Group
- Mr Simon Kent, Deputy Secretary, Strategy and Review Group
- Dr Sonia Sharp, Deputy Secretary, Early Childhood and School Education Group
- Mr Nicholas Pole, Deputy Secretary, Regional Services Group
- Ms Kym Peake, Deputy Secretary, Higher Education and Skills Group
- Mr John Firth, Chief Executive Officer, Victorian Curriculum and Assessment Authority

The Executive Board has five standing sub-committees.

### Policy and Performance Standing Committee

The Policy and Performance Committee is responsible for ensuring effective development and coordination of Department-wide policy and planning, research and evaluation. The committee links the Department's policy and evaluation with strategy. The committee's scope covers all Departmental activities, including statutory authorities.

### People and Culture Standing Committee

The People and Culture Committee is responsible for ensuring effective development and coordination of Department-wide workforce planning, human resources, and organisational and capability development. It is also responsible for the development and monitoring of actions to improve staff health and wellbeing. The committee's scope covers all Departmental activities, including statutory authority activities.

### Budget and Infrastructure

The Budget and Infrastructure Committee is responsible for ensuring effective strategic development and coordination of Departmental finances, physical assets and information technology. The committee's scope covers all Departmental activities, including statutory authorities.

### Service Planning and Delivery Standing Committee

The Service Planning and Delivery Committee is responsible for ensuring effective coordination and integration of services across regions and the Department's three service areas. The committee's scope covers all head office and regional activities.

### Early Childhood and School Education Standing Committee

The Early Childhood and School Education Committee is responsible for leading and implementing learning, development and wellbeing improvement strategies (0–18 years), and ensuring alignment across the Department. The committee identifies projects resulting from key reform statements, coordinates the development of policy options and initiatives, and oversees monitoring, reporting and communication with regions, schools and stakeholders.

The Board may establish other standing or temporary subcommittees as necessary. Temporary subcommittees are generally established to manage issues that are expected to have a limited timeframe.

## Portfolio Audit Committee

The Portfolio Audit Committee was established to comply with the Standing Directions of the Minister for Finance under the *Financial Management Act 1994*.

The committee is responsible to the Secretary and oversees governance and provides advice on audit, risk management and business assurance activities across the education and early childhood development portfolio.

The committee comprises four independent members and two internal members:

#### Independent

- Mr Stewart Leslie (Chair)
- Ms Jan Begg
- Mr Stuart Gooley
- Mr John Thomson

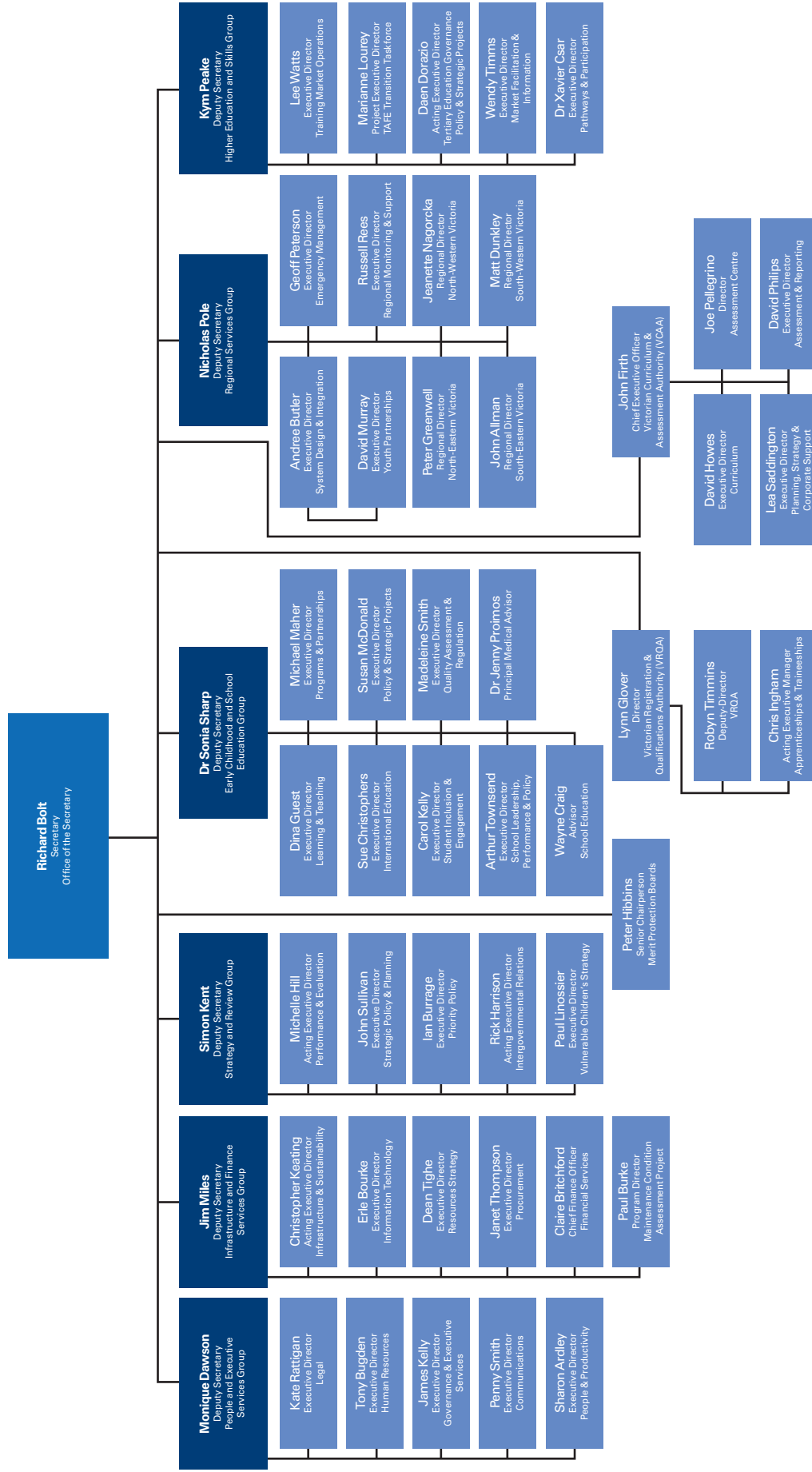
#### Internal

- Monique Dawson, Deputy Secretary, People and Executive Services Group
- Dean Tighe, Executive Director, Resources Strategy Division.

## Accredited Purchasing Unit

The Accredited Purchasing Unit is a governance committee that oversees procurement activity for goods and services (greater than \$100,000) from all business areas within the Department, including regional offices and designated statutory authorities. This is undertaken in accordance with the Victorian Government Purchasing Board policies.

# Departmental organisational chart as at 30 June 2013





# Summary of financial results

The Financial Statements presented in this annual report relate to the controlled operations of the Department, including government schools.

Other agencies within the portfolio report separately and therefore their results are not included within the controlled financial transactions of the Department. These entities include the Victorian Curriculum and Assessment Authority (VCAA), the Victorian Institute of Teaching (VIT), the Victorian Registration and Qualifications Authority (VRQA), the Victorian Skills Commission (VSC) from 1 July 2012 to 31 December 2012, Technical and Further Education institutions (TAFEs), the Adult, Community and Further Education Board (ACFE), the Centre for Adult Education (CAE) and Adult Multicultural Education Services (AMES).

The following table provides information on the Department's financial result for the financial year just completed and comparative information for the preceding four financial years.

## Five-year financial summary

	2012–13** \$ m	2011–12 \$ m	2010–11** \$ m	2009–10 \$ m	2008–09 \$ m
<b>Operating revenue</b>					
Revenue from State Government	<b>10,382.3</b>	10,216.9	8,877.6	7,522.1	7,129.8
Other revenue	<b>729.6</b>	676.3	671.9	705.4	643.8
<b>Total income from transactions</b>	<b>11,111.9</b>	10,893.2	9,549.5	8,227.5	7,773.6
<b>Total expenses from transactions</b>	<b>11,028.1</b>	10,990.7	9,542.0	8,204.6	7,769.0
<b>Net result from transactions</b>	<b>83.8</b>	(97.4)	7.5	22.9	4.6
<b>Total other economic flows</b>	<b>22.8</b>	(77.7)	6.7	(0.6)	(60.1)
<b>Net result for period</b>	<b>106.5</b>	(175.1)	14.2	22.3	(55.5)
<b>Net cash flow from operations</b>	<b>451.9</b>	141.6	297.3	71.1	201.4
<b>Total assets</b>	<b>16,430.1</b>	15,839.1	16,197.9	14,476.5	13,206.7
<b>Total liabilities</b>	<b>2,163.9</b>	2,117.6	2,221.5	1,838.7	1,592.5
<b>Net assets</b>	<b>14,266.2</b>	13,721.6	13,976.4	12,637.8	11,614.2

\* Figures for 2010–11 include 6 months of the skills and adult, community and further education output.

\*\* Figures for 2012–13 include 6 months of the results from the abolished Victorian Skills Commission.

## Financial performance

The Department's net result from transactions for 2013 is a surplus of \$83.8 million, compared with a loss of \$97.4 million in 2012. Other economic flows total \$22.8 million surplus. This result arises mainly from the gain in the revaluation of long service leave liability due to the change in the discount rates used for calculating the liability. This is partly offset by the impairment of the Ultranet driven by the Department noting considerable uncertainty as to its future use. The net result for the year is a surplus of \$106.5 million, compared to a loss of \$175.1 million in 2012.

The Department's growth in revenue primarily reflects the increased funding in the State and Commonwealth budget for delivery of output initiatives on behalf of the Government, and general inflation-related indexation.

The Department's expenditure reflects increased payroll expenditure due to the implementation of the 2013 Enterprise Bargaining Agreement for teachers and increases in the depreciation and capital assets charge due to the capitalisation of Building the Education Revolution assets, offset by decrease in schools operating supplies and maintenance expenditure.

## Balance sheet

The Department's net asset base as at 30 June 2013 was \$14.3 billion, comprising total assets of \$16.4 billion and total liabilities of \$2.2 billion.

The major assets of the Department are property, plant and equipment; these assets represent 86 per cent (\$14.2 billion) of the total assets of the Department. In 2013, the value of the Department's property, plant and equipment increased by \$539.2 million, mainly due to a land revaluation increment of \$608.9 million, offset by a building revaluation decrement and building impairment of \$152.9 million, and the transfer of the TAFE Student Management System to non-financial assets held for distribution totalling \$69.2 million.

## Cash flows

The increase in the net cash flows from operations is due mainly to the accruals under the 2013 Enterprise Bargaining Agreement for teachers and decrease in schools' operating supplies and maintenance expenditure. Additionally, the net cash flows from operations have increased due to changes in prepayments, receivables and payables arising from the timing of cash payments and receipts against these items.

The impact of the winding down of the Building the Education Revolution Program continues to be seen in the cash flow statement, in the payments for non-financial assets, in GST recovered, and in owner contributions by the State Government.

# Performance

The Department's outcomes enable the progress of children and young people to be measured as they move from early childhood into their school years, and as they successfully transition into further education and work.

## Outcomes

In 2012–13, the Department adopted four new outcomes (also referred to as objectives) to lift Victorian education performance into the global top tier (see p 6). This section reports on the Department's performance indicators against these outcomes. The results from 2012–13 indicate that Victoria's learning and development services delivered good outcomes, but there is significant room to improve.

For *Achievement*, Victoria has seen improvements in AEDI results from 2009 to 2012, while implementing a number of reforms for early childhood services. Results from NAPLAN indicate that the proportion of Victorian students meeting the expected standard in literacy and numeracy is consistently above the Australian average; our performance, however, has generally not improved over the past five years. There has been significant growth in participation in government subsidised VET training between 2008 and 2012, with enrolments up by 76 per cent. In May 2012 the Government implemented Refocusing Vocational Training in Victoria, to ensure public investment better targets training to areas of greatest public benefit and future jobs growth.

*Engagement* in our services is strong, with almost all newborns attending the first maternal and child health consultation, and a kindergarten participation rate of 97.9 per cent. Student attendance in schools is stable, and the percentage of students expressing a positive opinion of their teachers providing a stimulating learning environment is increasing. There is, however, room to improve students' engagement in school and the learning environment and as a consequence, the Department's Strategic Plan has a strong focus on making secondary schools more engaging. Alongside the increase in participation, the number of completions in VET courses of study has increased by 79 per cent from 2008 to 2012.

For *Wellbeing*, key progress measures indicate positive trends in student opinion: students feel connected to school and have a positive opinion about their school providing a safe and orderly environment for learning. High levels of satisfaction with the quality of their training were reported by 87.6 per cent of students in Victoria who had undertaken VET training.

Developing *Productivity* indicators will be a focus in 2013-14 and reported for the next financial year. They will include unit costs of service.

The Department's 2013–17 Strategic Plan outlines strategies to improve performance for all outcomes.

## Achievement

Raise standards of learning and development achieved by Victorians using education, development and child health services.

### Key progress measures

Major outputs/deliverables <sup>(a)</sup>	Unit of measure	2008	2009	2010	2011	2012
<b>Early childhood development</b>						
<b>Children developmentally 'on track' on the AEDI language and cognitive skills domains</b>						
Proportion of children developmentally 'on track' on the AEDI <sup>1</sup> language and cognitive skills domains	per cent	n/a	84.0	n/a	n/a	84.0
<b>School education</b>						
<b>Students meeting the expected standard in national and international literacy and numeracy assessments<sup>(b)</sup></b>						
Year 3 NAPLAN Proportion of students at or above the National Minimum Standard – Literacy	per cent	95.2	95.2	95.4	95.3	95.2
Year 3 NAPLAN Proportion of students at or above the National Minimum Standard – Numeracy	per cent	96.5	95.6	95.4	96.2	95.6
Year 5 NAPLAN Proportion of students at or above the National Minimum Standard – Literacy	per cent	93.7	94.2	94.2	94.3	94.1
Year 5 NAPLAN Proportion of students at or above the National Minimum Standard – Numeracy	per cent	94.6	95.5	95.7	95.6	95.0
Year 7 NAPLAN Proportion of students at or above the National Minimum Standard – Literacy	per cent	95.8	95.4	96.2	95.8	95.5
Year 7 NAPLAN Proportion of students at or above the National Minimum Standard – Numeracy	per cent	96.5	96.0	96.1	95.8	95.0
Year 9 NAPLAN Proportion of students at or above the National Minimum Standard – Literacy	per cent	94.7	94.3	93.3	94.0	93.0
Year 9 NAPLAN Proportion of students at or above the National Minimum Standard – Numeracy	per cent	95.2	96.3	94.8	94.6	95.0
Proportion of Year 4 students reaching the international benchmarks (PIRLS) <sup>(c)2</sup> – Reading	per cent	n/a	n/a	n/a	80.0	n/a
Proportion of Year 4 students reaching the international benchmarks (TIMSS) <sup>(d)2</sup> – Mathematics	per cent	n/a	n/a	n/a	75.0	n/a
Proportion of Year 8 students reaching the international benchmarks (TIMSS) <sup>(d)3</sup> – Mathematics	per cent	n/a	n/a	n/a	65.0	n/a
<b>Higher education and skills</b>						
<b>Year 12 or equivalent completion rates of young people</b>						
Year 12 or a non-school qualification at Certificate II level or above of young people 20–24 years <sup>(e)4</sup>	per cent	88.7	86.8	88.1	86.1	88.0
<b>VET course completions</b>						
VET completions <sup>(f)5</sup>	number	133,000	133,400	152,600	187,500	238,500

#### Notes

<sup>(a)</sup> n/a not available or not applicable.

<sup>(b)</sup> Victorian government and non-government schools.

<sup>(c)</sup> Progress in International Reading Literacy Study (PIRLS).

<sup>(d)</sup> Trends in International Mathematics and Science Study (TIMSS).

<sup>(e)</sup> Survey estimates are subject to statistical error.

<sup>(f)</sup> Government subsidised and TAFE fee for service. Data rounded. Completions data is likely an undercount of actual completions between 2008 and 2012. Under reporting of completions may be due to variations in administrative practices for Victorian training organisations in identifying, recording and reporting qualification completion or variations in student intent and behaviour in completing qualifications.

#### Sources

<sup>1</sup> Australian Early Development Index (AEDI), 2009 and 2012.

<sup>2</sup> Thomson, S., Hillman, K., Wernert, N., Schmid, M., Buckley, S. and Munene, A. (2012). *Monitoring Australian Year 4 student achievement internationally: TIMSS and PIRLS 2011*, ACER.

<sup>3</sup> Thomson, S., Hillman, K. and Wernert, N. (2012). *Monitoring Australian Year 8 student achievement internationally: TIMSS 2011*, ACER.

<sup>4</sup> ABS Survey of Education and Work (cat.no. 62270.55.003).

<sup>5</sup> Department of Education and Early Childhood Development internal administrative data.

## Engagement

Increase the number of Victorians actively participating in education, development and child health services.

### Key progress measures

Major outputs/deliverables	Unit of measure	2008	2009	2010	2011	2012
<b>Early childhood development</b>						
<b>Participation in a kindergarten service in the year before school</b>						
Kindergarten participation rate for first year enrolments	per cent	92.4	92.7	95.1	94.6	97.9
<b>Participation in Maternal and Child Health Services<sup>(a)</sup></b>						
Home consultation	per cent	98.9	98.9	99.8	100	100
12 months	per cent	81.4	81.5	80.3	81.9	80.7
3.5 years	per cent	60.1	58.3	63.1	62.8	64.4
<b>School education</b>						
<b>Students with acceptable levels of school attendance<sup>(b)</sup></b>						
Average rate of student attendance at Year 5	per cent	93	93	93	93	93
Average rate of student attendance at Year 6	per cent	93	93	93	93	93
Average rate of student attendance at Years 7–10	per cent	90	90	90	90	90
Average rate of student attendance at Years 11–12	per cent	92	91	92	92	92
<b>Students with a positive opinion of their teachers providing a stimulating learning environment<sup>(b)(c)1</sup></b>						
Proportion of Year 5–6 students who agree or strongly agree that their school provides a stimulating learning environment	per cent	52.7	55.9	59.2	60.9	62.7
Proportion of Year 7–10 students who agree or strongly agree that their school provides a stimulating learning environment	per cent	14.5	15.2	17.1	18.5	21.4
Proportion of Year 11–12 students who agree or strongly agree that their school provides a stimulating learning environment	per cent	12.5	14.4	16.5	17.5	20.3
<b>Higher education and skills</b>						
<b>VET enrolments by age and gender<sup>(d)2</sup></b>						
15–19 years	number	74,400	76,000	88,300	108,700	120,500
20–24 years	number	58,800	59,200	71,400	87,800	100,900
25–44 years	number	99,700	102,400	112,600	148,500	180,200
45–64 years	number	51,100	52,900	60,200	77,100	96,400
Under 15, over 64 & not stated	number	10,700	9,200	6,700	8,100	11,800
Female	number	139,800	140,900	161,600	208,500	251,900
Male	number	154,700	157,300	176,400	220,700	257,200
<b>VET enrolments by administrative regions<sup>(e)2</sup></b>						
South–Western	number	119,600	115,800	139,400	202,900	267,800
North–Western	number	70,500	80,300	84,700	101,500	124,400
North–Eastern	number	84,700	78,200	84,800	100,900	110,400
South–Eastern	number	90,300	90,000	104,300	128,100	157,100

#### Notes

<sup>(a)</sup> 2008 refers to the 2007–08 financial year, 2009 refers to the 2008–09 financial year, 2010 refers to the 2009–10 financial year, 2011 refers to the 2010–11 financial year, and 2012 refers to the 2011–12 financial year.

<sup>(b)</sup> Victorian government schools only.

<sup>(c)</sup> These proportions are derived from multiple questions. Only students who responded 'agree' or 'strongly agree' on all relevant questions are included in these results. Other students gave mixed or opposite views.

<sup>(d)</sup> Government subsidised. Data rounded.

<sup>(e)</sup> Government subsidised. Due to students in some cases studying across regional boundaries, counts of students should not be tallied across regions. Data rounded.

#### Sources

<sup>1</sup> Department of Education and Early Childhood Development Attitudes to School Survey.

<sup>2</sup> Department of Education and Early Childhood Development internal administrative data.

## Engagement

### Key progress measures

Major outputs/deliverables	Unit of measure	2008	2009	2010	2011	2012
<b>Higher education and skills</b>						
<b>Enrolments by skills shortage category courses<sup>(a)1</sup></b>						
Government subsidised enrolments in skills shortage occupations	number	84,200	95,900	108,900	129,400	152,400
<b>Enrolments by specialised category courses<sup>(a)1</sup></b>						
Government subsidised enrolments in specialist occupations	number	57,000	59,300	64,900	72,300	80,300

Note

<sup>(a)</sup> Data rounded.

Source

<sup>1</sup> Department of Education and Early Childhood Development internal administrative data.



## Wellbeing

Increase the contribution education, development and child health services make to good health and quality of life of Victorians, particularly children and young people.

### Key progress measures

Major outputs/deliverables <sup>(a)</sup>	Unit of measure	2008	2009	2010	2011	2012
<b>Early childhood development</b>						
<b>Children developmentally 'on track' on the AEDI social competence and emotional maturity domains</b>						
Children developmentally 'on track' on the AEDI <sup>1</sup> social competence domain	per cent	n/a	77.6	n/a	n/a	78.6
Children developmentally 'on track' on the AEDI <sup>1</sup> emotional maturity domain	per cent	n/a	77.3	n/a	n/a	79.3
<b>School education</b>						
<b>Students feeling connected to their school<sup>(b)(c)2</sup></b>						
Proportion of Year 5–6 students who agree or strongly agree that they feel connected to their school	per cent	56.7	60.0	62.9	64.9	66.1
Proportion of Year 7–10 students who agree or strongly agree that they feel connected to their school	per cent	26.6	27.4	29.0	31.2	33.8
Proportion of Year 11–12 students who agree or strongly agree that they feel connected to their school	per cent	21.0	22.2	23.9	24.8	27.2
<b>Students with a positive opinion about their school providing a safe and orderly environment for learning<sup>(b)(c)2</sup></b>						
Proportion of Year 5–6 students who agree or strongly agree that their school is 'safe'	per cent	54.1	56.7	61.0	63.9	63.8
Proportion of Year 7–10 students who agree or strongly agree that their school is 'safe'	per cent	49.3	51.6	55.3	58.1	59.1
Proportion of Year 11–12 students who agree or strongly agree that their school is 'safe'	per cent	55.7	58.7	61.7	63.9	65.5
Proportion of Year 5–6 students who agree or strongly agree that other students are disruptive in class	per cent	18.2	16.5	15.0	13.5	14.2
Proportion of Year 7–10 students who agree or strongly agree that other students are disruptive in class	per cent	28.8	28.1	27.4	26.2	26.5
Proportion of Year 11–12 students who agree or strongly agree that other students are disruptive in class	per cent	21.1	20.8	20.3	18.8	18.7
<b>Higher education and skills</b>						
<b>Level of student satisfaction with VET</b>						
Proportion of graduates satisfied with the overall quality of training <sup>(d)3</sup>	per cent	86.8	87.9	86.2	87.8	87.6

#### Notes

<sup>(a)</sup> n/a not available or not applicable.

<sup>(b)</sup> Victorian government schools only.

<sup>(c)</sup> These proportions are derived from multiple questions. Only students who responded 'agree' or 'strongly agree' on all relevant questions are included in these results. Other students gave mixed or opposite views.

<sup>(d)</sup> Survey estimates are subject to statistical error.

#### Sources

<sup>1</sup> Australian Early Development Index, 2009 and 2012.

<sup>2</sup> Department of Education and Early Childhood Development Attitudes to School Survey.

<sup>3</sup> Student Outcomes Survey, National Centre for Vocational Education Research 2012, Australian vocational education and training statistics: student outcomes 2012 (item 2572).

## Outputs

This section reports on the Department's performance and achievement against the output measures for life stages, plus strategy, review and regulation, support services development and support for students with disabilities, as detailed in Budget Paper No. 3.

These output measures refer to a financial year unless otherwise indicated.

### Early childhood development

The early childhood development output group provides funding for a range of services that support children in the early years, including kindergarten and children's services, maternal and child health, and early intervention services for children with a disability. These outputs make a significant contribution to the Government's key outcomes in early childhood services. This group and its outputs contribute towards providing and improving services to support all the Department's objectives of achievement, engagement, wellbeing and productivity.

Performance measures	Unit of measure	2012–13 Target	2012–13 Actual	Comments
Children funded to participate in kindergarten	number	68,750	72,520	This performance measure includes second-year participants.
Kindergarten participation rate	per cent	93.5	97.9	This performance measure relates to the calendar year. This performance measure excludes second-year participants.
Maternal and child health clients with children aged 0 to 1 year receiving enhanced maternal and child health services	per cent	10	16.9	The Actual is higher than the Target due to some municipal councils providing services above the target cohort, and increases in the birth rates in some local government areas. This performance measure refers to the previous financial year.
Number of Early Childhood Intervention Service places and packages funded annually	number	10,325	10,325	This performance measure refers to both Early Childhood Intervention Service (ECIS) Places and Flexible Support Packages. This performance measure refers to the previous financial year.
Total number of children receiving Early Childhood Intervention Services	number	12,650	13,460	The Actual is higher than the Target due to additional funding and continued growth in the number of children receiving ECIS. This performance measure refers to the previous financial year.
Total number of Maternal and Child Health Service clients (aged 0 to 1 year)	number	70,000	73,844	The Actual is higher than the Target due to sustained population increase. This performance measure refers to the previous financial year.
Families who are satisfied with the Early Childhood Intervention Services provided	per cent	85	95	The Actual is higher than the Target due to higher than expected satisfaction levels with service delivery. This performance measure refers to the previous financial year.
Funded kindergarten services assessed under the National Quality Framework that have a quality assurance process	per cent	100	100	This performance measure relates to the calendar year.
Children aged 0 to 1 month enrolled at maternal and child health services from birth notifications	per cent	98.5	99.3	This performance measure refers to the previous financial year.
Total output cost (early childhood development)	\$ million	507	522.1	

## School education

The school education output group has two outputs. The school education – primary output provides services to develop essential skills and learning experiences to engage young minds in the primary sector. The school education – secondary output delivers services to consolidate literacy and numeracy competencies including creative and critical thinking, as well as physical, social, emotional and intellectual development in adolescence. It also provides education services as well as varied pathways and support for transition across sectors to further study or employment. This output group contributes towards providing and improving services to support all the Department's objectives of achievement, engagement, wellbeing and productivity.

### School education — primary

This output provides education and other associated services designed to improve the quality of learning of students in Prep to Year 6 in government and non-government schools.

Performance measures	Unit of measure	2012–13 Target	2012–13 Actual	Comments
Average Prep–Year 2 class size	number	21	20.7	This performance measure relates to the calendar year. This performance measure captures government schools only.
Average rate of student attendance at Year 5	per cent	94	93	This performance measure relates to the calendar year. The attendance rate covers all absences, including those due to illness and approved family holidays.
Average rate of student attendance at Year 6	per cent	94	93	This performance measure relates to the calendar year. The attendance rate covers all absences, including those due to illness and approved family holidays.
Investment in non-government schools (Primary)	\$ million	314.3	319.5	
Number of Assistant Principals, aspiring leaders and leadership teams participating in leadership development programs	number	600	826	This performance measure relates to the calendar year. The higher 2012–13 Actual reflects additional learning opportunities offered and an increased number of courses targeted for principal class members, preparing them for the reforms outlined in Towards Victoria as a Learning Community policy.
Number of Principals participating in statewide, centrally funded leadership development programs	number	320	346	This performance measure relates to the calendar year. The higher 2012–13 Actual reflects additional learning opportunities offered and an increased number of courses targeted for principal class members, preparing them for the reforms outlined in Towards Victoria as a Learning Community policy.
Statewide computer to student ratio: primary	ratio	1:3	1:1.93	

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Performance measures	Unit of measure	2012–13 Target	2012–13 Actual	Comments
Parent satisfaction with primary schooling on a 100-point scale	100-point scale	80	83	This performance measure relates to the calendar year.
Percentage of Indigenous students meeting the national minimum standard for numeracy in Year 3 (National Assessment Program Literacy and Numeracy – NAPLAN testing)	per cent	88	85.9	This performance measure relates to the calendar year.
Percentage of Indigenous students meeting the national minimum standard for numeracy in Year 5 (NAPLAN testing)	per cent	83	83.2	This performance measure relates to the calendar year.
Percentage of Indigenous students meeting the national minimum standard for reading in Year 3 (NAPLAN testing)	per cent	87	84.9	This performance measure relates to the calendar year.
Percentage of Indigenous students meeting the national minimum standard for reading in Year 5 (NAPLAN testing)	per cent	83	81.4	This performance measure relates to the calendar year.
Percentage of students meeting the national minimum standard for numeracy in Year 3 (NAPLAN testing)	per cent	95	95.6	This performance measure relates to the calendar year.
Percentage of students meeting the national minimum standard for numeracy in Year 5 (NAPLAN testing)	per cent	94	95	This performance measure relates to the calendar year.
Percentage of students meeting the national minimum standard for reading in Year 3 (NAPLAN testing)	per cent	94.5	95.2	This performance measure relates to the calendar year.
Percentage of students meeting the national minimum standard for reading in Year 5 (NAPLAN testing)	per cent	93.5	94.1	This performance measure relates to the calendar year.
Years 5–6 students' opinion of their connectedness with the school	number (1–5)	4.3	4.4	This performance measure relates to the calendar year. Data is drawn from the Attitudes to School Survey, where a higher score represents a higher level of connectedness (that is, students feel they belong and enjoy attending school).
Total output cost (school education – primary)	\$ million	4,013.3	4,003.7	

## School education — secondary

This output involves provision of education and other associated services designed to improve the quality of student learning and transition of students in Years 7 to 12 in government and non-government schools. It also covers the provision of cross-sectoral services to improve the transition to further education, training and employment.

Performance measures	Unit of measure	2012–13 Target	2012–13 Actual	Comments
Investment in non-government schools (Secondary)	\$ million	330.2	336.2	
Number of certificate enrolments in accredited vocational programs in schools	number	50,000	58,045	This performance measure relates to the calendar year. This performance measure includes government and non-government schools. The 2012–13 Actual is higher than the 2012–13 Target due to higher than anticipated demand.
Number of school-based apprentices/trainees	number	3,600	4,169	This performance measure relates to the calendar year. This performance measure includes government and non-government schools. The 2012–13 Actual is higher than the 2012–13 Target due to higher than anticipated demand in the number of full-time traineeships. Up until 2012–13 this measure related only to full-time apprenticeships and traineeships entered by schools on the Victorian Assessment Software System (VASS system).
Number of school students enrolled in Victorian Certificate of Applied Learning	number	15,900	17,026	This performance measure relates to the calendar year. This performance measure includes government and non-government schools. The 2012–13 Actual is higher than the 2012–13 Target due to higher than anticipated demand.
Number of school students participating in accredited vocational programs	number	39,000	45,907	This performance measure relates to the calendar year. This performance measure includes government and non-government schools. The 2012–13 Actual is higher than the 2012–13 Target due to higher than anticipated demand.
Number of school students satisfactorily completing at least one Victorian Certificate of Applied Learning certificate	number	8,700	9,765	This performance measure relates to the calendar year. This performance measure includes government and non-government schools. The 2012–13 Actual is higher than the 2012–13 Target due to higher than anticipated demand. An increasing proportion of students are undertaking the VCAL at Intermediate and Senior levels as the VCAL becomes better established as an alternative qualification to the VCE.
Statewide computer to student ratio: secondary	ratio	1:2	1:1.03	

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Performance measures	Unit of measure	2012–13 Target	2012–13 Actual	Comments
Average rate of student attendance in Years 7–10	per cent	91	90	This performance measure relates to the calendar year. The attendance rate covers all absences, including those due to illness and approved family holidays.
Average rate of student attendance in Years 11 and 12	per cent	91	92	This performance measure relates to the calendar year.
Enrolments in units of accredited vocational programs in schools as a proportion of total VCE unit enrolments in schools	per cent	8.6	9.2	This performance measure relates to the calendar year. This performance measure includes government and non-government schools. The 2012–13 Actual is higher than the 2012–13 Target due to a higher proportion of students choosing to undertake vocational training as part of their VCE study program.
Median VCE study score	number	29	29	This performance measure relates to the calendar year.
Parent satisfaction with secondary schooling on a 100-point scale	100-point scale	72	75	This performance measure relates to the calendar year.
Percentage of Indigenous students meeting the national minimum standard for numeracy in Year 7 (NAPLAN testing)	per cent	84	85.7	This performance measure relates to the calendar year.
Percentage of Indigenous students meeting the national minimum standard for numeracy in Year 9 (NAPLAN testing)	per cent	80	83.1	This performance measure relates to the calendar year.
Percentage of Indigenous students meeting the national minimum standard for reading in Year 7 (NAPLAN testing)	per cent	85	87.8	This performance measure relates to the calendar year.
Percentage of Indigenous students meeting the national minimum standard for reading in Year 9 (NAPLAN testing)	per cent	80	80.7	This performance measure relates to the calendar year.
Percentage of students meeting the national minimum standard for numeracy in Year 7 (NAPLAN testing)	per cent	95	95	This performance measure relates to the calendar year.
Percentage of students meeting the national minimum standard for numeracy in Year 9 (NAPLAN testing)	per cent	93.5	95	This performance measure relates to the calendar year.
Percentage of students meeting the national minimum standard for reading in Year 7 (NAPLAN testing)	per cent	94.3	95.5	This performance measure relates to the calendar year.
Percentage of students meeting the national minimum standard for reading in Year 9 (NAPLAN testing)	per cent	93	93	This performance measure relates to the calendar year.

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Performance measures	Unit of measure	2012–13 Target	2012–13 Actual	Comments
Percentage of Year 9 students reaching the top two Bands (Bands 9 and 10) in NAPLAN Numeracy	per cent	23	24.7	This performance measure relates to the calendar year. These NAPLAN performance measures, Targets, Actuals and results have 95 per cent confidence intervals as high as +4.5 per cent and -4.5 per cent. The scale for each domain is divided into ten bands to cover the full range of student achievement in the tests. The bands map the increasing complexity of the skills assessed by NAPLAN.
Percentage of Year 9 students reaching the top two Bands (Bands 9 and 10) in NAPLAN Reading	per cent	20	20.4	This performance measure relates to the calendar year.
Percentage of school leavers completing a VCE VET certificate program in a school progressing to further education, training or work	per cent	91.6	95.9	This performance measure relates to the calendar year. This performance measure includes government and non-government schools.
Percentage of school leavers completing an Intermediate or Senior Victorian Certificate of Applied Learning certificate in a school progressing to further education, training or work	per cent	82.9	85	This performance measure relates to the calendar year. This performance measure includes government and non-government schools.
Percentage of Victorian Certificate of Applied Learning Certificates satisfactorily completed by school students	per cent	71	77.6	This performance measure relates to the calendar year. This performance measure includes government and non-government schools. The 2012–13 Actual is higher than the 2012–13 Target due to higher than anticipated completion trends. An increasing proportion of students are undertaking the VCAL at Intermediate and Senior levels as the VCAL becomes better established as an alternative qualification to the VCE.
Statewide rate of transition from Year 10 to Year 11	per cent	97	97.9	This performance measure relates to the calendar year. Data based on the February school census. This performance measure captures government schools only.
Years 7–9 students' opinion of their connectedness with the school	number (1–5)	3.6	3.7	This performance measure relates to the calendar year. Data is drawn from the Attitudes to School Survey, where a higher score represents a higher level of connectedness (that is, students feel they belong and enjoy attending school).
Total output cost (school education – secondary)	\$ million	3,456	3,447.4	

## Higher education and skills

The higher education and skills output group responds to the labour and skills needs of individuals and industry. This output covers the system design, contracting and monitoring of vocational education and training services. It also involves the development and implementation of effective strategies for accredited and pre-accredited vocational education and training through adult community education. This output group contributes towards providing and improving services to support all the Department's objectives of achievement, engagement, wellbeing and productivity.

Performance measures	Unit of measure	2012–13 Target	2012–13 Actual	Comments
Annual government-funded module enrolments	number (million)	4.8	5.8	This performance measure relates to the calendar year. The 2012–13 Actual is higher than the 2012–13 Target due to more people accessing training places through the Victorian Training Guarantee. Victorian Training Guarantee course funding is available to Victorians who meet a set of eligibility criteria.
Government-funded student contact hours of training and further education provided	number (million)	147	189	This performance measure relates to the calendar year. The 2012–13 Actual is higher than the 2012–13 Target due to more people accessing training places through the Victorian Training Guarantee. Victorian Training Guarantee course funding is available to Victorians who meet a set of eligibility criteria.
Number of apprenticeship/traineeship commencements by new employees	number	56,000	44,043	The lower 2012–13 Actual reflects lower than anticipated commencements due to changes in Commonwealth incentive payments, subdued business conditions in the construction sector and changes in state subsidy levels for some traineeship programs.
Number of apprenticeships/trainees who qualify for the completion bonus	number	11,000	9,055	The lower 2012–13 Actual reflects the higher number of eligible apprentices/trainees who completed their apprenticeships/traineeships ahead of time in 2011–12. This initiative is being phased out and only applies to apprentices/trainees who commenced prior to July 2011.
Number of government-funded course enrolments in qualifications at Diploma level or above	number	86,000	94,428	This performance measure relates to the calendar year. The 2012–13 Actual is higher than the 2012–13 Target due to more people accessing training places through the Victorian Training Guarantee. Victorian Training Guarantee course funding is available to Victorians who meet a set of eligibility criteria.
Number of pre-accredited module enrolments government-funded through the Adult Community and Further Education (ACFE) Board – Adult Community Education organisations and Australian Education Internationals	number	33,000	36,618	This performance measure relates to the calendar year. The 2012–13 Actual is higher than the 2012–13 Target due to time limited reprioritisation resulting in additional funding by the ACFE Board.

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Performance measures	Unit of measure	2012–13 Target	2012–13 Actual	Comments
Participation rate of 15 – 24 year olds in training and further education in Victoria	per cent	32.4	36.6	This performance measure relates to the calendar year. The 2012–13 Actual is higher than the 2012–13 Target due to more people accessing training places through the Victorian Training Guarantee. Victorian Training Guarantee course funding is available to Victorians who meet a set of eligibility criteria.
Participation rate of 25 – 64 year olds in training and further education in Victoria	per cent	11.2	12.8	This performance measure relates to the calendar year. The 2012–13 Actual is higher than the 2012–13 Target due to more people accessing training places through the Victorian Training Guarantee. Victorian Training Guarantee course funding is available to Victorians who meet a set of eligibility criteria.
Percentage of VET graduates who rate quality of training as four or more out of five	per cent	88.5	87.6	This performance measure relates to the calendar year. The data for this measure is sourced from an annual sample survey undertaken nationally by the National Centre for Vocational Education Research (NCVER). The results from the survey include a level of statistical error associated with a sample survey. The NCVER reported that this result included a statistical confidence interval of $\pm 1.7$ percentage points. Therefore there was a 95 per cent certainty that the Actual result of the population was 87.6 per cent $\pm 1.7$ percentage points (85.9 per cent to 89.3 per cent). The 2012 result was statistically at or above the Target.
Successful training completions as measured by module load completion rate	per cent	77.9	83.5	This performance measure relates to the calendar year. The 2012–13 Actual is higher than the 2012–13 Target due to more people accessing training places through the Victorian Training Guarantee. Victorian Training Guarantee course funding is available to Victorians who meet a set of eligibility criteria.
VET graduates in employment six months following graduation	per cent	78.5	75.3	This performance measure relates to the calendar year. The data for this measure is sourced from an annual sample survey undertaken nationally by the National Centre for Vocational Education Research (NCVER). The results from the survey include a level of statistical error associated with a sample survey. The NCVER reported that this result included a statistical confidence interval of $\pm 2.4$ percentage points. Therefore there was a 95 per cent certainty that the Actual result in the population was 75.3 per cent $\pm 2.4$ percentage points (72.9 per cent to 77.7 per cent). While the result was statistically below the Target it is likely that the result was influenced by the statistical issues associated with the small sample size.
Total output cost (higher education and skills)	\$ million	2,437.7	2,690.4	The 2012–13 Actual is primarily higher than the 2012–13 Target due to more people accessing training places through the Victorian Training Guarantee. Victorian Training Guarantee course funding is available to Victorians who meet a set of eligibility criteria.

## Strategy, review and regulation

The strategy, review and regulation output group develops, plans and monitors strategic policy settings across all stages of learning. It also includes inter-governmental negotiations as well as research, data and performance evaluations. This output group also supports regulation that ensures quality education and training is delivered and contributes to all the Department's objectives of achievement, engagement, wellbeing and productivity.

Performance measures	Unit of measure	2012–13 Target	2012–13 Actual	Comments
Participants benefiting from initiatives to increase the supply of trained/qualified teachers	number	640	637	The 2012-13 Actual is lower than the 2012-13 Target due to a delay in finalising a small number of scholarship participants' contracts.
Stakeholder satisfaction with the Victorian Registration and Qualifications Authority and its services	per cent	60	63	This performance measure relates to the calendar year.
Total output cost (strategy review and regulation)	\$ million	116.5	95.9	The 2012–13 Actual is lower than the 2012–13 Target primarily due to Commonwealth National Partnership funding received late in the financial year as well as the delay of various review projects

## Support services delivery

The support services delivery output group covers the Regional Support Group and provides student welfare and support, education maintenance allowance, student transport (excluding transport for special needs students) and health services. This output group contributes towards providing and improving services to support all the Department's objectives of achievement, engagement, wellbeing and productivity.

Performance measures	Unit of measure	2012–13 Target	2012–13 Actual	Comments
Investment in student transport (excludes special need students)	\$ million	47	42.1	The 2012–13 Actual is lower than the 2012–13 Target primarily due to the impact of changed metropolitan boundaries for conveyance allowance as well as the introduction of an online application system which has enabled greater accuracy to determine the number of eligible students.
Investment in student welfare and support	\$ million	207.8	217.0	
Prep-aged students assessed by school nurses	number	56,000	60,499	This performance measure relates to the calendar year. This performance measure includes government and non-government schools. The 2012–13 Actual is higher than the 2012–13 Target due to an increase in Prep enrolments.
Provision of Education Maintenance Allowance	\$ million	48.8	45.8	The 2012–13 Actual is lower than the 2012–13 Target due to the lower than expected number of parents being eligible for the Education Maintenance Allowance (EMA). EMA eligibility is based on the number of parents who qualify for a Centrelink concession card. This number varies from year to year and is driven by various external factors such as the unemployment rate, the economic climate and Centrelink's concession card eligibility policies.
Schools funded for primary welfare officers	number	659	657	This performance measure relates to the calendar year. The 2012–13 Actual of 657 was lower than the Target of 659 due to closure of two schools at the end of 2012. The Target is based on an estimate of the number of schools eligible for primary welfare officer funding. Actual results may vary from year to year due to factors such as school openings, mergers and closures, funding levels, student enrolments and the student family occupation index.
School students (government) supported by conveyance allowance	number	11,000	11,000	This performance measure relates to the calendar year.
School students (non-government) supported by conveyance allowance	number	31,000	35,000	This performance measure relates to the calendar year. The 2012–13 Actual is higher than the 2012–13 Target due to the introduction of an online application system which has enabled greater accuracy to determine the number of eligible students.
Schools allocated a nurse through the Secondary School Nursing Program	number	193	191	This performance measure relates to the calendar year. The 2012–13 Actual reflects school reconfigurations including closure or merger of schools.
School satisfaction with student support services	per cent	75	85.1	This performance measure relates to the calendar year. The 2012–13 Actual is higher than the 2012–13 Target due to the impact of reforms to the Student Support Services program during the period of the school surveys. Schools' perceptions of Student Support Services may have been affected by the introduction of the new model and industrial action. Fluctuations in perceptions could be expected during this time.
Total output cost (support services delivery)	\$ million	303.6	304.9	

## Support for students with disabilities

The support for students with disabilities output group covers the Program for Students with Disabilities, transport for special need students and welfare and support services for students with special needs. This output group contributes towards providing and improving services to support all the Department's objectives of achievement, engagement, wellbeing and productivity.

Performance measures	Unit of measure	2012–13 Target	2012–13 Actual	Comments
Eligible special school students provided with appropriate travel	number	7,900	8,081	This performance measure relates to the calendar year. The increase reflects increased enrolments at specialist schools.
Students funded under the disabilities program in government schools as a proportion of the total student population	per cent	3.9	4	This performance measure relates to the calendar year.
Parent satisfaction with special education on a 100-point scale	100-point scale	85	85	This performance measure relates to the calendar year.
Total output cost (support for students with disabilities)	\$ million	712.9	718.8	

## Key activities

The Department's key activities relate to the lifecycle stages of early childhood development, school education and higher education and skills.

### Early childhood development

In 2012–13, the Department continued to increase access to the quality early childhood services required to support a growing population. The Department has also begun work on the development of the Early Years Strategic Plan to set future directions to support children and their families from birth to eight years.

#### Assessing and rating services against standards

Victoria has been successfully implementing the National Quality Framework under the National Partnership Agreement on the National Quality Agenda for Early Childhood Education and Care. Assessment and rating of services against the national quality standards commenced in July 2012 and by 30 June 2013, 992 Victorian services had received an assessment and rating visit with 762 services being granted their final rating.

The ratings of services were published on the My Child and Australian Children's Education and Care Quality Authority websites on 1 May 2013. In Victoria, approximately 23 per cent of services have been rated as 'Exceeding' the National Quality Standard, 51 per cent as 'Meeting' the Standard and 26 per cent as 'Working Towards' the Standard. This compares favourably with national data where 23 per cent of services have been assessed as 'Exceeding' the Standard, 33 per cent of services have been assessed as 'Meeting' the Standard and 44 per cent of services have been assessed as 'Working Towards' the Standard.

#### Creating professional development opportunities

The implementation of the Victorian Early Years Learning and Development Framework (VEYLDF) supports early childhood practitioners to implement high-quality pedagogy and practice that will improve outcomes for all Victorian children. The introduction of the National Quality Standards and associated law and regulations on 1 January 2012 saw the VEYLDF listed as an approved learning framework.

To support the VEYLDF's introduction, professional development opportunities have been offered at low cost to early childhood professionals. Over 1000 early childhood professionals have attended Bastow leadership programs and 4000 have attended face-to-face professional development VEYLDF modules (also available online), including training for family day-care and out-of-school-hours care services. Targeted early childhood education and care services received intensive coaching, and networks were established to test assessment approaches and tools.

## Extending access to kindergarten programs

In 2013, access to a kindergarten program in the year before school increased from 10 to 15 hours per week, while maintaining Victoria's already high participation rate by national standards. Regional staff worked closely with local government and early childhood providers to ensure that children and families had information about and access to kindergarten enrolments so that these children have the best possible start to their learning and development.

## More places for children with a disability or developmental delay

An additional 500 Early Childhood Intervention Services (ECIS) places were created to provide support for children with disabilities or developmental delay. These places assist children who have not yet started school and who have a disability or developmental delay requiring a range of coordinated services and a level of support not usually available through universal services.

## Centres for Aboriginal children and families

Under the National Partnership for Indigenous Early Childhood Development, Victoria has established two Aboriginal Children and Family Centres: Bubup Wilam located in Thomastown, in the City of Whittlesea, and Dala Yooro in Bairnsdale, in the East Gippsland Shire. Both centres have made considerable progress despite their short histories. In 2013, 60 Aboriginal and Torres Strait Islander children accessed services via Bubup Wilam. Dala Yooro, open for six months, has had 34 Aboriginal and Torres Strait Islander children access services via the centre. In 2013, 100 per cent of all Aboriginal and Torres Strait Islander children who accessed services through Bubup Wilam were fully immunised and had received the latest age-appropriate health check for their age. Similarly, 94 per cent of all Aboriginal and Torres Strait Islander children who accessed services through Dala Yooro were fully immunised and had received the latest age-appropriate health check for their age. Both centres continue to build a strong supply of qualified Aboriginal staff.

## Developing an Early Years Strategic Plan

Work has commenced on the development of the Early Years Strategic Plan to improve outcomes and better support children from birth to eight years. The Department has worked with key stakeholders to explore options to improve the health, learning and development outcomes for Victoria's children. An Expert Advisory Group was created to provide expert advice and guidance, and discussions have been held with stakeholders.



## School education

Two key reform initiatives have driven activity in school education over the past year – *Towards Victoria as a Learning Community*, and *New Directions for School Leadership and the Teaching Profession*. In addition, a series of other activities was undertaken to foster the educational outcomes of Victorian school students.

### Towards Victoria as a Learning Community

The Minister for Education released the *Towards Victoria as a Learning Community* (TVLC) position paper in November 2012. The paper sets out strategic, school-based reforms that are being pursued to support achievement of the Victorian Government's education goals. These reforms include new expectations for professional practice, increased autonomy for schools, rigorous accountability arrangements, enhanced support for schools and a commitment to strengthening partnerships.

TVLC builds on the teaching and leadership reform propositions presented in the 2012 *New Directions for School Leadership and the Teaching Profession* discussion paper, and on the ideas presented in the lecture, *Victoria as a Learning Community*, given by the Minister for Education in November 2011. Implementation of key reforms is underway in partnership with school stakeholders.

### New directions for school leadership and the teaching profession

Significant consultation was undertaken with key stakeholders and the public on the *New Directions for School Leadership and the Teaching Profession* discussion paper released in June 2012. The consultation process provided significant feedback and input to ongoing policy development for school workforce reform. The discussion paper focuses on the three key reform areas, including potential actions, for consultation. These are:

- attracting great people into teaching – attracting stronger candidates and improving their preparation
- creating a high performance profession – stimulating a culture of excellence and effective professional development
- providing strong direction and support – elevating the role of leadership at school and system levels.

A common objective to these two reform initiatives is the development of a self-improving school system that lifts outcomes for all Victorian students.

### Landmark schools agreement

The Victorian Government Schools Agreement 2013 for the teaching service came into effect on 10 July 2013 with a nominal expiry date of 31 October 2016. For the first time there is one industrial agreement to cover all employees in the Victorian Government Teaching Service.

The Agreement includes objectives and commitments that build on the achievements of the government school system to improve the educational opportunities and outcomes for Victorian students.

The Agreement provides for the advertisement of all positions to promote fair and open competition and maximise the opportunity to attract a wide field of applicants with selection solely on merit.

In addition a dedicated redeployment/career transition service to support employees identified as excess to workforce requirements will be provided.

### Boost for maths and science teaching

Through the Primary Mathematics and Science Specialist Program 100 Specialists were recruited to boost primary students' engagement and achievement levels in Mathematics and Science over the 2012 and 2013 calendar years. Sixty Mathematics and 40 Science specialists have worked in school clusters involving 55 schools across the state. While student outcomes data is not yet available, anecdotal evidence indicates strong improvement in student learning.

Specialists were provided with 20 days of intensive training delivered by experts, including internationally recognised Mathematics and Science education academics. The specialists continued to teach, while providing high-quality professional learning to colleagues and neighbouring schools. A new group of 100 specialists will be recruited in Term 3, 2013, with expressions of interest invited from all Victorian government primary schools. Interest already received from schools indicates that demand will be strong for involvement in this highly regarded initiative.

### Languages – expanding your world

In May 2013, *Languages – expanding your world: Plan to implement the Victorian Government's Vision for Languages Education 2013–2025* was released. The plan sets out targets to increase the number of schools providing languages programs, students including language study at senior secondary level, and proficiency targets for students learning languages. The plan outlines a range of initiatives that are being implemented to support quality languages teaching and learning in Victorian schools:

- providing Languages Start-up grants to 87 schools without a language program to assist them to introduce a program in 2013
- awarding 55 Languages Teaching Scholarships to increase the number of qualified language teachers available to Victorian schools
- funding 30 teachers to undertake a content and language integrated learning course provided by the University of Melbourne, adding to the cohort of 87 language teachers who completed courses in 2011 and 2012.

### Showcasing performing arts

The Victorian State Schools Spectacular is an annual performing arts program that culminates in a production staged at Hisense Arena. Each year over 3000 government school students from primary and secondary schools across Victoria perform two shows in front of a live audience exceeding 12,000 people. In 2013, the early bird tickets sold out within two hours.

The Spectacular is a non-competitive program, focusing on participation and inclusion, that encourages student engagement by helping to develop confidence, and social and team work skills. It can also provide a foundation for students aiming for a career in the performing arts, with past participants going to successful careers on stage and television. The program has partnerships and sponsorship agreements to produce the event and is broadcast on the Seven Network.

### New opportunities for the gifted and talented

The *New Opportunities for the Gifted and Talented* directions paper was released in April 2013 following the Victorian Parliamentary Inquiry into the Education of Gifted and Talented Students. The directions paper outlines the Government's commitment to supporting gifted and talented young people, their families and educators. A five-year strategy to support Victoria's brightest is now being developed in consultation with educational experts.

### Life changing overseas learning

The Department's Overseas Learning Experience Program in 2012 provided 120 Year 9 and 10 Victorian government school students from low socio-economic backgrounds who had not travelled overseas before with the opportunity to participate in an overseas immersion experience, accompanied by 26 school staff.

Participating schools designed comprehensive inquiry-based learning programs for their students' overseas learning experience in four countries – China, Japan, Tonga and Italy. On their return, students presented their personal accounts of the impact of their overseas experiences to the Minister for Education. The students talked about significant personal change and the new depth of knowledge about other countries, cultures and languages that they had acquired during their travels.

### Support for children's reading

Supported by current and former Victorian Premiers, the annual Premiers' Reading Challenge promotes the importance of reading among students in Victorian schools and encourages families and parents to be more involved with supporting children's reading.

Approximately 200,000 Victorian students from Prep to Year 10 complete the challenge each year. Each student must read a specific number of books, depending on their age, to meet the challenge.

In 2013, the challenge was expanded to include pre-school children from birth to five. Research by the Department and the Melbourne Institute of Applied Economic and Social Research found a direct causal link between reading to young children and schooling outcomes. To support this, a wall frieze to promote the importance of reading to children every day was distributed to early childhood services.

The challenge was also promoted to all Victorian schools and early childhood services. Promotional materials were produced in 20 languages other than English to encourage families from multicultural backgrounds to participate.

## Peer-led accountability reform in schools

A trial of peer-led school reviews has been conducted in 18 Victorian government schools, with representation from different types, sizes and locations of schools throughout the state. The trial represents a critical step in the development of enhanced, peer-led accountability arrangements, supporting the Government's commitment to school reform articulated through the *Towards Victoria as a Learning Community* position paper.

More than 60 school leaders have participated in reviews of trial schools. The leaders have focused on thorough analysis of each school's data and supported the school to develop a new strategic plan to extend achievement, engagement and wellbeing outcomes. The trial is being externally evaluated, with findings from the evaluation contributing to the development and implementation of statewide accountability policy and practice.

## Supporting government school governance – school council training

The Department provided school council members with training and resources to help them understand their role, responsibilities and obligations. Training ranged from self-paced online learning to structured training sessions. A key resource, the Improving School Governance training package, was made available in hard copy to newly appointed principals and to school council members who attended face-to-face sessions. This resource continues to be accessible online from the Department's school council training website.

## Defining roles and responsibilities in education

In March 2013, the Minister for Education launched *The Compact: Roles and responsibilities in Victorian government school education*. The Compact reflects a shared understanding between Victorian government schools and the Department regarding their respective roles and responsibilities in improving the learning and development opportunities and outcomes of children and young people.

## Building leadership in schools

The Professional Support for New Principals Program, delivered by the Bastow Institute of Educational Leadership, supports newly appointed principals to transition into their role and build their capacity as effective leaders. In 2013, 45 new principals are participating in this redesigned initiative that enables them to receive professional support and development to suit their needs. This redesign:

- extended the program from 12 to 18 months, and includes a three-day residential component focusing on the skills needed to manage school-based issues as well as building a network of support
- provides coaching by experienced principals who are trained and accredited, or are working towards accreditation
- focuses on helping principals manage challenges in their schools and on leading change to improve student achievement.

### Better managing classroom behaviour

The Managing Challenging Behaviours Blended Learning Course is delivered through the Bastow Institute of Educational Leadership. It provides training to teachers and other school-based staff to meet the diverse needs of student populations, and limit the incidence and impact of challenging behaviours in the classroom. The course has been developed in partnership with the University of Melbourne and supports the Victorian Government's commitment to provide a safe and inclusive school environment for all students.

The first group of 110 teachers and other school-based staff completed the course in June 2013. The course will continue to be offered in Terms 3 and 4 with a target of more than 500 participants completing the course by the end of 2013.

### Upgraded finance and administration system

CASES is the integrated school administration and finance software system used in all Victorian government schools.

In 2012–13, the CASES environment underwent a planned \$15 million technology refresh in line with the Department's ICT strategy, installing desktop computers, file servers, uninterrupted power supplies, printers and enterprise class network switches into all Victorian government schools. This has provided school leaders and school administration personnel with improved access to software, greater data security, enhanced back-up and disaster recovery.

### Transport options for students with disabilities

The Students with Disabilities Transport Program provides travel assistance to over 8000 students with disabilities to attend their local specialist school. Most travel assistance is provided via dedicated bus services. In 2013, following consultation with families with children with disabilities attending specialist schools, principals, bus operators and other stakeholders, the need for more flexibility in the type of travel assistance was identified for some families in some circumstances. A range of options was developed for trial in 2014.

The options are designed to provide families with more flexibility in arranging transport to and from school. The options include providing out-of-school hours care, more intensive travel education, travel payments, and schools providing self-managed bus services. Discussions commenced with schools and their communities in June 2013 to implement the trials in 2014.

### Making schools safer by stopping bullying

The Bully Stoppers initiative is part of the Victorian Government's \$14.5 million Stamp Out Bullying campaign that aims to make schools safer and protect students from bullying and cyber-bullying. The initiative was launched by the Minister for Education on 15 March 2013. It consists of two key elements: an online toolkit and a community awareness campaign.

The online toolkit supports students, parents, teachers and principals to work together to make sure schools are safe and supportive places where everyone is empowered to help reduce bullying. It includes teaching and learning resources, policy advice, intervention and management strategies, a data collection tool, interactive learning modules, advice and fact sheets, Behaviour Support Plan templates, grants programs and competitions, and case studies.

The community awareness campaign aims to promote its key messages through television, press and radio advertisements, as well as online promotions and competitions.

### Asset management and service delivery

To improve service and better drive productivity, the Department introduced new asset management and payment systems for schools.

#### Delivering better school maintenance

The Department has improved the way the school asset portfolio is maintained. A Condition Assessment was undertaken of all Victorian government schools, based on detailed assessment of buildings, building services and site infrastructure. An objective threshold level has been established for satisfactory school infrastructure in order to provide a basis for prioritising school maintenance work. The Department is working with schools to implement the \$51.5 million funding announced by the Government in February 2013 to upgrade those school buildings with the greatest maintenance needs.

The Condition Assessment is being further supported by the roll-out of the Bricks and Mortar Program, a professional development program that supports school principals and leadership teams to manage their school maintenance needs more efficiently. For schools with urgent maintenance needs beyond their budget capacities, the Emergency Maintenance Program has been set up to fund works to address immediate health or safety risks.

#### New technology to support learning

Between 2008 and 2013, the Department has delivered a range of core ICT equipment and facilities in conjunction with the Commonwealth Digital Education Revolution (DER) and Building the Education Revolution (BER) initiatives. Schools that elected to use a Departmental BER building template received an enterprise class wireless networking system (eduSTAR.net) and central management system, together with interactive whiteboards, multi-functional devices (MFD) and, for larger sites, video conference equipment.

The DER initiative provided every student in Years 9 to 12 with access to a computer under the National Secondary Schools Computer Fund (NSSCF). The NSSCF funded the provision and support of 106,234 computers purchased by schools to support a range of learning initiatives. In addition, the NSSCF funded maintenance, technical support and software. Participating schools also received the eduSTAR.net enterprise class wireless networking infrastructure.

In 2012–13, with the conclusion of the DER National Partnership in June 2013, the Department completed the DER rollout activities.

## Streamlined family services

The Department has streamlined family payments processing to ensure that the eligibility requirements of the Conveyance Allowance Program and Education Maintenance Allowance Program are applied fairly.

Improvements to the online Education Maintenance Allowance system have meant that parents can have their allowance paid directly to the school and authorise the school to use the funds to meet their child's excursion and other related costs. These changes give schools more flexibility in managing their operations and student activity.

A new online Conveyance Allowance claims system has also been developed and implemented to replace the old paper-based system in all schools (government and non-government) eligible to participate in the program. The Conveyance Allowance provides assistance to students attending schools in rural and regional Victoria.

The new system allows schools to apply for the Conveyance Allowance online on behalf of families and provide families with instant advice about their eligibility and the level of allowance that they can receive. This ensures that the funding provided for this program is targeted to students attending schools in rural Victoria where transport options are limited.

As well, the boundary used in the Conveyance Allowance to define metropolitan Melbourne and rural Victoria has been updated for the 2013 school year. The boundary was last updated in 1983. It will be adjusted annually to reflect the growth of urban Melbourne and necessary transport provision. In this way the funds available for this program can be better targeted to those families most in need of transport support.

## Health and development services

### Children's and community wellbeing

During the year, the Department's frontline workforce of teachers, nurses and allied health professionals supported student, family and community wellbeing across the life stages:

- 4168 children received Specialist Children's Services
- 60,499 school entrant health assessments were completed
- secondary school nurses supported adolescent wellbeing in 191 schools
- 139 visiting teachers supported students with disabilities to remain in mainstream classroom settings
- Maternal and Child Health Line, a 24/7 statewide telephone service available to Victorian families with children from birth to school age, responded to 78,396 calls
- Parent Line, the Department's telephone counselling service, responded to 13,269 calls.



## Regional Activities

### Community fire refuges

The Department collaborated with the Fire Services Commissioner to provide school sites in the Yarra Ranges Shire that could be used as pilot community fire refuges. Although the refuges are managed by the Fire Services Commissioner, the Department undertook conceptual design and building works to ensure that the facilities meet requirements for community fire refuges set by the Minister for Planning. The establishment of refuges is consistent with Recommendation 4 of the *Bushfires Royal Commission Report* regarding the introduction of a comprehensive approach to shelter options.

### Better regional services

From 1 January 2013, the Department consolidated nine regions into four: North-Western Victoria, North-Eastern Victoria, South-Western Victoria and South-Eastern Victoria. Each region has responsibility for improving learning and development outcomes, and providing more effective and efficient planning and delivery of services for early childhood (birth–8 years), school education (5–18 years) and post-compulsory education and training (15 years and over).

Regions will focus on three key areas:

- child, learner and family services, including the professional health and wellbeing services delivered directly to children and young people (individual focus)
- planning and integration of learning and development services (network, partnership and community focus)
- provider performance, accountability and improvement, including intervention in the case of underperformance (provider focus).

### New disability service delivery

The Department worked closely with the Commonwealth Government in preparation for the implementation of DisabilityCare in the South-Western Victoria Region demonstration site. Victoria successfully argued for an expansion of the eligibility criteria for early childhood to include children with a developmental delay. Over the past 12 months the Department established the groundwork that will see a number of disability supports currently provided to children and young people by the Department transfer to the new agency.



## Higher education and skills

The Refocusing Vocational Training in Victoria reforms were implemented from July 2012. Under the reforms, over \$1.2 billion will be invested in subsidised training delivery annually over a four-year period. The reforms will underpin a high-quality vocational training system with outcomes aligned to industry needs.

The changes to government subsidies have refocused training delivery. Higher subsidy rates have been attributed to courses assessed to be of high public value. Government investment is now better targeted, delivering the right skills to meet industry needs.

### Growth in participation

Significant growth in vocational training has occurred as a result of the introduction of the Victorian Training Guarantee in 2008. Since then the number of students enrolled in government-subsidised courses has increased by 215,000 or 73 per cent. In 2012, there were over 600,000 students participating in vocational training in Victoria, with approximately 509,000 enrolled in government-subsidised courses. According to data reported by the National Centre for Vocational Education Research, in 2012 Victoria had an overall participation rate that was higher than the national average and higher than any other state or territory.

Over the last five years growth has been characterised by significant increases in participation in government-subsidised training by unemployed people and people with a disability. The number of unemployed people in subsidised training increased by 184 per cent to 118,500; in the same period the number of people with a disability and in training increased by 16,300 or 68 per cent.

### Better alignment with industry needs

Preliminary data from the second quarter of 2013 shows that training in specialised and in-shortage occupations now accounts for 40 per cent of government-subsidised enrolments, up by 31 per cent compared to the same time last year. This has been driven by strong growth in the health care and social assistance industry sectors (including child, aged and disability care). There have also been moderate increases in training in road transport and auto mechanics.

Recent results have shown a decline in apprenticeships and traineeships in Victoria as well as nationally. In Victoria in 2012, approximately 55 per cent of apprenticeship enrolments were in the construction industry. The decline in apprenticeship commencements aligned with a similar decline in the number of new residential dwelling constructions during the period. However, there have been recent signs of recovery. Over the 12 months to June 2013, there was a significant increase in non-residential building approvals in Victoria.

Government-subsidised traineeships have declined by 22,500 enrolments. The bulk of the decline – some 19,700 enrolments – related to courses for which the subsidy had been reduced to the lowest level. Subsidies were reduced either because there was an over-supply of graduates (for example, hospitality and retail training) or because there was little need for government investment due to the high levels of private value produced by some traineeships.

Overall, enrolments in government-subsidised courses with high public value have grown substantially, while enrolments in courses that attract low subsidy rates have declined.

### A modern competitive TAFE network

The Victorian economy has changed from a focus on low-skilled industries to a reliance on service-oriented industries, more advanced agriculture and manufacturing industries, and new technologies. TAFE institutes need to be able to operate competitively in the training market in order to take advantage of the opportunities this has created.

An independent TAFE Reform Panel provided advice on ways the Government could help to create a modern competitive TAFE network. The Government has invested \$200 million in competitive funding to support proposals from TAFE institutes for innovation, collaboration, structural reform and business transformation.

The delivery of government-subsidised training by TAFEs has increased by 11 per cent since 2008.

### Higher expectations of training providers

Robust contract management, performance management and quality assurance structures have increased confidence in the quality of the government-subsidised training system. For the first time, there is a framework that sets out the Department's expectations of training providers' behaviour and contract compliance in a single document.

The Victorian Training Guarantee Compliance Framework was released in October 2012 by the Minister for Higher Education and Skills. It provides a comprehensive and transparent approach to compliance and features escalating and proportionate interventions to respond to non-compliance. It is a key mechanism for assuring the integrity of the training system and meeting the objectives of the Government's policy for vocational training.

### Stronger monitoring and compliance checks

The establishment of a Market Monitoring Unit within the Department's Regional Services Group has delivered strong performance management and quality assurance outcomes. The Unit monitors the efficiency, effectiveness and integrity of the Victorian Government's subsidised training market.

The Unit contributes to the economic and social return on Department investments by assessing the impact of market settings, including subsidy levels, on training provision and pricing across the state. It routinely monitors, reviews and reports on market trends, including levels of competition, price and the quality of training outcomes.

In its first year, the Unit reviewed the government training market in the following areas: the VCE and VCAL, Auslan provision, 26 vocational training courses and recognition of prior learning. It also assessed the impact of the full implementation of market settings reform, including a cost and price review of Foundation courses and recognition of prior learning. During this period the Rapid Response Team undertook ten investigations into provider quality.

## Real consumer choice

The best outcomes are achieved when students and employers have made well-informed choices about their training options. This has been achieved through a dedicated website providing essential information. The Victorian Skills Gateway offers advice about courses, training providers, possible employment opportunities, and government assistance with the cost of training. The Gateway has direct links to training providers' websites for further information. Schools have been provided with classroom materials encouraging students to use the website. Since its launch by the Minister for Higher Education and Skills in December 2012, the website has had over 104,000 visitors.

## A new model for industry engagement

The Department has implemented a new approach to more direct engagement with industry through the Industry Participation Model. The new model allows Government to hear directly from industry about how the training system is meeting industry needs. The model offers a range of consultation mechanisms for industry, including the Industry Skills Consultative Committee, taskforces, industry roundtables, and ongoing intelligence gathering and dissemination through industry portfolio teams.

Since full implementation in January, there have been over 550 consultations and briefings with industry associations and peak organisations. These consultations have provided significant insight into training market barriers and redefined the role of industry, which is now taking a leadership approach to address any issues in partnership with the Government.

## Additional support for critical and niche skills needs

A number of market facilitation programs and projects has been launched to support improvements in the training market to resolve issues created by economic and industry changes, and small gaps in the market.

The Premier's Ford Taskforce is overseeing the Government's response to the foreshadowed factory closures in Geelong and Broadmeadows. The Department's Workers in Transition Program and the Skilling the Bay Project are central to the response.

The Workers in Transition Program helps retrenched workers transition into a new job. Since 1 July 2012, approximately 3500 workers have engaged with the program, with 940 undertaking training, which is an investment of more than \$6 million in training subsidies. The program enables retrenched workers, including those from Ford, to access career advice, skills recognition assessments and a government-subsidised training place.

The \$1.8 million Skilling the Bay Project, announced in April 2011, responds to economic and industry changes in Greater Geelong. It includes \$1.3 million to build the region's skills base and support businesses to fast-track new technologies and practices. It is being led by Gordon TAFE in partnership with Deakin University and the Department.

In response to a gap in the market, a new approach to Auslan training has been developed after extensive consultation with the deaf and hard-of-hearing community and an independent review of Auslan training and delivery in Victoria.

The Victorian Auslan Training Consortium will be led by the Northern Melbourne Institute of TAFE in partnership with the Victorian Deaf Society and La Trobe University. The Consortium will deliver the full suite of Auslan courses and provide opportunities for learners, including interpreters and translators, to continue to learn Australia's official sign language.

The training will be delivered in metropolitan and regional areas using communications technology, ensuring that students across the state have access to flexible and improved Auslan training and greater access to professionals. Funding of \$5.2 million will be provided over three and a half years so that at least 700 enrolments can be delivered.

### Building trade pathways

The Trade Training Centres in Schools Program has so far resulted in 50 projects across Victoria involving 231 schools from the government and non-government sectors. Of the 33 government school-led projects, 19 were completed by the end of June 2013. Almost 2250 government school students were enrolled in courses in 2012.

The Centres provide vocational training in traditional trade areas for occupations on the National Skills Needs List as well as occupations in agriculture and horticulture. Training involves partnerships with local industry and training organisations. Students receive nationally recognised vocational training from either a national training package or an accredited state curriculum.

### Stronger partnerships with higher education providers

In order to provide sustainable solutions and improve access for students in rural and regional areas, a range of targeted initiatives has been developed.

In Gippsland several factors have interacted to dampen participation in tertiary education. The Gippsland Tertiary Education Council was established to provide leadership and targeted solutions to align tertiary education provision and the needs of industry in the Gippsland region. It is improving educational participation and attainment through an active consultation agenda. The Council will focus on ensuring tertiary education and training is accessible, coordinated and informed by the priority needs of the region.

The Regional Partnerships Facilitation Fund is a \$20 million competitive grant fund established by the Victorian Government. It supports increased partnerships between higher education institutions (universities and private higher education providers) and vocational education and training organisations (TAFE institutes, private training organisations and Learn Local organisations). Projects are delivering an increased range of higher education programs and pathways in regional Victoria, giving students the option to study locally. They are also driving improvement in the rate of participation in higher education.

The seven projects funded under Round One of the fund in 2012 include 12 higher education pathway programs with over 270 students enrolled in courses at diploma-level and above. Eight further projects will be funded under Round Two.

# Financial Statements – 30 June 2013

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These financial statements cover the Department of Education and Early Childhood Development as an individual entity.

The Department of Education and Early Childhood Development is a government department of the State of Victoria.

A description of the nature of the Department's operations and its principal activities is included in the Report of Operations.

## Comprehensive operating statement for the financial year ended 30 June 2013

	Note	2013 \$m	2012 \$m
<b>Income from transactions</b>			
Output appropriations	6(a)	<b>10,375.8</b>	10,185.9
Special appropriations	6(b)	<b>6.5</b>	31.0
Interest income		<b>25.7</b>	33.9
Grants	4(a)	<b>25.8</b>	15.4
Sales of goods and services	4(b)	<b>168.1</b>	159.2
Other income	4(c)	<b>510.0</b>	467.8
<b>Total income from transactions</b>		<b>11,111.9</b>	10,893.2
<b>Expenses from transactions</b>			
Employee expenses	4(d)	<b>(5,043.1)</b>	(4,881.0)
Depreciation and amortisation	4(e)	<b>(285.3)</b>	(253.2)
Interest expense		<b>(14.1)</b>	(14.2)
Grants and other expense transfers	4(f)	<b>(2,149.2)</b>	(2,582.9)
Capital asset charge		<b>(1,258.1)</b>	(1,219.6)
Other operating expenses	4(g)	<b>(2,278.4)</b>	(2,039.7)
<b>Total expenses from transactions</b>		<b>(11,028.1)</b>	(10,990.7)
<b>Net result from transactions (net operating balance)</b>		<b>83.8</b>	(97.4)
<b>Other economic flows included in net result</b>			
Net gain/(loss) on non-financial assets	5(a)	<b>(14.7)</b>	11.4
Net gain/(loss) on financial instruments	5(b)	<b>7.8</b>	(1.1)
Other gains/(losses) from other economic flows	5(c)	<b>29.7</b>	(88.0)
<b>Total other economic flows included in net result</b>		<b>22.8</b>	(77.7)
<b>Net result</b>		<b>106.5</b>	(175.1)
<b>Other economic flows – other comprehensive income</b>			
<b>Items that will not be classified to net result</b>			
Changes in physical asset revaluation surplus	17	<b>456.0</b>	(615.3)
<b>Total other economic flows – other comprehensive income</b>		<b>456.0</b>	(615.3)
<b>Comprehensive result</b>		<b>562.5</b>	(790.5)

The above comprehensive operating statement should be read in conjunction with the accompanying notes.

## Balance sheet as at 30 June 2013

	Note	2013 \$m	2012 \$m
<b>Assets</b>			
<b>Financial assets</b>			
Cash and deposits	8	593.5	596.2
Receivables	9	1,292.5	1,243.9
Other financial assets	8	174.1	188.9
<b>Total financial assets</b>		<b>2,060.1</b>	2,028.9
<b>Non-financial assets</b>			
Non-financial assets classified as held for sale/distribution	10	125.5	88.4
Intangible assets	11	43.6	62.1
Property, plant and equipment	12	14,186.4	13,647.2
Prepayments		14.5	12.5
<b>Total non-financial assets</b>		<b>14,370.0</b>	13,810.2
<b>Total assets</b>		<b>16,430.1</b>	15,839.1
<b>Liabilities</b>			
Payables	13	621.9	579.1
Borrowings	14	194.8	199.2
Provisions	15	1,230.2	1,238.2
Unearned income		117.1	101.1
<b>Total liabilities</b>		<b>2,163.9</b>	2,117.6
<b>Net assets</b>		<b>14,266.2</b>	13,721.6
<b>Equity</b>			
Accumulated surplus/(deficit)		1,192.6	1,086.1
Physical asset revaluation surplus	17	4,232.6	3,776.6
Contributed capital		8,840.9	8,858.9
<b>Net worth</b>		<b>14,266.2</b>	13,721.6
Contingent assets and contingent liabilities	21		
Commitments for expenditure	22		

The above balance sheet should be read in conjunction with the accompanying notes.

## Statement of changes in equity for the financial year ended 30 June 2013

	Physical asset revaluation surplus \$m	Accumulated surplus/(deficit) \$m	Contributions by owners \$m	Total \$m
<b>Balance at 1 July 2011</b>	<b>4,391.9</b>	<b>1,261.2</b>	<b>8,323.2</b>	<b>13,976.4</b>
Net result for the year	–	(175.1)	–	(175.1)
Other comprehensive income for the year	(615.3)	–	–	(615.3)
Capital appropriations	–	–	647.3	647.3
Contributed capital transfers out	–	–	(111.6)	(111.6)
<b>Balance at 30 June 2012</b>	<b>3,776.6</b>	<b>1,086.1</b>	<b>8,858.9</b>	<b>13,721.6</b>
Net result for the year	–	106.5	–	106.5
Other comprehensive income for the year	456.0	–	–	456.0
Capital appropriations	–	–	36.4	36.4
Contributed capital transfers in	–	–	11.8	11.8
Contributed capital transfers out	–	–	(66.4)	(66.4)
Administrative restructure – net assets change	–	–	0.3	0.3
<b>Balance at 30 June 2013</b>	<b>4,232.6</b>	<b>1,192.6</b>	<b>8,840.9</b>	<b>14,266.2</b>



## Cash flow statement for the financial year ended 30 June 2013

	Note	2013 \$m	2012 \$m
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Receipts from Government		10,357.5	10,275.7
Receipts from other entities		716.7	653.2
Goods and Services Tax recovered from the ATO		338.2	358.1
Interest received		25.7	33.9
<b>Total receipts</b>		<b>11,438.0</b>	<b>11,320.8</b>
<b>Payments</b>			
Payments of grants and other transfers		(2,149.2)	(2,582.9)
Payments to suppliers and employees		(7,552.0)	(7,351.8)
Goods and Services Tax paid to the ATO		(12.7)	(10.7)
Capital asset charge		(1,258.1)	(1,219.6)
Interest and other costs of finance paid		(14.1)	(14.2)
<b>Total payments</b>		<b>(10,986.1)</b>	<b>(11,179.2)</b>
<b>Net cash flows from operating activities</b>	23	<b>451.9</b>	<b>141.6</b>
<b>Cash flows from investing activities</b>			
Purchases of non-financial assets		(444.3)	(720.3)
Net proceeds from / (payments for) investments		14.8	(36.2)
Sales of non-financial assets		1.1	4.3
<b>Net cash flows from investing activities</b>		<b>(428.4)</b>	<b>(752.1)</b>
<b>Cash flows from financing activities</b>			
Owner contributions received		48.5	647.3
Owner contributions paid		(66.4)	(111.6)
Repayment of finance leases		(8.2)	(6.5)
<b>Net cash flows from financing activities</b>		<b>(26.1)</b>	<b>529.2</b>
<b>Net increase/(decrease) in cash and deposits</b>		<b>(2.6)</b>	<b>(81.3)</b>
Cash and deposits at the beginning of the financial year		596.2	677.4
<b>Cash and deposits at the end of the financial year</b>	8	<b>593.5</b>	<b>596.2</b>

The above cash flow statement should be read in conjunction with the accompanying notes.

## Notes to the Financial Statements

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## Note 1 Summary of significant accounting policies

These annual financial statements represent the audited general purpose financial statements for the Department of Education and Early Childhood Development (the Department) for the period ended 30 June 2013. The purpose of the report is to provide users with information about the Department's stewardship of resources entrusted to it.

### (A) Statement of compliance

These general purpose financial statements have been prepared in accordance with the *Financial Management Act 1994 (FMA)* and applicable Australian Accounting Standards (AAS) which include Interpretations, issued by the Australian Accounting Standards Board (AASB).

In particular, they are presented in a manner consistent with the requirements of the AASB 1049 *Whole of Government and General Government Sector Financial Reporting*.

Where appropriate, those AAS paragraphs applicable to not-for-profit entities have been applied.

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

These annual financial statements were authorised for issue by the Secretary of the Department on 9 September 2013.

### (B) Basis of preparation and measurement

The accrual basis of accounting has been applied in the preparation of these financial statements whereby assets, liabilities, equity, income and expenses are recognised in the reporting period to which they relate, regardless of when cash is received or paid.

Judgements, estimates and assumptions are required to be made about the carrying values of assets and liabilities that are not readily apparent from other sources.

The estimates and associated assumptions are based on professional judgements derived from historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

These financial statements are presented in Australian dollars, and prepared in accordance with historical cost convention except for:

- non-financial physical assets which, subsequent to acquisition, are measured at a revalued amount being their fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent impairment losses. Revaluations are made with sufficient regularity to ensure that the carrying amounts do not materially differ from their fair value; and,
- certain liabilities, most notably employee entitlements.

## Note 1 Summary of significant accounting policies

(continued)

### (C) Reporting entity

The financial statements cover the Department as an individual reporting entity.

The Department is a government department of the State of Victoria, established pursuant to an order made by the Premier under the *Administrative Arrangements Act 1983*.

Its principal address is:

Department of Education and Early Childhood Development  
2 Treasury Place  
Melbourne VIC 3002

The Department is an administrative agency acting on behalf of the Crown.

The financial statements include all the controlled activities of the Department. From the 1st of January 2013, revenue and expenses from the abolished Victorian Skills Commission are recorded in the Department's results. Refer to Note 7 for further description.

A description of the nature of the Department's operations and its principal activities is included in the Report of Operations which does not form part of these financial statements.

The financial statements include all transactions of the Department and the Victorian Government's primary and secondary schools. All transactions between the Department and schools have been eliminated as required by AASs.

### Objectives and funding

The objectives of the Department are to increase engagement, achievement and wellbeing in education and training and ensure increased productivity in the delivery of the Department's services.

The Department provides support and advisory services to the Minister for Higher Education and Skills and the Minister responsible for the Teaching Profession, the Minister for Education, and the Minister for Children and Early Childhood Development, as well as a number of statutory bodies.

The Department is predominantly funded by accrual-based parliamentary appropriations for the provision of outputs that are further described in Note 2 Departmental (controlled) outputs.

### Outputs of the Department

Information about the Department's output activities and the expenses, income, assets and liabilities which are reliably attributable to those output activities is set out in the Departmental outputs schedule (Note 2). Information about expenses, income, assets and liabilities administered by the Department are given in the schedule of administered items (Note 3).

### (D) Basis of consolidation

The financial statements exclude bodies within the Department's portfolio that are not controlled by the Department and therefore are not consolidated.

Public bodies and activities that are administered (see explanation below under administered items) are also not controlled and not consolidated.

Consistent with the requirements of AASB 1004 *Contributions*, contributions by owners (that is, contributed capital and its repayment) are treated as equity transactions and therefore, do not form part of the income and expenses of the Department.

### Administered items

Certain resources are administered by the Department on behalf of the State. While the Department is accountable for the transactions involving administered items, it does not have the discretion to deploy the resources for its own benefit or the achievement of its objectives. Accordingly, transactions and balances relating to administered items are not recognised as departmental income, expenses, assets or liabilities within the body of the main financial statements. They are disclosed separately in Note 3.

Administered income includes taxes, fees and fines and the proceeds from the sale of administered surplus land and buildings. Administered assets include government income earned but yet to be collected. Administered liabilities include government expenses incurred but yet to be paid.

Except as otherwise disclosed, administered resources are accounted for on an accrual basis using the same accounting policies adopted for recognition of the departmental items in the financial statements. Both controlled and administered items of the Department are consolidated into the financial statements of the State.

### Funds held in trust

#### Other trust activities on behalf of parties external to the Victorian Government

The Department has responsibility for transactions and balances relating to trust funds on behalf of third parties external to the Victorian Government. The Department has received monies in a trustee capacity for various trusts including prizes and scholarships. Income, expenses, assets and liabilities managed on behalf of third parties are not recognised in these financial statements as they are managed on a fiduciary and custodial basis, and therefore not controlled by the Department or the Victorian Government. These transactions and balances are reported in Note 26 *Trust account balances*.

## (E) Scope and presentation of financial statements

### Comprehensive operating statement

Income and expenses in the comprehensive operating statement are classified according to whether or not they arise from 'transactions' or 'other economic flows'. This classification is consistent with the whole of government reporting format and is allowed under AASB 101 *Presentation of Financial Statements*.

'Transactions' and other economic flows are defined by the Australian System of Government Finance Statistics: Concepts, Sources and Methods 2005 and Amendments to Australian System of Government Finance Statistics, 2005 (ABS Catalogue No. 5514.0) (the GFS manual) (refer to Note 4).

'Transactions' are those economic flows that are considered to arise as a result of policy decisions, usually interactions between two entities by mutual agreement. Transactions also include flows within an entity, such as depreciation where the owner is simultaneously acting as the owner of the depreciating asset and as the

## Note 1 Summary of significant accounting policies

(continued)

consumer of the service provided by the asset. Taxation is regarded as mutually agreed interactions between the Government and taxpayers. Transactions can be in kind (e.g. assets provided/given free of charge or for nominal consideration) or where the final consideration is cash.

Other economic flows are changes in the volume or changes arising from market remeasurements. They include:

- gains and losses from disposals;
- impairments of assets; and
- fair value changes of financial instruments.

The net result is equivalent to profit or loss derived in accordance with AASs.

### Balance sheet

Assets and liabilities are presented in liquidity order with assets aggregated into financial assets and non-financial assets.

Current and non-current assets and liabilities (those non-current being) expected to be recovered or settled beyond 12 months) are disclosed in the notes, where relevant.

### Statement of changes in equity

The statement of changes in equity presents reconciliations of each non-owner and owner equity opening balance at the beginning of the reporting period to the closing balance at the end of the reporting period. It also shows separately changes due to amounts recognised in the 'Comprehensive result' and amounts recognised in 'Other economic flows-other movements in equity' related to 'Transactions with owner in its capacity as owner'.

### Cash flow statement

Cash flows are classified according to whether or not they arise from operating, investing, or financing activities. This classification is consistent with requirements under AASB 107 Statement of cash flows.

### Rounding of amounts

Amounts in the financial statements have been rounded to the nearest 100,000 dollars, unless otherwise stated. Figures in the financial statements may not equate due to rounding.

## (F) Income from transactions

Income is recognised to the extent that it is probable that the economic benefits will flow to the entity and the income can be reliably measured at fair value.

### Appropriation income

Appropriation income becomes controlled and is recognised by the Department when it is appropriated from the consolidated fund by the Victorian Parliament and applied to the purposes defined under the relevant appropriations Act. Additionally, the Department is permitted under s29 of the FMA to have certain income annotated to the annual appropriation. The income which forms part of a s 29 agreement is recognised by the Department and the receipts paid into the consolidated fund as an

administered item. At the point of income recognition, s29 provides for an equivalent amount to be added to the annual appropriation. Examples of receipts which can form part of a s29 agreement are Commonwealth specific purpose grants, municipal council special purpose grants, the proceeds from the sale of assets and income from the sale of products and services.

Where applicable, amounts disclosed as income are net of returns, allowances, duties and taxes. All amounts of income over which the Department does not have control are disclosed as administered income in the schedule of administered income and expenses (see Note 3). Income is recognised for each of the Department's major activities as follows:

### Output appropriations

Income from the outputs the Department provides to the Government is recognised when those outputs have been delivered and the relevant minister has certified delivery of those outputs in accordance with specified performance criteria.

### Special appropriations

Under Section 5.6.8 of the *Education and Training Reform Act 2006*, revenue related to Volunteer Workers Compensation is recognised when the amount appropriated for that purpose is due and payable by the Department.

Under Section 10 of the *Financial Management Act 1994*, revenue related to the National Education Agreement, National Partnership Payments and Special Purpose Payments for early childhood development is recognised when the amount appropriated for that purpose is due and payable by the Department.

### Interest

Interest includes interest received on deposits and the unwinding over time of the discount on financial assets. Interest income is recognised using the effective interest method which allocates the interest over the relevant period.

### Grants

Income from grants (other than contribution by owners) is recognised when the Department obtains control over the contribution.

Where such grants are payable into the consolidated fund, they are reported as administered income (refer to Note 1 (D) and (I)). For reciprocal grants (i.e. equal value is given back by the Department to the provider), the Department is deemed to have assumed control when the Department has satisfied its performance obligations under the terms of the grant. For non reciprocal grants, the Department is deemed to have assumed control when the grant is receivable or received. Conditional grants may be reciprocal or non reciprocal depending on the terms of the grant.

### Sales of goods and services

#### Income from the supply of services

Income from the supply of services is recognised by reference to the stage of completion of the contract. The income is recognised when:

- the amount of the income, stage of completion and transaction costs incurred can be reliably measured; and
- it is probable that the economic benefits associated with the transaction will flow to the Department.

## Note 1 Summary of significant accounting policies

(continued)

Under the stage of completion method, income is recognised by reference to labour hours supplied or to labour hours as a percentage of total services to be performed in each annual reporting period.

### Other Income

Other Income from the sale of goods relates mainly to income derived from schools and is recognised when:

- the Department no longer has any of the significant risks and rewards of ownership of the goods transferred to the buyer;
- the Department no longer has continuing managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;
- the amount of income, and the costs incurred or to be incurred in respect of the transactions, can be reliably measured; and
- it is probable that the economic benefits associated with the transaction will flow to the Department;

Sale of goods and services includes regulatory fees which are recognised at the time the regulatory fee is billed.

### (G) Expenses from transactions

Expenses are recognised as they are incurred and reported in the financial year to which they relate.

#### Employee expenses

Refer to the section 1(M) regarding employee benefits.

These expenses include all costs related to employment (Other than superannuation which is accounted for separately) including wages and salaries, fringe benefits tax, leave entitlements, redundancy payments and WorkCover premiums.

#### Superannuation

The amount recognised in the comprehensive operating statement is the employer contributions for members of both defined benefit and defined contribution superannuation plans that are paid or payable during the reporting period.

The Department of Treasury and Finance (DTF) in their Annual Financial Statements, disclose on behalf of the State as the sponsoring employer, the net defined benefit cost related to the members of these plans as an administered liability. Refer to DTF's Annual Financial Statements for more detailed disclosures in relation to these plans.

#### Depreciation and amortisation

All infrastructure assets, buildings, plant and equipment and other non-financial physical assets (excluding items under operating leases and assets held-for-sale/distribution) that have a finite useful life are depreciated. Depreciation is generally calculated on a straight-line basis, at rates that allocate the asset's value, less any estimated residual value, over its estimated useful life.



Leasehold improvements are depreciated over the period of the lease or estimated useful life, whichever is the shorter, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period.

The following are expected useful lives for the different asset classes for both current and prior years:

	Useful life Years	2013 %	2012 %
Buildings – permanent	60	<b>1.7</b>	1.7
Buildings – relocatable and other improvements	40	<b>2.5</b>	2.5
Plant, equipment and vehicles (including leased assets)	3 – 10	<b>10 – 33</b>	10 – 33
Capitalised software development costs	3 – 10	<b>10 – 33</b>	10 – 33

Land and core cultural assets, which are considered to have an indefinite life, are not depreciated. Depreciation is not recognised in respect of these assets as their service potential has not, in any material sense, been consumed during the reporting period.

Where items of buildings have separately identifiable components, which are subject to regular replacement, those components are assigned useful lives distinct from the item of buildings to which they relate. The useful lives for these items are between three to forty years.

Intangible produced assets with finite useful lives are amortised as an expense from transactions on a systematic (straight-line) basis over the asset's useful life. Amortisation begins when the asset is available for use, that is, when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each annual reporting period.

All intangible assets are assessed for impairment annually.

### Interest expense

Interest expenses are recognised as expenses in the period in which they are incurred.

### Grants and other expense transfers

Grants and other expense transfers to third parties (other than contribution to owners) are recognised as an expense in the reporting period in which they are paid or payable. They include transactions such as grants and other transfer payments made to State owned agencies, local government, non-government schools, and community groups.

### Capital asset charge

The capital asset charge represents the opportunity cost of capital invested in the non-current physical assets used in the provision of outputs. The charge is calculated on the budgeted carrying amount of non-current physical assets.

### Other operating expenses

Other operating expenses generally represent the day-to-day running costs incurred in normal operations.

## Note 1 Summary of significant accounting policies

(continued)

### Supplies and services

Supplies and services generally represent cost of goods sold and the day-to-day running costs, including school requisites and maintenance costs, incurred in the normal operations of the Department. These items are recognised as an expense in the reporting period in which they are incurred.

### Bad and doubtful debts

Bad and doubtful debts are assessed on a regular basis. Those bad debts considered as written off by mutual consent are classified as a transaction expense. Those written off unilaterally and the allowance for doubtful receivables, are classified as other economic flows (refer to Note 1(K) Financial assets – *Impairment of financial assets*).

### Fair value of assets and services provided free of charge or for nominal consideration

Contributions of assets and services provided free of charge or for nominal consideration are recognised at their fair value when the transferee obtains control over them, irrespective of whether restrictions or conditions are imposed over the use of the contributions, unless received from another government department or agency as a consequence of a restructuring of administrative arrangements. In the latter case, such a transfer will be recognised at its carrying value.

Contributions in the form of services are only recognised when a fair value can be reliably determined and the services would have been purchased if not donated.

### Borrowing costs of qualifying assets

In accordance with the paragraphs of AASB 123 *Borrowing costs* applicable to not-for-profit public sector entities, the Department continues to recognise borrowing costs immediately as an expense, to the extent that they are directly attributable to the acquisition, construction or production of a qualifying asset.

### (H) Other economic flows included in net result

Other economic flows measure the change in volume or value of assets or liabilities that do not result from transactions.

### Net gain/(loss) on non-financial assets

Net gain/(loss) on non-financial assets and liabilities includes realised and unrealised gains and losses as follows:

#### Revaluation gains/(losses) of non-current physical assets

Refer to Note 1(L) *Non-financial assets*.

#### Disposal of non-financial assets

Any gain or loss on the sale of non-financial assets is recognised at the date that control of the asset is passed to the buyer and is determined after deducting from the proceeds the carrying value of the asset at that time.

### Impairment of non-financial assets

Intangible assets not yet available for use or with indefinite useful lives are tested annually for impairment and whenever there is an indication that the asset may be impaired.

All other assets are assessed annually for indications of impairment, except for financial assets and non-current physical assets classified as held for sale.

School buildings are assessed for impairment annually, using student enrolment data to assess whether there is an indication of impairment. Under this method, where the area of a school's buildings is 10 per cent greater than a school's entitled area based on student enrolment data, the school buildings are considered to be impaired. The impairment is made at the whole school site level, that is, where a school is considered to be impaired all school buildings on the school site are impaired to an equal amount, regardless of their individual condition.

The economic benefit of assets in the not-for-profit sector is linked to the contribution those assets make to the achievement of an entity's objectives. For the Department school assets contribute to the objective of educating Victoria's children. In early 2013–14, the Department will review the policy and method for impairing school buildings to ensure it best aligns with the requirements of AASB 136 and FRD 106.

If there is an indication of impairment, the assets concerned are tested as to whether their carrying value exceeds their possible recoverable amount. Where an asset's carrying value exceeds its recoverable amount, the difference is written off as other economic flow in the comprehensive operating statement except to the extent that the write-down can be debited to an asset revaluation reserve amount applicable to that class of asset.

It is deemed that, in the event of the loss or destruction of an asset, the future economic benefits arising from the use of the asset will be replaced unless a specific decision to the contrary has been made. The recoverable amount for most assets is measured at the higher of depreciated replacement cost and fair value less costs to sell. Recoverable amount for assets held primarily to generate net cash inflows is measured at the higher of the present value of future cash flows expected to be obtained from the asset and fair value less costs to sell.

Refer to Note 1(L) *Non-financial assets* in relation to the recognition and measurement of non-financial assets.

### Net gain/(loss) on financial instruments

Net gain/(loss) on financial instruments includes realised and unrealised gains and losses from revaluations of financial instruments at fair value, impairment and reversal of impairment for financial instruments at amortised cost, and disposals of financial assets.

#### Revaluations of financial instruments at fair value

Refer to Note 1(J) *Financial Instruments*.

#### Other gains/(losses) from other economic flows

Other gains/(losses) from other economic flows include the gains or losses from:

- the revaluation of the present value of the long service leave liability due to changes in the bond interest rate; and

## Note 1 Summary of significant accounting policies

(continued)

- transfer of amounts from the reserves to accumulated surplus or net result due to disposal or derecognition or reclassification.

### (I) Administered income

#### Taxes, fines and regulatory fees

The Department does not gain control over assets arising from taxes, fines and regulatory fees, therefore no income is recognised in the Department's financial statements.

#### Commonwealth grants

The Department's administered grants mainly comprise funds provided by the Commonwealth to assist the State Government in meeting general or specific service delivery obligations, primarily for the purpose of aiding in the financing of the operations of the recipient, capital purposes and/or for on-passing to other recipients. The Department also receives grants for on-passing from other jurisdictions. The Department does not have control over these grants, and the income is not recognised in the Department's financial statements. Administered grants are disclosed in the schedule of administered items in Note 3.

### (J) Financial Instruments

Financial instruments arise out of contractual agreements that give rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Due to the nature of the Department's activities, certain financial assets and financial liabilities arise under statute rather than a contract. Such financial assets and financial liabilities do not meet the definition of financial instruments in AASB 132 *Financial Instruments: Presentation*. For example, statutory receivables arising from taxes, fines and penalties do not meet the definition of financial instruments as they do not arise under contract.

However, guarantees issued by the Treasurer on behalf of the Department are financial instruments because, although authorised under statute, the terms and conditions for each financial guarantee may vary and are subject to an agreement.

Where relevant, for note disclosure purposes, a distinction is made between those financial assets and financial liabilities that meet the definition of financial instruments in accordance with AASB 132 and those that do not.

The following refers to financial instruments unless otherwise stated.

#### Categories of non-derivative financial instruments

##### Loans and receivables

Loans and receivables are financial instrument assets with fixed and determinable payments that are not quoted on an active market. These assets are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial measurement, loans and receivables are measured at amortised cost using the effective interest method, less any impairment.

Fair value is determined in the manner described in Note 18 *Financial instruments*.

## (K) Financial Assets

### Cash and deposits

Cash and deposits, including cash equivalents, comprise cash on hand and cash at bank, deposits at call and those highly liquid investments with an original maturity of three months or less, which are held for the purpose of meeting short term cash commitments rather than for investment purposes, and which are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

### Receivables

Receivables consist of:

- statutory receivables, which include predominantly amounts owing from the Victorian Government and Goods and Services Tax (GST) input tax credits recoverable; and
- contractual receivables, which include mainly debtors in relation to goods and services, loans to third parties, accrued investment income, and finance lease receivables (refer to Note 1(N) *Leases*).

Receivables that are contractual are classified as financial instruments.

Statutory receivables are not classified as financial instruments.

Receivables are recognised initially at fair value and subsequently measured at amortised cost, using the effective interest rate method, less any accumulated impairment.

An allowance for doubtful receivables is made when there is objective evidence that the debts may not be collected. Bad debts are written off when identified.

### Other financial assets

Other financial assets include term deposits with maturity greater than three months.

The Department assesses at each end of reporting period whether a financial asset or group of financial assets is impaired.

### Impairment of financial assets

At the end of each reporting period, the Department assesses whether there is objective evidence that a financial asset or group of financial assets is impaired. Objective evidence includes financial difficulties of the debtor, default payments and changes in debtor credit ratings. All financial assets, except those measured at fair value through profit or loss, are subject to annual review for impairment.

Bad and doubtful debts for receivables are assessed on a regular basis. Those bad debts considered as written off by mutual consent are classified as a transaction expense. Bad debts not written off by mutual consent and the allowance for doubtful receivables are classified as 'other economic flows' in the net result.

The amount of the allowance is the difference between the financial asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate.

In assessing impairment of statutory (non-contractual) financial assets which are not financial instruments, professional judgement is applied in assessing materiality and using estimates, averages and computational shortcuts in accordance with AASB 136 *Impairment of assets*.

## Note 1 Summary of significant accounting policies

(continued)

### (L) Non-financial assets

#### Non-financial assets classified as held for sale

Non-financial assets are treated as current and classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use.

This condition is regarded as met only when:

- the asset is available for immediate use in the current condition; and
- the sale is highly probable and the asset's sale is expected to be completed within twelve months from the date of classification.

These non-financial physical assets, related liabilities and financial assets are measured at the lower of carrying amount and fair value less costs to sell, and are not subject to depreciation or amortisation.

#### Non-financial asset classified as held for distribution

The non-financial asset is treated as current and classified as held for distribution if the intention of the Department is not to use and derive benefits from the asset.

This condition is regarded as met only when:

- the asset is available for immediate use in the current condition; and
- the transfer is highly probable and the asset's transfer is expected to be completed within twelve months from the date of classification.

This non-financial asset, is measured at its carrying amount, and is not subject to amortisation.

### Property, plant and equipment

All non-financial physical assets, except land are measured initially at cost and subsequently revalued at fair value less accumulated depreciation and impairment. Where an asset is received for no or nominal consideration, the cost is the asset's fair value at the date of acquisition. Assets transferred as part of a machinery of government change are transferred at their carrying amount.

Land is measured initially at cost and subsequently revalued at fair value. Plant, equipment and vehicles are measured at fair value less accumulated depreciation and impairment.

The initial cost for non-financial physical assets under a finance lease (refer to Note 1(N) *Leases*) is measured at amounts equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease.

Where an asset is received for no or nominal consideration, the cost is the asset's fair value at the date of acquisition.

Non-financial physical assets such as Crown land and heritage assets are measured at fair value with regard to the property's highest and best use after due consideration

is made for any legal or constructive restrictions imposed on the asset, public announcements or commitments made in relation to the intended use of the asset. Theoretical opportunities that may be available in relation to the asset are not taken into account until it is virtually certain that the restrictions will no longer apply.

The fair value of cultural assets and collections, heritage assets and other non-financial physical assets that the State intends to preserve because of their unique historical, cultural or environmental attributes, is measured at the replacement cost of the asset less, where applicable, accumulated depreciation (calculated on the basis of such cost to reflect the already consumed or expired future economic benefits of the asset) and any accumulated impairment. These policies and any legislative limitations and restrictions imposed on their use and/or disposal may impact their fair value.

The fair value of buildings, and plant, equipment and vehicles, is normally determined by reference to the asset's depreciated replacement cost. For plant, equipment and vehicles, existing depreciated historical cost is generally a reasonable proxy for depreciated replacement cost because of the short lives of the assets concerned.

Certain assets are acquired under finance leases, which may form part of a service concession arrangement. Refer to notes 1(N) *Leases* and 1(P) *Commitments* in relation to such assets and arrangements.

For the accounting policy on impairment of non-financial physical assets, refer to impairment of non-financial assets under Note 1(H) *Other economic flows included in net result*.

#### Leasehold improvements

The cost of leasehold improvements is capitalised as an asset and depreciated over the remaining term of the lease or the estimated useful life of the improvements, whichever is the shorter.

#### Restrictive nature of cultural and heritage assets, Crown land and infrastructure

During the reporting period, the Department may hold cultural assets, heritage assets, Crown land and infrastructure. Such assets are deemed worthy of preservation because of the social rather than financial benefits they provide to the community. The nature of these assets means that there are certain limitations and restrictions imposed on their use and/or disposal.

#### Non-financial physical assets arising from finance leases

Refer to Note 1(N) *Leases*.

#### Non-current physical assets constructed by the Department

The cost of non-financial physical assets constructed by the Department includes the cost of all materials used in construction, direct labour on the project, and an appropriate proportion of variable and fixed overheads.

#### Revaluations of non-current physical assets

Under the FMA and Victorian Government Policy FRD 103D – Non Current Physical Assets, issued by the Department of Treasury and Finance, DEECD was required to undertake an independent revaluation of its non-current assets for the financial year ending 30 June 2013.

Land was revalued based upon an Active and Liquid market (ALM), in consideration of zoning restrictions and highest and best use.



## Note 1 Summary of significant accounting policies

(continued)

School buildings and other improvements were revalued on depreciated replacement cost. Depreciated replacement cost is the current replacement cost of an asset less where applicable, accumulated depreciation calculated on the basis of such cost to reflect age and the already consumed or expired future economic benefits of the asset.

Refer to Notes 12 *Property, Plant and Equipment* for more detail.

Revaluation increases or decreases arise from differences between an asset's carrying value and fair value.

Net revaluation increases (where the carrying amount of a class of assets is increased as a result of a revaluation) are recognised in 'other economic flows – other movements in equity' and accumulated in equity under the asset revaluation surplus. The net revaluation increase however, is recognised in the net result to the extent that it reverses a net revaluation decrease in respect of the same class of property, plant and equipment previously recognised as an expense (other economic flows) in the net result.

Net revaluation decreases are recognised immediately as other economic flows in the net result, except that the net revaluation decrease shall be recognised in 'other economic flows – other movements in equity' to the extent that a credit balance exists in the asset revaluation surplus in respect of the same class of property, plant and equipment. The net revaluation decrease recognised in 'other economic flows – other movements in equity' reduces the amount accumulated in equity under the asset revaluation surplus.

Revaluation increases and decreases relating to individual assets within a class of property, plant and equipment, are offset against one another within that class but are not offset in respect of assets in different classes. Any asset revaluation surplus is not normally transferred to accumulated funds on de-recognition of the relevant asset.

### Intangible assets

Intangible assets represent identifiable non-monetary assets without physical substance.

Purchased intangible assets are initially recognised at cost. Subsequently, intangible assets with finite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses. Costs incurred subsequent to initial acquisition are capitalised when it is expected that additional future economic benefits will flow to the Department.

When the recognition criteria in AASB 138 *Intangible assets* are met, internally generated intangible assets are recognised and measured at cost less accumulated amortisation and impairment.

Refer to Note 1 (G) *Expense from transactions – Depreciation and amortisation* and Note 1 (H) *Other economic flows included in net result*.

### Research and development costs

Expenditure on research activities is recognised as an expense in the period in which it is incurred.



An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following are demonstrated:

- (a) the technical feasibility of completing the intangible asset so that it will be available for use or distribution;
- (b) an intention to complete the intangible asset and use or distribute it;
- (c) the ability to use or sell the intangible asset;
- (d) the intangible asset will generate probable future economic benefits;
- (e) the availability of adequate technical, financial and other resources to complete the development and to use or distribute the intangible asset; and
- (f) the ability to measure reliably the expenditure attributable to the intangible asset during its development.

## Other non-financial assets

### Prepayments

*Other non-financial assets* include prepayments which represent payments in advance of receipt of goods or services or that part of expenditure made in one accounting period covering a term extending beyond that period.

## (M) Liabilities

### Payables

Payables consist of:

- contractual payables, such as accounts payable. Accounts payable represent liabilities for goods and services provided to the Department prior to the end of the financial year that are unpaid, and arise when the Department becomes obliged to make future payments in respect of the purchase of those goods and services; and
- statutory payables, such as goods and services tax and fringe benefits tax payables.

Contractual payables are classified as financial instruments and categorised as financial liabilities at amortised cost. Statutory payables are recognised and measured similarly to contractual payables, but are not classified as financial instruments and not included in the category of financial liabilities at amortised cost, because they do not arise from a contract.

### Borrowings

All interest bearing liabilities are initially recognised at the fair value of the consideration received, less directly attributable transaction costs (refer to Note 1(N) *Leases*).

Subsequent to initial recognition, borrowings are measured at amortised cost with any difference between the initial recognised amount and the redemption value being recognised in net result over the period of the borrowing using the effective interest rate method.

## Note 1 Summary of significant accounting policies

(continued)

### Provisions

Provisions are recognised when the Department has a present obligation, the future sacrifice of economic benefits is probable, and the amount of the provision can be measured reliably.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows, using a discount rate that reflects the time value of money and risks specific to the provision.

### Employee benefits

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave for services rendered to the reporting date.

#### (i) Salaries and wages and annual leave

Liabilities for salaries and wages, and annual leave are recognised in the provision for employee benefits, classified as current liabilities.

Those liabilities which are expected to be settled within 12 months of the reporting date are measured at their nominal values. Those liabilities that are not expected to be settled within 12 months are also recognised in the provision for employee benefits as current liabilities, but are measured at present value of the amounts expected to be paid when the liabilities are settled using the remuneration rate expected to apply at the time of settlement.

#### (ii) Long service leave

Liability for long service leave (LSL) is recognised in the provision for employee benefits.

*Unconditional LSL* is disclosed in the notes to the financial statements as a current liability even where the Department does not expect to settle the liability within 12 months because it will not have the unconditional right to defer the settlement of the entitlement should an employee take leave within 12 months.

The components of this current LSL liability are measured at:

- nominal value-component that the Department expects to settle within 12 months; and
- present value-component that the Department does not expect to settle within 12 months.

*Conditional LSL* is disclosed as a non-current liability. There is an unconditional right to defer the settlement of the entitlement until the employee has completed the requisite years of service. This non-current LSL liability is measured at present value.

Any gain or loss following revaluation of the present value of non-current LSL liability is recognised as a transaction, except to the extent that a gain or loss arises due to changes in bond interest rates for which it is then recognised as an other economic flow.

### (iii) Sabbatical leave

The Department's sabbatical leave scheme provides an arrangement for staff members to fund their own leave. The scheme consists of two components:

- a work period (of four times the leave period requested) during which the staff member receives annual salary at a reduced rate of 80 per cent; and
- a leave period, immediately following the completion of the work period, during which the staff member receives the accumulated salary.

Liability for sabbatical leave is recognised in the provision for sabbatical leave. The provision is calculated by adding up the unpaid portion of the accrued salaries of all staff members who have commenced the scheme, plus on-costs. It is updated each year to reflect the increase in salary accruals during the year less the amount of salaries paid out to staff that have commenced sabbatical leave.

### (iv) Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Department recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

### Employee benefits on-costs

Employee benefits on-costs (payroll tax, workers compensation, superannuation, annual leave and LSL accrued while on LSL taken in service) are recognised separately from provision for employee benefits.

### Unearned revenue

Unearned revenue consists of the portion of any revenue that has been received by the Department for goods or services that have not yet been provided to an external party. Revenue received but not yet earned generally includes overseas student fees, subject contributions and payments for camps and excursions.

## (N) Leases

A lease is a right to use an asset for an agreed period of time in exchange for payment.

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and rewards incidental to ownership. Leases of property, plant and equipment are classified as finance infrastructure leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership from the lessor to the lessee. All other leases are classified as operating leases.

### Finance leases

#### Department as lessee

At the commencement of the lease term, finance leases are initially recognised as assets and liabilities at amounts equal to the fair value of the lease property or, if lower, the present value of the minimum lease payment, each determined at the

## Note 1 Summary of significant accounting policies

(continued)

inception of the lease. The lease asset is accounted for as a non-financial physical asset and depreciated over the shorter of the estimated useful life of the asset or the term of the lease.

Minimum finance lease payments are apportioned between reduction of the outstanding lease liability and periodic finance expense which is calculated using the interest rate implicit in the lease and charged directly to the comprehensive operating statement. Contingent rentals associated with finance leases are recognised as an expense in the period in which they are incurred.

### Operating leases

#### Department as lessor

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

All incentives for the agreement of a new or renewed operating lease are recognised as an integral part of the net consideration agreed for the use of the leased asset, irrespective of the incentive's nature or form or the timing of payments.

In the event that lease incentives are given to the lessee, the aggregate cost of incentives are recognised as a reduction of rental income over the lease term, on a straight line basis unless another systematic basis is more representative of the time pattern over which the economic benefit of the leased asset is diminished.

#### Department as lessee

Operating lease payments, including any contingent rentals, are recognised as an expense in the comprehensive operating statement on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern of the benefits derived from the use of the leased asset. The leased asset is not recognised in the balance sheet.

All incentives for the agreement of a new or renewed operating lease are recognised as an integral part of the net consideration agreed for the use of the leased asset, irrespective of the incentive's nature or form or the timing of payments.

In the event that lease incentives are received to enter into operating leases, the aggregate cost of incentives are recognised as a reduction of rental expense over the lease term on a straight-line basis, unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

### (O) Equity

#### Contributions by owners

Additions to net assets which have been designated as contributions by owners are recognised as contributed capital. Other transfers that are in the nature of contributions or distributions have also been designated as contributions by owners.

Transfers of net assets arising from administrative restructurings are treated as distributions to or contributions by owners.

## **(P) Commitments**

Commitments for future expenditure include operating and capital commitments arising from contracts. These commitments are disclosed by way of note (refer to Note 22 *Commitments for expenditure*) at their nominal value and inclusive of GST payable. In addition, where it is considered appropriate and provides additional relevant information to users, the net present values of significant individual projects are stated. These future expenditures cease to be disclosed as commitments once the related liabilities are recognised in the balance sheet.

## **(Q) Contingent assets and contingent liabilities**

Contingent assets and contingent liabilities are not recognised in the balance sheet, but are disclosed by way of a note (refer to Note 21 *Contingent assets and contingent liabilities*) and, if quantifiable, are measured at nominal value. Contingent assets and liabilities are presented exclusive of GST receivable or payable respectively.

## **(R) Service concession arrangements**

The Department enters into arrangements to design and construct or upgrade an asset used to provide public services. These arrangements are typically complex and usually include the provision of operational and maintenance services for a specified period of time. These arrangements are often referred to as either public private partnerships (PPPs) or service concession arrangements (SCAs).

These SCAs usually take one of two main forms. In the more common form, the Department pays the operator over the period of the arrangement, subject to specified performance criteria being met. At the date of commitment to the principal provisions of the arrangement, these estimated periodic payments are allocated between a component related to the design and construction or upgrading of the asset and components related to the ongoing operation and maintenance of the asset.

The former component is accounted for as a lease payment (see Note 1 (N) *Leases*). The remaining components are accounted for as commitments for operating costs (see Note 1(P) *Commitments*) which are expensed in the comprehensive operating statement as they are incurred.

In December 2008 the State of Victoria entered into a 26-year agreement with Axiom Education Victoria Pty Ltd, under the Partnerships Victoria policy, for the financing, design, construction, and maintenance of 12 schools.

All 12 schools have been opened since 2011 and the Department has assumed responsibility for education provision, staffing, curriculum and teacher practice, and a commitment in regard to these assets is recognised as a finance lease with related finance lease assets.

The commitment for maintenance is treated as an operation and maintenance commitments (see Note 22(a)).

## **(S) Accounting for Goods and Services Tax (GST)**

Income, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

## Note 1 Summary of significant accounting policies

(continued)

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the balance sheet.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flow.

Commitments and contingent assets or liabilities are presented on a gross basis.

### **(T) Foreign currency**

All foreign currency transactions during the financial year are brought to account using the exchange rate in effect at the date of the transaction. Foreign monetary items at reporting date are translated at the exchange rate existing at reporting date. Non-monetary assets carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined.

Exchange differences are recognised in other economic flows in comprehensive income and accumulated in a separate component of equity, in the period in which they arise.

### **(U) Events after reporting date**

Assets, liabilities, income or expenses arise from past transactions or other past events. Where the transactions result from an agreement between the Department and other parties, the transactions are only recognised when the agreement is irrevocable at or before balance date. Adjustments are made to amounts recognised in the financial statements for events which occur after the reporting date and before the date the statements are authorised for issue, where those events provide information about conditions which existed at the reporting date. Note disclosure is made about events between the balance date and the date the statements are authorised for issue where the events relate to conditions which arose after the reporting date and which may have a material impact on the results of subsequent years.

### **(V) Reclassification of Financial information**

The Department has elected to reclassify items to be presented in the financial statements for the period to the 30 June 2012. The reason for reclassification of these transactions is to better reflect the nature of the type of transactions to be reported and has resulted in impact on the comparative information presented in the financial statements.

### **(W) New accounting standards (AAS) and interpretations that are not yet effective**

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2013 reporting period. DTF assesses the impact of these new standards and advises the department of their applicability and early adoption where applicable.

As at 30 June 2013, the following standards and interpretations that are applicable to the Department had been issued but are not mandatory for financial year ending 30 June 2013. The Department has not, and does not intend to, adopt these standards early.

Standard/Interpretation	Summary	Applicable for annual reporting periods beginning or ending on	Impact on Departmental Financial Statements
<i>AASB 9 Financial instruments</i>	This standard simplifies requirements for the classification and measurement of financial assets resulting from Phase 1 of the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement (AASB 139 Financial Instruments: Recognition and Measurement).	1 Jan 2015	Subject to AASB's further modifications to AASB 9, together with the anticipated changes resulting from the staged projects on impairments and hedge accounting, details of impacts will be assessed.
<i>AASB 10 Consolidated Financial Statements</i>	This Standard forms the basis for determining which entities should be consolidated into an entity's financial statements. AASB 10 defines 'control' as requiring exposure or rights to variable returns and the ability to affect those returns through power over an investee, which may broaden the concept of control for public sector entities. The AASB has issued an exposure draft ED 238 Consolidated Financial Statements – Australian Implementation Guidance for Not-for-Profit Entities that explains and illustrates how the principles in the Standard apply from the perspective of not-for-profit entities in the private and public sectors.	1 Jan 2014	Not-for-profit entities are not permitted to apply this Standard prior to the mandatory application date. Subject to AASB's final deliberations on ED 238 and any modifications made to AASB 10 for not-for-profit entities, the entity will need to re-assess the nature of its relationships with other entities, including those that are currently not consolidated.
<i>AASB 11 Joint Arrangements</i>	This Standard deals with the concept of joint control, and sets out a new principles-based approach for determining the type of joint arrangement that exists and the corresponding accounting treatment. The new categories of joint arrangements under AASB 11 are more aligned to the actual rights and obligations of the parties to the arrangement.	1 Jan 2014	Not-for-profit entities are not permitted to apply this Standard prior to the mandatory application date. Subject to AASB's final deliberations and any modifications made to AASB 11 for not-for-profit entities, the entity will need to assess the nature of arrangements with other entities in determining whether a joint arrangement exists in light of AASB 11.
<i>AASB 12 Disclosure of Interests in Other Entities</i>	This Standard requires disclosure of information that enables users of financial statements to evaluate the nature of, and risks associated with, interests in other entities and the effects of those interests on the financial statements. This Standard replaces the disclosure requirements in AASB 127 Separate Financial Statements and AASB 131 Interests in Joint Ventures. The exposure draft ED 238 proposes to add some implementation guidance to AASB 12, explaining and illustrating the definition of a 'structured entity' from a not-for-profit perspective.	1 Jan 2014	Not-for-profit entities are not permitted to apply this Standard prior to the mandatory application date. Impacts on the level and nature of the disclosures will be assessed based on the eventual implications arising from AASB 10, AASB 11 and AASB 128 Investments in Associates and Joint Ventures.
<i>AASB 13 Fair Value Measurement</i>	This Standard outlines the requirements for measuring the fair value of assets and liabilities and replaces the existing fair value definition and guidance in other Australian accounting standards. AASB 13 includes a 'fair value hierarchy' which ranks the valuation technique inputs into three levels using unadjusted quoted prices in active markets for identical assets or liabilities; other observable inputs; and unobservable inputs.	1 Jan 2013	Disclosure for fair value measurements using unobservable inputs are relatively detailed compared to disclosure for fair value measurements using observable inputs. Consequently, the Standard may increase the disclosures required for assets measured using depreciated replacement cost.

## Note 1 Summary of significant accounting policies

(continued)

Standard/Interpretation	Summary	Applicable for annual reporting periods beginning or ending on	Impact on Departmental Financial Statements
<i>AASB 119 Employee Benefits</i>	In this revised Standard for defined benefit superannuation plans, there is a change to the methodology in the calculation of superannuation expenses, in particular there is now a change in the split between superannuation interest expense (classified as transactions) and actuarial gains and losses (classified as 'Other economic flows – other movements in equity') reported on the comprehensive operating statement.	1 Jan 2013	Not-for-profit entities are not permitted to apply this Standard prior to the mandatory application date. While the total superannuation expense is unchanged, the revised methodology is expected to have a negative impact on the net result from transactions a few Victorian public sector entities that report superannuation defined benefit plans.
<i>AASB 127 Separate Financial Statements</i>	This revised Standard prescribes the accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements.	1 Jan 2014	Not-for-profit entities are not permitted to apply this Standard prior to the mandatory application date. The AASB is assessing the applicability of principles in AASB 127 in a not-for-profit context. As such, the impact will be assessed after the AASB's deliberation.
<i>AASB 128 Investments in Associates and Joint Ventures</i>	This revised Standard sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures.	1 Jan 2014	Not-for-profit entities are not permitted to apply this Standard prior to the mandatory application date. The AASB is assessing the applicability of principles in AASB 128 in a not-for-profit context. As such, the impact will be assessed after the AASB's deliberation.
<i>AASB 1053 Application of Tiers of Australian Accounting Standards</i>	This Standard establishes a differential financial reporting framework consisting of two tiers of reporting requirements for preparing general purpose financial statements.	1 July 2013	The Victorian Government is currently considering the impacts of Reduced Disclosure Requirements (RDRs) for certain public sector entities, and has not decided if RDRs will be implemented in the Victorian public sector.
<i>AASB 1055 Budgetary Reporting</i>	AASB 1055 extends the scope of budgetary reporting that is currently applicable for the whole of government and general government sector (GGS) to NFP entities within the GGS, provided that these entities present separate budget to the parliament.	1 Jan 2014	[If separate budget is presented to the parliament]: <ul style="list-style-type: none"> <li>The entity will be required to restate in the financial statements the budgetary information in accordance with the presentation format prescribed in Australian Accounting Standards and explain the significant variances from the original budget.</li> </ul> [If separate budget is not presented to the parliament]: <ul style="list-style-type: none"> <li>This Standard is not applicable as no budget disclosure is required.</li> </ul>



In addition to the new standards above, the AASB has issued a list of amending standards that are not effective for the 2012–13 reporting period (as listed below). In general, these amending standards include editorial and references changes that are expected to have insignificant impacts on public sector reporting. The two AASB Interpretations in the list below are also not effective for the 2012–13 reporting period and considered to have insignificant impacts on public sector reporting.

- AASB 2009-11 *Amendments to Australian Accounting Standards arising from AASB 9.*
- AASB 2010-2 *Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements.*
- AASB 2010-7 *Amendments to Australian Accounting Standards arising from AASB 9 (December 2010).*
- AASB 2010-10 *Further Amendments to Australian Accounting Standards – Removal of Fixed Dates for First-time Adopters.*
- AASB 2011-2 *Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project – Reduced Disclosure Requirements.*
- AASB 2011-4 *Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements.*
- AASB 2011-6 *Amendments to Australian Accounting Standards – Extending Relief from Consolidation, the Equity Method and Proportionate Consolidation – Reduced Disclosure Requirements.*
- AASB 2011-7 *Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards.*
- AASB 2011-8 *Amendments to Australian Accounting Standards arising from AASB 13.*
- AASB 2011-10 *Amendments to Australian Accounting Standards arising from AASB 119 (September 2011).*
- AASB 2011-11 *Amendments to AASB 119 (September 2011) arising from Reduced Disclosure Requirements.*
- AASB 2011-12 *Amendments to Australian Accounting Standards arising from Interpretation 20*
- 2012-1 *Amendments to Australian Accounting Standards – Fair Value Measurement – Reduced Disclosure Requirements.*
- 2012-2 *Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities.*
- 2012-3 *Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities.*
- 2012-5 *Amendments to Australian Accounting Standards arising from Annual Improvements 2009–2011 Cycle.*
- 2012-7 *Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements.*

## Note 1 Summary of significant accounting policies

(continued)

- 2012-9 *Amendment to AASB 1048 arising from the Withdrawal of Australian Interpretation 1039.*
- 2012-10 *Amendments to Australian Accounting Standards – Transition Guidance and Other Amendments.*
- 2012-11 *Amendments to Australian Accounting Standards – Reduced Disclosure Requirements and Other Amendments.*
- 2013-1 *Amendments to AASB 1049 – Relocation of Budgetary Reporting Requirements.*
- 2013-2 *Amendments to AASB 1038 – Regulatory Capital.*
- 2013-3 *Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets.*
- 2013-4 *Amendments to Australian Accounting Standards – Novation of Derivatives and Continuation of Hedge Accounting.*
- *AASB Interpretation 20 Stripping Costs in the Production Phase of a Surface Mine.*
- *AASB Interpretation 21 Levies.*

## Note 2 Departmental (controlled) outputs

A description of departmental outputs performed during the year ended 30 June 2013, and the objectives of these outputs, are summarised below.

### Strategy, Review and Regulation

This output group develops, plans and monitors strategic policy settings across all stages of learning. It also includes inter-governmental negotiations as well as research, data and performance evaluations. This output group also supports regulation that ensures quality education and training is delivered and contributes to all the Department's objectives of achievement, engagement, wellbeing and productivity.

### Early Childhood Development

The early childhood development output group provides funding for a range of services that support children in the early years, including kindergarten and children's services, maternal and child health, and early intervention services for children with a disability. These outputs make a significant contribution to the Government's key outcomes in early childhood services. This output group and its outputs contribute towards providing and improving services to support all the Department's objectives of achievement, engagement, wellbeing and productivity.

### School Education

The school education output group consists of two outputs. The School Education – Primary output provides services to develop essential skills and learning experiences to engage young minds in the primary sector. The School Education – Secondary output delivers services to consolidate literacy and numeracy competencies including creative and critical thinking, as well as physical, social, emotional and intellectual development in adolescence. It also provides education services as well as varied pathways and support for transition across sectors to further study or employment. This output group contributes towards providing and improving services to support all the Department's objectives of achievement, engagement, wellbeing and productivity.

### Higher Education and Skills

The Higher Education and Skills output responds to the labour and skills needs of individuals and industry. This output covers the system design, contracting and monitoring of vocational education and training services. It also involves the development and implementation of effective strategies for accredited and pre-accredited vocational education and training through adult community education. This output group contributes towards providing and improving services to support all the Department's objectives of achievement, engagement, wellbeing and productivity.

### Support Services Delivery

The Support Services Delivery output group covers the Regional Support Group and provides student welfare and support, education maintenance allowance, student transport (excluding transport for special needs students) and health services. This output group contributes towards providing and improving services to support all the Department's objectives of achievement, engagement, wellbeing and productivity.

## Note 2 Departmental (controlled) outputs

(continued)

### **Support for Students with Disabilities**

The Support for Students with Disabilities output group covers the Program for Students with Disabilities, transport for special need students and welfare and support services for students with special needs. This output group contributes towards providing and improving services to support all the Department's objectives of achievement, engagement, wellbeing and productivity.

## Departmental outputs schedule – controlled income and expenses for the year ended 30 June 2013<sup>(1)</sup>

	Strategy, Review and Regulation \$m	Early Childhood Development \$m	School Education \$m	Higher Education and Skills <sup>(1)</sup> \$m	Support Services Delivery \$m	Support for Students with Disabilities \$m	Departmental total \$m
<b>Income from transactions</b>							
Output appropriations	89.8	522.0	6,752.3	1,992.3	300.9	718.4	<b>10,375.8</b>
Special appropriations	–	–	2.6	3.8	–	–	<b>6.5</b>
Interest income	–	–	25.7	–	–	–	<b>25.7</b>
Grants	0.7	0.1	20.3	4.8	–	–	<b>25.8</b>
Sales of goods and services	2.3	0.1	164.9	0.3	0.2	0.3	<b>168.1</b>
Other income	0.6	–	504.7	0.8	3.8	–	<b>510.0</b>
<b>Total income from transactions</b>	<b>93.4</b>	<b>522.1</b>	<b>7,470.5</b>	<b>2,002.1</b>	<b>304.9</b>	<b>718.8</b>	<b>11,111.9</b>
<b>Expenses from transactions</b>							
Employee expenses	(43.8)	(57.1)	(4,181.5)	(30.7)	(169.3)	(560.6)	<b>(5,043.1)</b>
Depreciation and amortisation	(4.1)	(4.0)	(261.4)	(3.0)	(1.4)	(11.4)	<b>(285.3)</b>
Interest expense	–	–	(14.1)	(0.0)	–	–	<b>(14.1)</b>
Grants and other expense transfers	(18.6)	(77.1)	(689.1)	(1,280.9)	(79.1)	(4.3)	<b>(2,149.2)</b>
Capital asset charge	(0.4)	(2.4)	(997.0)	(216.6)	(0.1)	(41.5)	<b>(1,258.1)</b>
Other operating expenses	(26.5)	(381.4)	(1,303.7)	(410.9)	(55.0)	(100.9)	<b>(2,278.4)</b>
<b>Total expenses from transactions</b>	<b>(93.4)</b>	<b>(522.1)</b>	<b>(7,446.8)</b>	<b>(1,942.1)</b>	<b>(304.9)</b>	<b>(718.8)</b>	<b>(11,028.1)</b>
<b>Net result from transactions (net operating balance)</b>	<b>–</b>	<b>–</b>	<b>23.8</b>	<b>60.0</b>	<b>–</b>	<b>–</b>	<b>83.8</b>
<b>Other economic flows included in net result</b>							
Net gain/(loss) on non-financial assets	(0.0)	(0.0)	(13.2)	(0.1)	(0.1)	(1.2)	<b>(14.7)</b>
Net gain/(loss) on financial instruments	–	–	(0.2)	8.0	–	–	<b>7.8</b>
Other gains/(losses) from other economic flows	0.3	0.3	24.6	0.2	1.0	3.3	<b>29.7</b>
<b>Total other economic flows included in net result</b>	<b>0.2</b>	<b>0.3</b>	<b>11.2</b>	<b>8.1</b>	<b>0.9</b>	<b>2.1</b>	<b>22.8</b>
<b>Net result</b>	<b>0.2</b>	<b>0.3</b>	<b>35.0</b>	<b>68.1</b>	<b>0.9</b>	<b>2.1</b>	<b>106.5</b>
<b>Other economic flows – other comprehensive income</b>							
Changes in physical asset revaluation surplus	–	–	413.7	–	3.6	38.7	<b>456.0</b>
<b>Total other economic flows – other comprehensive income</b>	<b>–</b>	<b>–</b>	<b>413.7</b>	<b>–</b>	<b>3.6</b>	<b>38.7</b>	<b>456.0</b>
<b>Comprehensive result</b>	<b>0.2</b>	<b>0.3</b>	<b>448.6</b>	<b>68.1</b>	<b>4.5</b>	<b>40.8</b>	<b>562.5</b>

## Note 2 Departmental (controlled) outputs

(continued)

### Departmental outputs schedule – controlled assets and liabilities as at 30 June 2013

	Strategy, Review and Regulation \$m	Early Childhood Development \$m	School Education \$m	Higher Education and Skills <sup>(1)</sup> \$m	Support Services Delivery \$m	Support for Students with Disabilities \$m	Departmental total \$m
<b>Assets and liabilities</b>							
<b>Assets</b>							
Financial assets	12.5	48.6	1,602.8	171.1	67.7	157.5	<b>2,060.1</b>
Non-financial assets	8.5	37.9	12,924.6	74.3	115.6	1,209.0	<b>14,370.0</b>
<b>Total assets</b>	<b>21.0</b>	<b>86.5</b>	<b>14,527.4</b>	<b>245.5</b>	<b>183.3</b>	<b>1,366.4</b>	<b>16,430.1</b>
<b>Liabilities</b>							
Liabilities	13.8	26.2	1,813.9	48.6	65.0	196.5	<b>2,163.9</b>
<b>Total liabilities</b>	<b>13.8</b>	<b>26.2</b>	<b>1,813.9</b>	<b>48.6</b>	<b>65.0</b>	<b>196.5</b>	<b>2,163.9</b>
<b>Net assets/(liabilities)</b>	<b>7.2</b>	<b>60.3</b>	<b>12,713.5</b>	<b>196.9</b>	<b>118.3</b>	<b>1,170.0</b>	<b>14,266.2</b>

## Departmental outputs schedule – controlled income and expenses for the year ended 30 June 2012

	Strategy, Review and Regulation \$m	Early Childhood Development \$m	School Education \$m	Higher Education and Skills <sup>(1)</sup> \$m	Support Services Delivery \$m	Support for Students with Disabilities \$m	Departmental total \$m
<b>Income from transactions</b>							
Output appropriations	96.5	367.2	6,585.9	2,084.5	343.1	694.1	<b>10,171.1</b>
Special appropriations	—	2.6	28.4	—	—	—	<b>31.0</b>
Interest income	—	—	33.9	—	—	—	<b>33.9</b>
Grants	0.7	2.6	12.0	—	0.1	—	<b>15.4</b>
Sales of goods and services	(0.0)	0.1	158.5	0.3	0.2	0.1	<b>159.2</b>
Other income	0.7	—	466.8	—	0.4	—	<b>467.8</b>
<b>Total income from transactions</b>	<b>97.8</b>	<b>372.4</b>	<b>7,285.5</b>	<b>2,084.8</b>	<b>343.7</b>	<b>694.2</b>	<b>10,878.4</b>
<b>Expenses from transactions</b>							
Employee expenses	(47.4)	(46.8)	(4,055.5)	(23.2)	(177.4)	(530.6)	<b>(4,880.8)</b>
Depreciation and amortisation	(3.6)	(3.6)	(232.0)	(2.6)	(1.3)	(10.1)	<b>(253.2)</b>
Interest expense	—	—	(14.2)	—	—	—	<b>(14.2)</b>
Grants and other expense transfers	(15.8)	(4.6)	(689.4)	(1,776.0)	(80.3)	(2.6)	<b>(2,568.7)</b>
Capital asset charge	(0.4)	(2.3)	(960.6)	(216.1)	(0.1)	(40.0)	<b>(1,219.6)</b>
Other operating expenses	(30.5)	(315.2)	(1,431.2)	(66.8)	(84.7)	(110.9)	<b>(2,039.3)</b>
<b>Total expenses from transactions</b>	<b>(97.8)</b>	<b>(372.4)</b>	<b>(7,382.9)</b>	<b>(2,084.8)</b>	<b>(343.7)</b>	<b>(694.2)</b>	<b>(10,975.9)</b>
<b>Net result from transactions (net operating balance)</b>	<b>—</b>	<b>—</b>	<b>(97.4)</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>(97.4)</b>
<b>Other economic flows included in net result</b>							
Net gain/(loss) on non-financial assets	0.0	0.0	10.3	0.0	0.1	0.9	<b>11.4</b>
Net gain/(loss) on financial instruments	—	—	(1.1)	—	—	—	<b>(1.1)</b>
Other gains/(losses) from other economic flows	(0.9)	(0.8)	(73.2)	(0.4)	(3.2)	(9.6)	<b>(88.0)</b>
<b>Total other economic flows included in net result</b>	<b>(0.8)</b>	<b>(0.8)</b>	<b>(63.9)</b>	<b>(0.4)</b>	<b>(3.1)</b>	<b>(8.6)</b>	<b>(77.7)</b>
<b>Net result</b>	<b>(0.8)</b>	<b>(0.8)</b>	<b>(161.3)</b>	<b>(0.4)</b>	<b>(3.1)</b>	<b>(8.6)</b>	<b>(175.1)</b>
<b>Other economic flows – other comprehensive income</b>							
Changes in physical asset revaluation surplus	—	—	(559.7)	—	(4.9)	(50.8)	<b>(615.3)</b>
<b>Total other economic flows – other comprehensive income</b>	<b>—</b>	<b>—</b>	<b>(559.7)</b>	<b>—</b>	<b>(4.9)</b>	<b>(50.8)</b>	<b>(615.3)</b>
<b>Comprehensive result</b>	<b>(0.8)</b>	<b>(0.8)</b>	<b>(721.0)</b>	<b>(0.4)</b>	<b>(8.0)</b>	<b>(59.4)</b>	<b>(790.5)</b>

\* The School Start Bonus initiative of \$14.8 million in 2011–12 is a discontinued financial performance measure and not reflected in the current output structure.

## Note 2 Departmental (controlled) outputs

(continued)

### Departmental outputs schedule – controlled assets and liabilities as at 30 June 2012

Assets and liabilities	Strategy, Review and Regulation \$m	Early Childhood Development \$m	School Education \$m	Higher Education and Skills <sup>(1)</sup> \$m	Support Services Delivery \$m	Support for Students with Disabilities \$m	Departmental total \$m
<b>Assets</b>							
Financial assets	13.0	35.8	1,572.5	182.0	75.4	150.3	2,028.9
Non-financial assets	9.7	30.2	12,514.5	4.6	115.4	1,135.8	13,810.2
<b>Total assets</b>	<b>22.7</b>	<b>66.0</b>	<b>14,087.0</b>	<b>186.7</b>	<b>190.7</b>	<b>1,286.1</b>	<b>15,839.1</b>
<b>Liabilities</b>							
Liabilities	15.0	21.2	1,766.3	55.4	71.2	188.4	2,117.6
<b>Total liabilities</b>	<b>15.0</b>	<b>21.2</b>	<b>1,766.3</b>	<b>55.4</b>	<b>71.2</b>	<b>188.4</b>	<b>2,117.6</b>
<b>Net assets/(liabilities)</b>	<b>7.7</b>	<b>44.8</b>	<b>12,320.7</b>	<b>131.2</b>	<b>119.5</b>	<b>1,097.6</b>	<b>13,721.6</b>



## Note 3 Administered (non-controlled) items

In addition to the specific departmental operations which are included in the comprehensive operating statement, balance sheet, statement of changes in equity and cash flow statement, the Department administers or manages activities on behalf of the State. The transactions relating to these activities are reported as administered items (refer to note 1 (D) *Basis of consolidation* and (I) *Administered income*) in this note.

	School education		Departmental total	
	2013 \$m	2012 \$m	2013 \$m	2012 \$m
<b>Administered income from transactions</b>				
Commonwealth on-passing to non-government schools:				
General recurrent grant	2,128.3	2,021.8	2,128.3	2,021.8
Other	147.0	152.6	147.0	152.6
Prizes and scholarships	0.3	1.9	0.3	1.9
Other income	3.5	3.2	3.5	3.2
<b>Total administered income from transactions</b>	<b>2,279.2</b>	<b>2,179.6</b>	<b>2,279.2</b>	<b>2,179.6</b>
<b>Administered expenses from transactions</b>				
Commonwealth on-passing to non-government schools:				
General recurrent grant	(2,128.3)	(2,021.8)	(2,128.3)	(2,021.8)
Other	(147.1)	(152.6)	(147.1)	(152.6)
Prizes and scholarships	(2.5)	(3.1)	(2.5)	(3.1)
Amounts paid to Consolidated Fund	33.5	80.4	33.5	80.4
Other	(0.8)	(0.9)	(0.8)	(0.9)
<b>Total administered expenses from transactions</b>	<b>(2,245.2)</b>	<b>(2,098.0)</b>	<b>(2,245.2)</b>	<b>(2,098.0)</b>
<b>Total administered net result from transactions (net operating balance)</b>	<b>33.9</b>	<b>81.6</b>	<b>33.9</b>	<b>81.6</b>
<b>Administered other economic flows included in the administered net result</b>				
Net gain/(loss) on non-financial assets	(35.7)	(81.8)	(35.7)	(81.8)
<b>Total administered other economic flows</b>	<b>(35.7)</b>	<b>(81.8)</b>	<b>(35.7)</b>	<b>(81.8)</b>
<b>Administered net result</b>	<b>(1.7)</b>	<b>(0.3)</b>	<b>(1.7)</b>	<b>(0.3)</b>

## Note 3 Administered (non-controlled) items (continued)

	School education		Departmental total	
	2013 \$m	2012 \$m	2013 \$m	2012 \$m
<b>Administered financial assets</b>				
Receivables	3.9	7.0	3.9	7.0
Investments	2.2	2.1	2.2	2.1
<b>Total administered financial assets</b>	<b>6.2</b>	9.1	<b>6.2</b>	9.1
<b>Total administered assets</b>	<b>6.2</b>	9.1	<b>6.2</b>	9.1
<b>Administered liabilities</b>				
Creditors and accruals	–	1.2	–	1.2
<b>Total administered liabilities</b>	<b>–</b>	1.2	<b>–</b>	1.2
<b>Total administered net assets</b>	<b>6.2</b>	7.9	<b>6.2</b>	7.9

## Note 4 Net result from transactions (net operating balance)

	2013 \$m	2012 \$m
<b>Income from transactions</b>		
<b>(a) Grants</b>		
Other public bodies	25.8	15.4
<b>Total grants</b>	<b>25.8</b>	<b>15.4</b>
<b>(b) Sales of goods and services</b>		
Schools revenue	122.0	112.5
Provision of services	46.1	46.7
<b>Total sales of goods and services</b>	<b>168.1</b>	<b>159.2</b>
<b>(c) Other income</b>		
Schools revenue	495.0	457.9
Other revenue	15.0	9.9
<b>Total other income</b>	<b>510.0</b>	<b>467.8</b>
<b>Expenses from transactions</b>		
<b>(d) Employee expenses</b>		
Salaries and wages – Departmental employees <sup>(1)</sup>	3,898.5	3,726.1
Salaries and wages – staff employed by school councils	202.7	208.5
Superannuation	392.4	392.3
Annual leave and long service leave expense	272.3	280.7
Other on-costs (fringe benefits tax, payroll tax and workcover levy)	277.3	273.4
<b>Total employee expenses</b>	<b>5,043.1</b>	<b>4,881.0</b>
<b>(e) Depreciation and amortisation</b>		
<b>Depreciation</b>		
Buildings	193.5	178.6
Plant and equipment	66.4	60.8
	<b>259.8</b>	<b>239.4</b>
<b>Amortisation</b>		
Software	25.4	13.8
	<b>25.4</b>	<b>13.8</b>
<b>Total depreciation and amortisation</b>	<b>285.3</b>	<b>253.2</b>

<sup>(1)</sup> In April 2013, the Enterprise Bargaining Agreement (EBA) for teachers, principals and Education Support staff, was reached. The Agreement is effective from April 2013, and its impact is reflected in the payroll expenditure and payables in 2013.

## Note 4 Net result from transactions (net operating balance)

(continued)

	2013 \$m	2012 \$m
<b>(f) Grants and other expense transfers</b>		
Grants to Victorian Curriculum and Assessment Authority	42.6	43.2
Grants to Victorian Registration and Qualifications Authority	11.6	6.5
Grants to Victorian Skills Commission <sup>(1)</sup>	889.7	1,665.0
Grants to Technical and Further Education	307.8	–
Grants to Adult, Community and Further Education Board	37.0	95.8
Grants to non-government schools		
– primary	241.9	232.5
– secondary	374.0	360.9
– other	38.5	33.9
Grants to external organisations	146.0	83.3
Conveyance and Education Maintenance Allowance payments	60.2	61.7
<b>Total grants and other expense transfers</b>	<b>2,149.2</b>	<b>2,582.9</b>
<b>(g) Other operating expenses</b>		
<i><b>Supplies and services</b></i>		
Administration	220.9	237.6
Maintenance	388.6	483.5
School requisites	829.6	843.5
Service agreement payments	706.1	317.8
Student transport	56.8	53.3
Rental expense relating to operating leases – Minimum lease payments	19.4	22.5
<b>Total supplies and services</b>	<b>2,221.4</b>	<b>1,958.3</b>
<i><b>Fair value of assets and services provided free of charge or for nominal consideration</b></i>		
Rent provided free of charge – Victorian Curriculum and Assessment Authority	1.9	1.8
Rent provided free of charge – Victorian Registration and Qualifications Authority	0.4	0.2
<b>Total fair value of assets and services provided free of charge or for nominal consideration</b>	<b>2.3</b>	<b>2.0</b>
<i><b>Victorian Auditor-General's Office audit fees</b></i>		
Audit or review of the financial statements	0.5	0.5
<b>Total audit fees</b>	<b>0.5</b>	<b>0.5</b>
<i><b>Ex-gratia payments <sup>(2)</sup></b></i>	<b>0.2</b>	<b>0.6</b>
<b>Other expenses</b>	<b>54.1</b>	<b>78.3</b>
<b>Total other operating expenses</b>	<b>2,278.4</b>	<b>2,039.7</b>

<sup>(1)</sup> Victorian Skills Commission was wound up on the December 31 2012, refer to note 7 for details. 2013 result reflects the six-month impact from July to December 2012.

<sup>(2)</sup> Ex-gratia payments are payments arising from personal injury claims involving students and third parties and settlement of legal action taken under the Equal Opportunity Act 1995 and Workplace Relations Act 1996.

## Note 5 Other economic flows included in net result

	2013 \$m	2012 \$m
<b>(a) Net gain/(loss) on non-financial assets</b>		
Net gain/(loss) on disposals of non-financial assets	1.1	1.2
Assets not previously recognised	2.5	10.2
Changes in fair value of non-financial assets held for sale	9.8	–
Impairment of non-financial assets <sup>(1)</sup>	(28.1)	–
<b>Total net gain/(loss) on non-financial assets</b>	<b>(14.7)</b>	<b>11.4</b>
<b>(b) Net gain/(loss) on financial instruments</b>		
Impairment of loans and receivables	7.8	(1.1)
<b>Total net gain/(loss) on financial instruments</b>	<b>7.8</b>	<b>(1.1)</b>
<b>(c) Other gains/(losses) from other economic flows</b>		
Net gain/(loss) arising from revaluation of long service leave liability	29.7	(88.0)
<b>Total other gains/(losses) from other economic flows</b>	<b>29.7</b>	<b>(88.0)</b>

<sup>(1)</sup> The annual impairment review performed by DEECD on intangible assets for 2013, resulted in an impairment of the Ultraset for \$28 million (including \$25.5 million software and \$2.5 million hardware) driven by management noting considerable uncertainty as to its future use.

## Note 6 Summary of compliance with annual parliamentary and special appropriations

### (a) Summary of compliance with annual parliamentary appropriations

The following table discloses the details of the various parliamentary appropriations received by the Department for the year. In accordance with accrual output-based management procedures, 'Provision for outputs' and 'Additions to net assets' are disclosed as 'controlled activities' of the Department. Administered transactions are those that are undertaken on behalf of the State over which the Department has no control or discretion.

Appropriation Act			Financial Management Act 1994							
Annual appropriation	Advance from Treasurer	Section 3(2)	Section 29	Section 30	Section 32	Section 35 advances	Total parliamentary authority	Appropriations applied	Variance	
\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	
2013										
Controlled										
Provision for outputs	9,546.0	226.6	50.3	631.5	56.8	119.7	—	10,630.8	10,375.8	255.1
Additions to net assets	—	—	—	58.1	(56.8)	34.0	1.0	36.4	36.4	—
Total	9,546.0	226.6	50.3	689.6	—	153.8	1.0	10,667.2	10,412.1	255.1

(1) The provision of outputs variance of \$255.1 million reflects \$220.1 million carryover of provisions of outputs appropriation primarily related to the Commonwealth National Partnership Programs including Universal Access, Digital Education Revolution and More Support for Students with Disabilities. In addition, \$35.0 million of appropriation funding was not drawn down primarily due to a rephrasing of training delivery funding in line with the Memorandum of Understanding with DTF.

Appropriation Act			Financial Management Act 1994							
Annual appropriation	Advance from Treasurer	Section 3(2)	Section 29	Section 30	Section 32	Section 35 advances	Total parliamentary authority	Appropriations applied	Variance	
\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	
2012										
Controlled										
Provision for outputs	9,159.3	579.9	—	579.2	(131.3)	118.6	—	10,305.7	10,185.9	119.8
Additions to net assets	55.9		—	170.8	131.3	323.3	—	681.3	647.3	34.0
Total	9,215.2	579.9	—	750.0	—	441.9	—	10,987.0	10,833.2	153.8

(2) The provision of outputs variance of \$119.8 million reflects the carryover of provisions of outputs appropriation including Universal Access Program, Digital Education Revolution, Empowering Local Schools and Children's Capital Grants program. The additions to net assets variance of \$34 million relates to the carryover of additions to net assets for the Trade Training Centres project.

## (b) Summary of compliance with special appropriations

Authority	Purpose	Appropriations applied	
		2013 \$m	2012
Controlled			
Section 5.6.8 of the <i>Education and Training Reform Act 2006</i>	Volunteers workers compensation	0.2	0.3
Section 10 of the <i>Financial Management Act 1994</i>	Digital Education Revolution	—	28.1
Section 10 of the <i>Financial Management Act 1994</i>	Indigenous Early Childhood Education	—	2.6
Section 10 of the <i>Financial Management Act 1994</i>	National Partnership Joint Group Training Program	3.2	—
Section 10 of the <i>Financial Management Act 1994</i>	Industry and Indigenous Skills Centre Program	0.7	—
Section 10 of the <i>Financial Management Act 1994</i>	Investing in Focus Schools Projects Government Schools	2.2	—
Section 10 of the <i>Financial Management Act 1994</i>	Investing in Focus Schools Projects Non-Government Schools	0.2	—
Total		6.5	31.0

## Note 7 Restructuring of administrative arrangement

In May 2012, the Victorian Government announced that the Victorian Skills Commission (Commission) would be wound up. The Education Legislation Amendment (Governance) Act 2012 (the Act) which abolished the Commission received Royal Assent on 4 December 2012.

The cessation of the Commission meets the definition of an administrative arrangement as per FRD 119.

The Act required all assets and liabilities of the Commission to transfer to the State (Department of Education and Early Childhood Development) on 1 January 2013.

From 1 January 2013, all revenue and expenses of the abolished Commission form part of the Department's results.

The net assets assumed by the Department for the Commission output as a result of the administrative restructure is recognised in the balance sheet at the carrying amount of those assets in the transferor's (the Commission) balance sheet immediately before the transfer.

The net assets transferred were treated as a contribution of capital by the Crown. No income has been recognised by the Department in respect of the net asset transferred from the Commission.

2013  
\$m

In respect of the activities assumed, the following assets and liabilities were recognised at the date of the transfer

### Statutory Authority – Skills – Transfer in

#### Assets

Cash and cash deposits	0.5
Receivables	50.4
Assets held for sale	21.9
Property, plant and equipment	0.6
Intangible assets	55.0
<b>Total assets</b>	<b>128.4</b>

#### Liabilities

Payables	127.5
Finance lease	0.6
<b>Total liabilities</b>	<b>128.1</b>
<b>Net assets recognised at the date of transfer</b>	<b>0.3</b>



## Note 8 Cash and deposits

	2013 \$m	2012 \$m
Amounts held by schools	487.0	473.3
Departmental operating bank accounts	106.6	113.8
Other bank accounts	0.0	9.0
<b>Total cash and deposits</b>	<b>593.5</b>	<b>596.2</b>

### Cash at bank

Due to the State of Victoria's investment policy and government funding arrangements, the Department generally does not hold a large cash reserve in its bank accounts. The Departmental operating bank accounts hold funds on behalf of trusts. Cash received by the Department from the generation of income is generally paid into the State's bank account, known as the Public Account. Similarly, any Departmental expenditure, including those payments for goods and services to its suppliers and creditors, are made via the Public Account. The process is such that, the Public Account would remit to the Department the cash required to cover its transactions. This remittance by the Public Account occurs upon the electronic transfer of funds and the presentation of the cheques by the Department's suppliers or creditors.

Amounts held by schools at the end of the financial year disclosed as "Cash and deposits" include bank accounts and short term deposits with a maturity of less than three months. Amounts held by schools with a maturity of three months or more are disclosed as "Other financial assets" and at balance date total \$174.1 million (2012: \$188.9 million)

## Note 9 Receivables

	2013 \$m	2012 \$m
<b>Current receivables</b>		
<i>Statutory</i>		
Amounts owing from Victorian Government <sup>(i)</sup>	918.5	930.9
GST receivables	43.8	45.7
	<b>962.2</b>	976.6
<i>Contractual</i>		
Schools' receivables	93.7	77.0
Other debtors <sup>(ii)</sup>	75.1	35.0
	<b>168.8</b>	111.9
Allowance for doubtful debts <sup>(iii)</sup>	(14.2)	(13.3)
<b>Total current receivables</b>	<b>1,116.8</b>	<b>1,075.2</b>
<b>Non-current receivables</b>		
<i>Statutory</i>		
Amounts owing from Victorian Government <sup>(i)</sup>	168.7	168.7
<i>Contractual</i>		
Other debtors <sup>(iii)</sup>	7.0	—
<b>Total non-current receivables</b>	<b>175.7</b>	<b>168.7</b>
<b>Aggregate carrying amount of receivables</b>		
Current	1,116.8	1,075.2
Non-current	175.7	168.7
<b>Total aggregate carrying amount of receivables</b>	<b>1,292.5</b>	<b>1,243.9</b>

(i) The amounts recognised from Victorian Government represent funding for all commitments incurred through the appropriations and are drawn from the Consolidated Fund as the commitments fall due.

(ii) The average credit period on sales of goods and services is 30 days. No interest is charged on other receivables for the first 30 days from the date of the invoice. An allowance has been made for estimated irrecoverable amounts from the sale of goods debtors when there is objective evidence that an individual receivable is impaired. The increase/decrease was recognised in the operating result for the current financial year.

### (a) Movement in the allowance for doubtful debts

	2013 \$m	2012 \$m
Balance at beginning of the year	(13.3)	(10.4)
(Increase)/decrease in allowance recognised in surplus or deficit	(0.9)	(2.9)
<b>Balance at end of the year</b>	<b>(14.2)</b>	<b>(13.3)</b>

### (b) Ageing analysis of contractual receivables

Please refer to table 18.2 in Note 18 for the ageing analysis of contractual receivables.

### (c) Nature and extent of risk arising from contractual receivables

Please refer to Note 18 for the nature and extent of credit risk arising from contractual receivables.

## Note 10 Non-financial assets classified as held for sale/distribution

	2013 \$m	2012 \$m
Buildings	2.7	51.3
Land	53.4	36.8
Plant and equipment	0.2	0.3
Intangible assets	69.2	–
<b>Total non-financial assets classified as held for sale/distribution</b>	<b>125.5</b>	<b>88.4</b>

## Note 11 Intangible assets

	Note	2013 \$m	2012 \$m
<b>Software</b>			
<b>Opening balance</b>		<b>93.3</b>	74.4
Additions		32.4	18.9
Impairment (1)		(36.1)	(0.0)
<b>Closing balance</b>		<b>89.5</b>	93.3
<b>Accumulated amortisation</b>			
<b>Opening balance</b>		<b>(31.2)</b>	(17.5)
Amortisation expense	4(e)	(25.4)	(13.8)
Impairment <sup>(1)</sup>		10.7	–
<b>Closing balance</b>		<b>(45.9)</b>	(31.2)
<b>Net book value at end of financial year</b>		<b>43.6</b>	62.1

<sup>(1)</sup> The annual impairment review performed by DEECD on intangible assets for 2013, resulted in an impairment of the Ultraset driven by management noting considerable uncertainty as to its future use.

## Note 12 Property, plant and equipment – Education purpose group<sup>(i)</sup>

	2013 \$m	2012 \$m
<b>Land</b>		
At cost	–	225.1
At independent valuation 2013	<b>7,148.8</b>	6,302.4
<b>Total land</b>	<b>7,148.8</b>	6,527.4
<b>Buildings</b>		
At cost	–	3,858.0
Less accumulated depreciation	–	(82.6)
	–	3,775.4
At valuation 2013	<b>6,431.4</b>	2,901.8
Less accumulated depreciation	–	(497.3)
	<b>6,431.4</b>	2,404.5
Leasehold buildings – at cost	<b>205.7</b>	205.7
Leasehold improvements – at cost	<b>1.9</b>	2.8
Less accumulated depreciation	<b>(9.4)</b>	(5.8)
	<b>198.2</b>	202.7
Total buildings	<b>6,639.0</b>	6,968.4
Less total accumulated depreciation	<b>(9.4)</b>	(585.7)
<b>Total written down value of buildings</b>	<b>6,629.7</b>	6,382.6
<b>Plant and equipment</b>		
At fair value	<b>725.0</b>	699.9
Less accumulated depreciation	<b>(589.5)</b>	(553.9)
	<b>135.5</b>	146.0
Plant and equipment under finance lease	<b>17.5</b>	18.1
Less accumulated amortisation	<b>(5.7)</b>	(5.0)
	<b>11.8</b>	13.2
<b>Total plant and equipment</b>	<b>147.3</b>	159.1
<b>Work in progress</b>		
Buildings	<b>231.7</b>	524.6
Plant and equipment	<b>29.0</b>	53.4
<b>Total work in progress</b>	<b>260.7</b>	578.0
<b>Total property, plant and equipment</b>	<b>14,186.4</b>	13,647.2

<sup>(i)</sup> Property, plant and equipment are classified primarily by the 'purpose' for which the assets are used, according to one of six 'Purpose Groups' based upon government purpose classifications (GPC). All assets within a purpose group are further sub-categorised according to the asset's 'nature' (i.e. buildings, plant and equipment, etc), with each sub-category being classified as a separate class of asset for financial reporting purposes.

## 2013 Independent Valuation of land and buildings

An independent valuation of the Department's land and buildings was performed by the Valuer-General Victoria (VGV) to determine the fair value of the land and buildings. The fair value is determined by direct reference to recent market transactions on arm's length terms for land of comparable size and location to that held by the Department, with the fair value of buildings generally based on depreciated replacement cost. The effective date of the revaluation was 30 June 2013.

Land was revalued on an Active and Liquid market (ALM) basis, (at least three recent comparable sales were considered by the VGV) taking into account zoning restrictions and highest and best use.

School buildings and other improvements were revalued on depreciated replacement cost. Depreciated Replacement Cost is the current replacement cost of an asset less where applicable, accumulated depreciation calculated on the basis of such cost to reflect age and the already consumed or expired future use.

The VGV independent valuation results have been adjusted by DEECD to reflect the impairment of school buildings. Refer 'Reconciliations' for further impairment details.

### Reconciliations

Reconciliations of the carrying amounts of each class of property, plant and equipment at the beginning and end of the financial year are set out below:

	Land \$m	Buildings \$m	Plant & equipment \$m	Work in progress \$m	Total \$m
<b>2013</b>					
<b>Opening balance</b>	6,527.4	6,382.6	159.1	578.0	<b>13,647.2</b>
Additions	24.5	–	35.3	322.3	<b>382.1</b>
Impairment adjustment <sup>(1)</sup>	–	(107.4)	(2.4)	–	<b>(109.8)</b>
Transfers to completed assets	–	587.2	23.4	(639.6)	<b>(29.0)</b>
Disposals	(23.1)	(46.5)	(1.9)	–	<b>(71.5)</b>
Revaluation increments / (decrements)	608.9	(45.5)	–	–	<b>563.4</b>
Transfer (to)/from assets held for sale	11.0	52.7	0.1	–	<b>63.8</b>
Depreciation	–	(193.5)	(66.4)	–	<b>(259.8)</b>
<b>Closing balance</b>	<b>7,148.8</b>	<b>6,629.7</b>	<b>147.2</b>	<b>260.7</b>	<b>14,186.3</b>

	Land \$m	Buildings \$m	Plant & equipment \$m	Work in progress \$m	Total \$m
<b>2012</b>					
<b>Opening balance</b>	6,483.9	5,440.0	126.8	1,865.1	<b>13,915.8</b>
Additions	45.5	—	40.7	633.1	<b>719.3</b>
Impairment adjustment	—	(615.3)	—	—	<b>(615.3)</b>
Transfers to completed assets	—	1,857.3	55.4	(1,920.2)	<b>(7.4)</b>
Disposals	(3.6)	(90.9)	(2.8)	—	<b>(97.3)</b>
Transfer (to)/from assets held for sale	1.6	(29.8)	(0.1)	—	<b>(28.3)</b>
Depreciation	—	(178.6)	(60.8)	—	<b>(239.4)</b>
<b>Closing balance</b>	<b>6,527.4</b>	<b>6,382.6</b>	<b>159.1</b>	<b>578.0</b>	<b>13,647.2</b>

<sup>(1)</sup> The annual impairment review performed by DEECD on school buildings for 2013, resulted in an impairment of \$107.4 million (cumulative \$2.4 billion over 9 years) as a result of excess 'Entitled Area' of schools against existing student enrolment numbers. In 2012–13 current floor space is in excess of teaching requirements and this constitutes evidence that the economic benefits of these assets are not as high as originally assessed.

## Note 13 Payables

	2013 \$m	2012 \$m
<b>Current payables</b>		
<i>Contractual</i>		
Salaries, wages and on-costs	<b>119.3</b>	30.9
Accrued payments to non-government schools	<b>166.7</b>	176.3
Accrued grants and transfer payments	<b>53.7</b>	17.2
Other accruals	<b>5.8</b>	11.5
Schools' creditors	<b>13.0</b>	9.6
Capital expenditure	<b>41.8</b>	86.9
Operating expenditure	<b>159.2</b>	187.7
	<b>559.6</b>	520.2
<i>Statutory</i>		
Taxes payable	<b>62.3</b>	58.9
<b>Total payables</b>	<b>621.9</b>	579.1

### (a) Maturity analysis of contractual payables

Please refer to table 18.3 in Note 18 for the ageing analysis of contractual payables.

### (b) Nature and extent of risk arising from contractual payables

Please refer to Note 18 for the nature and extent of risks arising from contractual payables.

## Note 14 Borrowings

### **Service concession (PPP) related commitments**

The Department entered into a 26-year Public Private Partnership (PPP) arrangement under Partnerships Victoria in Schools with Axiom Consortium for the financing, design, construction, and maintenance of 12 schools which have opened since 2011. The schools are constructed on sites that have been purchased by the Department. At the end of the lease period, the Department will continue to own all the assets.

Under the arrangement the portions of the payments that relate to the right to use the assets are accounted for as finance leases and are disclosed below:



	Minimum future lease payments		Present value of minimum future lease payments	
	2013 \$m	2012 \$m	2013 \$m	2012 \$m
<b>PPP related finance lease liabilities</b>				
Not longer than one year	15.8	15.8	3.9	3.7
Longer than one year but not longer than five years	63.4	63.4	18.2	17.1
Longer than five years	277.2	293.0	165.8	170.8
<b>Other finance lease liabilities payable</b>				
Not longer than one year	4.0	4.6	3.7	4.3
Longer than one year but not longer than five years	3.4	3.7	3.2	3.4
<b>Minimum future lease payments</b>	<b>363.7</b>	<b>380.4</b>	<b>194.8</b>	<b>199.2</b>
Less future finance charges	(169.0)	(181.2)	—	—
<b>Present value of minimum lease payments</b>	<b>194.8</b>	<b>199.2</b>	<b>194.8</b>	<b>199.2</b>
<b>Included in the financial statements as:</b>				
Current borrowings finance lease liabilities	—	—	7.2	7.7
Non-current borrowings finance lease liabilities	—	—	187.6	191.5
<b>Total aggregate carrying amount of borrowings</b>	<b>—</b>	<b>—</b>	<b>194.8</b>	<b>199.2</b>

Lease liabilities are effectively secured as the rights to the leased assets revert to the lessor in the event of default.

#### Assets pledged as security

Motor vehicles under finance lease	6.6	7.3
Partnership Victoria in Schools assets	203.4	208.6
<b>Total assets pledged as security</b>	<b>210.0</b>	<b>215.9</b>

### (a) Maturity analysis of borrowings

Please refer to table 18.3 in Note 18 for the ageing analysis of borrowings.

### (b) Nature and extent of risk arising from borrowings

Please refer to Note 18 for the nature and extent of risks arising from borrowings.

### (c) Defaults and breaches

During the current and prior year, there were no defaults and breaches of any of the loans.

## Note 15 Provisions

	Note	2013 \$m	2012 \$m
<b>Current provisions</b>			
Employee benefits (i) – annual leave			
Unconditional and expected to be settled <sup>(ii)</sup>		<b>86.3</b>	84.3
Employee benefits (i) – long service leave			
Unconditional and expected to be settled within 12 months <sup>(ii)</sup>		<b>127.6</b>	129.3
Unconditional and expected to be settled after 12 months <sup>(iii)</sup>		<b>687.3</b>	692.3
		<b>814.9</b>	821.6
Employee benefits (i) – other			
Unconditional and expected to be settled within 12 months <sup>(ii)</sup>		<b>7.9</b>	8.2
	15 (a)	<b>909.1</b>	914.1
Provisions related to employee benefit on-cost			
Unconditional and expected to be settled within 12 months <sup>(ii)</sup>		<b>37.6</b>	37.8
Unconditional and expected to be settled after 12 months <sup>(iii)</sup>		<b>113.1</b>	114.9
	15 (a)	<b>150.7</b>	152.7
Make-good (iv)	15 (b)	<b>0.2</b>	0.3
Sabbatical leave	15 (b)	<b>1.3</b>	1.3
<b>Total current provisions</b>		<b>1,061.2</b>	1,068.4
<b>Non-current provisions</b>			
Employee benefits <sup>(i) (iii)</sup>	15 (a)	<b>144.8</b>	144.7
Employee benefit on-costs <sup>(iii)</sup>	15 (a)	<b>23.8</b>	24.0
Make-good (iv)	15 (b)	<b>0.3</b>	1.1
<b>Total non-current provisions</b>		<b>169.0</b>	169.8
<b>Total provisions</b>		<b>1,230.2</b>	1,238.2

<sup>(i)</sup> Provisions for employee benefits consist of amounts for annual leave, long service leave and other employee benefits accrued by employees, not including on-costs.

<sup>(ii)</sup> The amounts disclosed are nominal amounts.

<sup>(iii)</sup> The amounts disclosed are discounted to present values.

<sup>(iv)</sup> In accordance with the lease agreements over the property facilities, the Department must remove any leasehold improvements from the leased buildings and restore the premises to its original condition at the end of the lease term.

## (a) Employee benefits and related on-costs

	Note	2013 \$m	2012 \$m
<b>Current employee benefits</b>			
Annual leave entitlements		86.3	84.3
Long service leave entitlements		814.9	821.6
Other		7.9	8.2
		<b>909.1</b>	914.1
<b>Non-current employee benefits</b>			
Long service leave entitlements		144.8	144.7
<b>Total employee benefits</b>		<b>1,054.0</b>	1,058.8
<b>On-costs</b>			
Current on-costs		150.7	152.7
Non-current on-costs		23.8	24.0
<b>Total on-costs</b>	15(b)	<b>174.5</b>	176.8
<b>Total employee benefits and related on-costs</b>		<b>1,228.4</b>	1,235.5

## (b) Movements in provisions

Movements in each class of provision during the financial year, other than employee benefits, are set out below:

	On-costs \$m	Make-good \$m	Sabbatical leave \$m	Total \$m
Carrying amount at start of year	176.8	1.4	1.3	<b>179.4</b>
Increase/(decrease) in allowance recognised in surplus or deficit	46.5	(0.9)	—	<b>45.5</b>
Payments and other sacrifices of economic benefits	(48.7)	—	—	<b>(48.7)</b>
<b>Carrying amount at end of year</b>	<b>174.5</b>	<b>0.5</b>	<b>1.3</b>	<b>176.2</b>

## Note 16 Superannuation

Employees of the Department are entitled to receive superannuation benefits and the Department contributes to both defined benefit and defined contribution plans. The defined benefit plans provide benefits based on years of service and final average salary.

The Department does not recognise any defined benefit liability in respect of the plans because the entity has no legal or constructive obligation to pay future benefits relating to its employees; its only obligation is to pay superannuation contributions as they fall due. DTF discloses the State's defined benefit liabilities in its disclosure for administered items.

However, superannuation contributions paid or payable for the reporting period are included as part of employee benefits in the comprehensive operating statement of the Department.

The bases for contributions are determined by the various schemes. The name, details and amounts expensed in relation to the major employee superannuation funds and contributions made by the Department are as follows:

Funds <sup>(1)</sup>	Contribution for the year	Contribution for the year	Contributions outstanding at year end	Contributions outstanding at year end
	2013 \$m	2012 \$m	2013 \$m	2012 \$m
State Superannuation Schemes (defined benefit scheme)	120.2	129.8	—	—
Vic Super (accumulation scheme)	232.4	222.8	—	—
State Employees Retirement Benefits Scheme (defined benefit scheme)	2.8	1.3	—	—
Other private schemes	27.7	23.3	—	—
<b>Total</b>	<b>383.0</b>	<b>377.2</b>	<b>—</b>	<b>—</b>

<sup>(1)</sup> Amounts exclude superannuation expenses related to staff employed by school councils.

## Note 17 Movements in physical asset revaluation surplus

	2013 \$m	2012 \$m
<b>Physical asset revaluation surplus</b>		
Balance at beginning of financial year	<b>3,776.6</b>	4,391.9
Revaluation increment/(decrement) of land during the year	<b>608.9</b>	–
Revaluation increment/(decrement) of buildings during the year	<b>(45.5)</b>	–
Impairment adjustment to building values	<b>(107.4)</b>	(615.3)
<b>Balance at end of financial year</b>	<b>4,232.6</b>	3,776.6

The physical asset revaluation surplus is used to record increments and decrements on the revaluation of non-financial physical assets.

## Note 18 Financial instruments

### (a) Financial risk management objectives and policies

The Department's principal financial instruments comprise cash assets, term deposits, receivables (excluding statutory receivables), payables (excluding statutory payables) and finance lease payables.

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, with respect to each class of financial asset, financial liability and equity instrument are disclosed in note 1 to the financial statements.

The main purpose in holding financial instruments is to prudentially manage the Department's financial risks within the government's policy parameters.

The Department's main financial risks include credit risk, liquidity risk, interest rate risk, foreign currency risk and equity price risk. The Department manages these financial risks in accordance with its financial risk management policy.

The Department uses different methods to measure and manage the different risks to which it is exposed. The strategic responsibility for the identification and management of financial risks rests with the Executive Board of the Department.

The carrying amounts of the Department's contractual financial assets and financial liabilities by category are disclosed in table 18.1 below:

**Table 18.1: Categorisation of financial instruments**

	Note	2013 \$m	2012 \$m
<b>Contractual financial assets – loans and receivables</b>			
Cash and deposits – Department	8	<b>106.6</b>	122.81
Cash and deposits – Schools	8	<b>487.0</b>	473.3
Receivables	9	<b>161.6</b>	98.7
Term deposits		<b>174.1</b>	188.9
<b>Total contractual financial assets</b>		<b>929.2</b>	883.7
<b>Contractual financial liabilities at amortised cost</b>			
Payables	13	<b>559.6</b>	520.2
Lease liabilities	14	<b>194.8</b>	199.2
<b>Total contractual financial liabilities</b>		<b>754.4</b>	719.4

## (b) Credit risk

Credit risk arises from the financial assets of the Department, which comprise cash and deposits, non-statutory receivables, available-for-sale contractual financial assets and derivative instruments. The Department's exposure to credit risk arises from the potential default of a counter party on their contractual obligations resulting in financial loss to the Department. Credit risk is measured at fair value and is monitored on a regular basis.

Credit risk associated with the Department's contractual financial assets is minimal because the main debtor is the Victorian Government. For debtors other than the Government, it is the Department's policy to only deal with entities with high credit ratings of a minimum Triple-B rating and to obtain sufficient collateral or credit enhancements, where appropriate, except for amounts due from parents and individuals.

In addition, the Department does not engage in hedging for its contractual financial assets and mainly obtains contractual financial assets that are on fixed interest, except for cash assets, which are mainly cash at bank. As with the policy for debtors, the Department's policy is to only deal with organisations with high credit ratings of a minimum of Triple-B rating.

Provision of impairment for contractual financial assets is recognised when there is objective evidence that the Department will not be able to collect a receivable. Objective evidence includes financial difficulties of the debtor, default payments and changes in debtor credit ratings.

Except as otherwise detailed in the following table, the carrying amount of contractual financial assets recorded in the financial statements, net of any allowances for losses, represents the Department's maximum exposure to credit risk without taking account of the value of any collateral obtained.

### Contractual financial assets that are either past due or impaired

There are no material financial assets which are individually determined to be impaired. Currently the Department does not hold any collateral as security nor credit enhancements relating to any of its financial assets.

There are no financial assets that have had their terms renegotiated so as to prevent them from being past due or impaired, and they are stated at the carrying amounts as indicated. The following table discloses the ageing only of contractual financial assets that are past due but not impaired.

## Note 18 Financial instruments

(continued)

Table 18.2: Ageing analysis of contractual financial assets<sup>(i)</sup>

		Past due but not impaired				
	Carrying amount \$m	Not past due and not impaired \$m	Less than 1 month \$m	1–3 months \$m	3 months – 1 year \$m	Impaired financial assets \$m
<b>2013</b>						
Receivables <sup>(i)</sup>	161.6	114.7	24.0	20.9	2.0	
Term deposits	174.1	174.1	–	–	–	
	<b>335.7</b>	<b>288.8</b>	<b>24.0</b>	<b>20.9</b>	<b>2.0</b>	–
<b>2012</b>						
Receivables <sup>(i)</sup>	98.7	63.1	28.1	1.8	5.6	–
Term deposits	188.9	188.9	–	–	–	–
	<b>287.6</b>	<b>252.0</b>	<b>28.1</b>	<b>1.8</b>	<b>5.6</b>	–

Notes:

<sup>(i)</sup> Ageing analysis of financial assets exclude the types of statutory receivables (e.g. amounts owing from Victorian Government and GST input tax credit recoverable).

### (c) Liquidity risk

Liquidity risk is the risk that the Department would be unable to meet its financial obligations as and when they fall due. The Department operates under the Government fair payments policy of settling financial obligations within 30 days and in the event of a dispute, making payments within 30 days from the date of resolution.

The Department's maximum exposure to liquidity risk is the carrying amounts of financial liabilities as disclosed on the face of the balance sheet. The Department manages its liquidity risk by:

- close monitoring of its short-term and long-term borrowings by senior management, including monthly reviews on current and future borrowing levels and requirements;
- maintaining an adequate level of uncommitted funds that can be drawn at short notice to meet its short-term obligations;
- holding investments and other contractual financial assets that are readily tradeable in the financial markets;
- careful maturity planning of its financial obligations based on forecasts of future cash flows; and
- a high credit rating for the State of Victoria (Moody's Investor Services and Standard and Poor's triple-A) which assists in accessing debt market at a lower interest rate.

The Department's exposure to liquidity risk is deemed insignificant based on prior periods' data and current assessment of risk.



The following table discloses the contractual maturity analysis for the Department's contractual financial liabilities:

Table 18.3: Maturity analysis of contractual financial liabilities

			Maturity dates				
	Carrying amount \$m	Nominal amount \$m	Less than 1 month \$m	1–3 months \$m	3 months – 1 year \$m	1–5 years \$m	> 5 years \$m
2013							
Payables	559.6	559.6	557.0	2.6	–	–	–
Lease liabilities	194.8	363.7	1.7	3.3	14.9	66.7	277.2
	754.4	923.3	558.7	5.9	14.9	66.7	277.2
2012							
Payables	520.2	520.2	498.8	21.4	–	–	–
Lease liabilities	199.2	380.4	1.7	3.4	15.3	67.0	293.0
	719.4	900.6	500.5	24.8	15.3	67.0	293.0

#### (d) Market risk

The Department's exposure to market risk is primarily through interest rate risk with minimal exposure to foreign currency and other price risks. Objectives, policies and processes used to manage each of these risks are disclosed in the paragraphs below.

##### Foreign currency risk

The Department is exposed to insignificant foreign currency risk through its payables relating to purchases of supplies and consumables from overseas. This is because of a limited amount of purchases denominated in foreign currencies and a short timeframe between commitment and settlement.

The Department is also exposed to foreign currency risk through purchases that are linked to currency other than the functional currency. Where the clauses of such purchases contracts are deemed to be an embedded derivatives requiring separate accounting treatment from the purchase contract, these have been disclosed as foreign exchange forwards.

The Department manages its risk through continuous monitoring of movements in exchange rates against the US dollar and ensures availability of funds through rigorous cash flow planning and monitoring. Based on past and current assessment of economic outlook, it is deemed unnecessary for the Department to enter into any hedging arrangements to manage the risk.

The Department's sensitivity to foreign currency risk is set out in the table 18.5.

## Note 18 Financial instruments

(continued)

### Interest rate risk

Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate because of changes in market interest rates. The Department does not hold any interest bearing financial instruments that are measured at fair value, therefore has nil exposure to fair value interest rate risk.

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Department has minimal exposure to cash flow interest rate risks through its cash and deposits, term deposits and bank overdrafts that are at floating rate.

The Department manages this risk by mainly undertaking fixed rate or non-interest bearing financial instruments with relatively even maturity profiles, with only insignificant amounts of financial instruments at floating rate. Management has concluded that cash at bank, as a financial asset, can be left at floating rate without necessarily exposing the Department to significant adverse risk, management monitors movement in interest rates on a daily basis.

The carrying amounts of financial assets and financial liabilities that are exposed to interest rates are set out in table 18.4. In addition, the Department's sensitivity to interest rate risk is set out in the table 18.5.

Table 18.4: Interest rate exposure of financial instruments

			Interest rate exposure		
	Weighted average effective interest rate %	Carrying amount \$m	Fixed interest rate \$m	Variable interest rate \$m	Non-interest bearing \$m
<b>2013</b>					
<b>Financial assets</b>					
Cash and deposits – Department	–	106.6	–	–	106.6
Cash and deposits – Schools	3.6	487.0	123.4	363.6	–
Receivables	–	161.6	–	–	161.6
Term deposits	4.7	174.1	172.1	2.0	–
		<b>929.2</b>	<b>295.5</b>	<b>365.5</b>	<b>268.2</b>
<b>Financial liabilities</b>					
Payables	–	559.6	–	–	559.6
Lease liabilities	6.6	194.8	194.8	–	–
		<b>754.4</b>	<b>194.8</b>	<b>–</b>	<b>559.6</b>

			Interest rate exposure		
	Weighted average effective interest rate %	Carrying amount \$m	Fixed interest rate \$m	Variable interest rate \$m	Non-interest bearing \$m
<b>2012</b>					
<b>Financial assets</b>					
Cash and deposits – Department	–	122.8	–	–	122.8
Cash and deposits – Schools	4.5	473.4	91.7	381.6	–
Receivables	–	98.7	–	–	98.7
Term Deposits	6.2	188.9	187.1	1.8	–
		<b>883.7</b>	<b>278.8</b>	<b>383.4</b>	<b>221.5</b>
<b>Financial liabilities</b>					
Payables	–	520.2	–	–	520.2
Lease liabilities	6.6	199.2	199.2	–	–
		<b>719.4</b>	<b>199.2</b>	<b>–</b>	<b>520.2</b>

### Sensitivity disclosure analysis and assumptions

The Department's sensitivity to market risk is determined based on the observed range of actual historical data for the preceding five year period, with all variables other than the primary risk variable held constant. The Department's fund managers cannot be expected to predict movements in market rates and prices. Sensitivity analyses shown are for illustrative purposes only. The following movements are 'reasonably possible' over the next 12 months:

- a movement of 100 basis points up and down (2012: 100 down and 100 up) in market interest rates (AUD);
- the Department no longer holds FX forwards therefore the exchange rate movement of AUD against the USD is not required.

## Note 18 Financial instruments

(continued)

Table 18.5 following, discloses the impact on the Department's net result and equity for each category of financial instrument held by the Department at year-end as presented to key management personnel, if the above movements were to occur.

DTF has obtained expert advice on the applicability of the AASB 7 paragraph 40 sensitivity analysis disclosure in relation to VicFleet financial leases. The expert advice is that, because the interest rates applied to the vehicle leases are not variable or floating in nature, the vehicle leases are not subject to the sensitivity analysis prescribed under this standard. The adjustment to the interest rate that is made upon the settlement of the VicFleet leases is regarded as nothing more than a recovery by the lessor of their borrowing costs. Hence the underlying interest rates in these leases are based on fixed interest rate exposure.

Table 18.5: Market risk exposure

	Carrying amount	Interest rate risk		Foreign exchange	
		(-100 basis points)	(+100 basis points)	(-10 per cent)	(+10 per cent)
		Net result \$m	Net result \$m	Net result \$m	Net result \$m
<b>2013</b>					
<b>Financial assets</b>					
Cash and deposits – Department	106.6	–	–	–	–
Cash and deposits – Schools <sup>(ii)</sup>	487.0	(4.9)	4.9	–	–
Receivables	161.6	–	–	–	–
Term deposits <sup>(iii)</sup>	174.1	(1.7)	1.7	–	–
<b>Financial liabilities</b>					
Payables	559.6	–	–	–	–
Lease liabilities	194.8	–	–	–	–
<b>Total increase/(decrease)</b>		<b>(6.6)</b>	<b>6.6</b>	–	–

<sup>(ii)</sup> Sensitivity of cash and equivalents: sensitivity impact on net result due to a +/-100 basis points movement in market interest rate is \$487.0 million x +/- 1 per cent = +/- \$4.9 million.

<sup>(iii)</sup> Sensitivity of term deposits: sensitivity impact on net result due to a +/-100 basis points movement in market interest rate is \$174.1 million x +/- 1 per cent = +/- \$1.7 million.

		Interest rate risk		Foreign exchange	
	Carrying amount	(–100 basis points)	(+100 basis points)	(–10 per cent)	(+10 per cent)
		Net result \$m	Net result \$m	Net result \$m	Net result \$m
2012					
Financial assets					
Cash and deposits – Department	122.8	–	–	–	–
Cash and deposits – Schools <sup>(iv)</sup>	473.3	(4.7)	4.7	–	–
Receivables	98.7	–	–	–	–
Term deposits <sup>(v)</sup>	188.9	(1.9)	1.9	–	–
Financial liabilities					
Payables	520.2	–	–	–	–
Lease liabilities	199.2	–	–	–	–
Total increase/(decrease)		(6.6)	6.6	–	–

<sup>(iv)</sup> Sensitivity of cash and equivalents: sensitivity impact on net result due to a +/-100 basis points movement in market interest rate is \$473.3 million x +/- 1 per cent = +/- \$4.7million.

<sup>(v)</sup> Sensitivity of term deposits: sensitivity impact on net result due to a +/-100 basis points movement in market interest rate is \$188.9 million x +/- 1 per cent = +/- \$1.9 million.

## (e) Fair value

The fair values and net fair values of financial assets and financial liabilities are determined as follows:

- level 1 – the fair value of financial assets and financial liabilities with standard terms and conditions and traded in active liquid markets are determined with reference to quoted market prices;
- level 2– the fair value is determined using inputs other than quoted prices that are observable for the financial asset or liability, either directly or indirectly; and
- level 3 – the fair value is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using unobservable market inputs.

The Department considers that the carrying amount of financial instrument assets and liabilities recorded in the financial statements to be a fair approximation of their fair values, because of the short-term nature of the financial instruments and the expectation that they will be paid in full. The Department has determined that it does not have any financial assets or financial liabilities that would meet the level 2 or level 3 classification.

## Note 19 Ministers and accountable officers (Responsible persons)

In accordance with the Ministerial Directions issued by the Minister for Finance under the *Financial Management Act 1994*, the following disclosures are made regarding responsible persons for the reporting period.

### Names

The persons who held the positions of Ministers and Accountable Officers in the Department from 1 July 2012 to 30 June 2013 are as follows:

Minister for Education	The Hon. Martin Dixon, MP	1 July 2012 to 30 June 2013
Minister for Children and Early Childhood Development	The Hon. Wendy Lovell, MLC	1 July 2012 to 30 June 2013
Minister for Higher Education and Skills	The Hon. Peter Hall, MLC	1 July 2012 to 30 June 2013
Minister responsible for the Teaching Profession	The Hon. Peter Hall, MLC	1 July 2012 to 30 June 2013
Secretary	Richard Bolt	1 July 2012 to 23 December 2012 21 January 2013 to 27 June 2013

The Hon. Peter Hall, MLC acted in the office of the Minister for Children and Early Childhood Development during absences of the Hon. Wendy Lovell, MLC.

The Hon Peter Hall, MLC acted in the office of the Minister for Education during absences of the Hon. Martin Dixon, MP.

The Hon. Martin Dixon, MP acted in the office of the Minister for Higher Education and Skills and Minister responsible for the Teaching Profession during absences of the Hon. Peter Hall, MLC.

Jim Miles acted in the office of Secretary during absences of Richard Bolt for the period 24 December 2012 to 6 January 2013, and 28 June 2013 to 30 June 2013.

Kym Peake acted in the office of Secretary during absences of Richard Bolt for the period 7 January 2013 to 20 January 2013.

### Remuneration

Remuneration received or receivable by the Accountable Officers in connection with the management of the Department during the reporting period was in the range:

	2013	2012
\$380,000 – \$389,999	–	1
\$440,000 – \$449,999	–	1
\$480,000 – \$489,999	1	–

Amounts relating to Ministers are reported in the financial statements of the Department of Premier and Cabinet.

## Related Party transactions included in the reconciliation amount:

The Secretary is an ex-officio member of the boards of the Victorian Skills Commission (for the period 1 July 2012 to 31 December 2012), Victorian Registration and Qualification Authority, and Victorian Curriculum and Assessment Authority to which the Department paid grants, on normal commercial terms, during the financial year. As these roles are ex officio the Secretary receives no remuneration to perform these roles.

	2013 \$m	2012 \$m
<b>Grants paid during the year:</b>		
Victorian Registration and Qualification Authority	11.6	6.5
Victorian Curriculum and Assessment Authority	42.6	43.2
Victorian Skills Commission	889.7	1,665.0
<b>Rent provided free of charge during the year:</b>		
Victorian Registration and Qualification Authority	0.4	0.2
Victorian Curriculum and Assessment Authority	1.9	1.8

## Other transactions

Other related transactions and loans requiring disclosure under the Directions of the Minister for Finance have been considered and there are no matters to report.

## Note 20 Remuneration of executives

The numbers of executive officers who earned more than \$100,000 per annum are shown in the table below in their relevant income bands. It includes executive officers employed by the Department and its statutory authorities including the Victorian Skills Commission, Victorian Registration and Qualification Authority and Victorian Curriculum and Assessment Authority. Ministers and Accountable Officers are not included. The base remuneration of executive officers is shown in the third and fourth columns. Base remuneration is exclusive of bonus payments, long-service leave payments, redundancy payments and retirement benefits.

The total remuneration payable is for all executives employed by the Department including those who earned less than \$100,000 over the course of the financial year.

There were no contractors with management responsibilities.

	Total remuneration		Base remuneration	
Income Band	2013 Number	2012 Number	2013 Number	2012 Number
\$70,000-\$79,999	—	—	—	1
\$80,000-\$89,999	—	—	2	—
\$90,000-\$99,999	—	—	—	2
\$100,000-\$109,999	3	—	2	1
\$110,000-\$119,999	—	1	—	—
\$120,000-\$129,999	—	1	1	1
\$130,000-\$139,999	1	1	1	—
\$140,000-\$149,999	3	5	4	13
\$150,000-\$159,999	2	4	8	5
\$160,000-\$169,999	9	7	8	4
\$170,000-\$179,999	9	6	6	9
\$180,000-\$189,999	4	9	9	11
\$190,000-\$199,999	6	6	5	5
\$200,000-\$209,999	8	8	10	11
\$210,000-\$219,999	7	6	1	1
\$220,000-\$229,999	3	3	3	4
\$230,000-\$239,999	1	1	4	3
\$240,000-\$249,999	3	4	1	1
\$250,000-\$259,999	4	3	2	—
\$260,000-\$269,999	1	2	1	2
\$270,000-\$279,999	2	—	2	1
\$280,000-\$289,999	3	1	1	—
\$290,000-\$299,999	1	3	1	1
\$310,000-\$319,999	2	2	1	—
\$320,000-\$329,999	—	1	—	—
\$360,000-\$369,999	—	1	—	—
\$370,000-\$379,999	—	1	—	—
\$420,000-\$429,999	1	—	—	—
<b>Total number</b>	<b>73</b>	<b>76</b>	<b>73</b>	<b>76</b>
<b>Total annualised DEECD Equivalents(AEE)</b>	<b>69.14</b>	<b>69.03</b>	<b>69.14</b>	<b>69.03</b>
<b>Total remuneration \$m</b>	<b>14.9</b>	<b>15.8</b>	<b>13.8</b>	<b>13.8</b>



## Note 21 Contingent assets and contingent liabilities

The Department does not have any quantifiable or unquantifiable contingent assets.

Details and estimates of maximum amounts of contingent liabilities are as follows:

Quantifiable contingent liabilities	2013 \$m	2012 \$m
Claims for damages	32.6	12.0
<b>Total quantifiable contingent liabilities</b>	<b>32.6</b>	<b>12.0</b>

### Unquantifiable contingent liabilities

The Department has a number of unquantifiable contingent liabilities as follows:

Indemnities are provided by the Department to:

- Volunteer school workers and volunteer student workers: The *Education and Training Reform Act 2006* provides a specific indemnity for personal injuries suffered by volunteer school workers and volunteer student workers arising out of or in the course of engaging in school work or community work respectively.
- Members of school councils: The *Education and Training Reform Act 2006* provides an indemnity to members of school councils for any legal liability, whether in contract, negligence or defamation.
- Teachers: In the event that a teacher is named as a defendant in a student personal injury claim, any costs and damages will generally be paid by the Department provided the teacher was not drunk, under the influence of illicit drugs or engaging in a criminal offence and the behaviour was not outrageous and was related to their employment.

## Note 22 Commitments for expenditure

The following commitments have not been recognised as liabilities in the financial statements:

### (a) Service concession (PPP) related commitments

The Department entered into a 26-year Public Private Partnership (PPP) arrangement under Partnerships Victoria in Schools. The portions of the payments that relate to the right to use the assets are accounted for as finance leases and are disclosed in note 14.

The Department pays a base charge for delivery of contracted services (subject to the performance criteria set out in the agreement). Where the contract is amended to provide for additional services, such as an extension to the facilities, which are at the Department's discretion, this is charged at a rate agreed between the Department and the consortium. The nominal amounts for the operation and maintenance commitment below represents the charges payable under the agreement at the end of the reporting period.

	2013 \$m	2012 \$m
<b>Operation and maintenance commitments are payable as follows:</b>		
Within one year	8.1	7.6
Later than one year but not later than five years	33.6	32.3
Later than five years	187.6	195.4
<b>Total operation and maintenance commitments</b>	<b>229.3</b>	<b>235.3</b>

### (b) Capital commitments

Commitments for the acquisition of buildings, plant and equipment contracted for at the reporting date but not recognised as liabilities, payable as follows:

	2013 \$m	2012 \$m
Within one year	131.0	197.6
Later than one year but not later than five years	—	5.7
<b>Total capital commitments</b>	<b>131.0</b>	<b>203.3</b>

### (c) Operating leases

The Department leases equipment including photocopiers, computers, motor vehicles and property with varying lease terms. All operating lease contracts contain market review clauses in the event that the Department exercises its option to renew. The Department does not have an option to purchase the leased assets at the expiry of the lease period.

Commitments for minimum lease payments in relation to non-cancellable operating leases but not recognised as liabilities, are payable as follows:

	2013 \$m	2012 \$m
Within one year	38.8	41.9
Later than one year but not later than five years	32.6	32.4
Later than five years	24.0	25.0
<b>Total operating leases</b>	<b>95.4</b>	<b>99.2</b>

### (d) Other expenditure commitments

Other commitments include agreements entered into for provision of financial information technology and human resource services to the Department as follows:

	2013 \$m	2012 \$m
Within one year	108.2	37.5
Later than one year but not later than five years	101.6	16.2
Later than five years	6.9	1.0
<b>Total other expenditure commitments</b>	<b>216.7</b>	<b>54.7</b>

All amounts shown in the commitments note above are nominal amounts inclusive of GST.

## Note 23 Cash flow information

Reconciliation of net result for the reporting period to net cash inflow from operating activities:

	2013 \$m	2012 \$m
Net result for the reporting period	106.5	(175.1)
<b>Non-cash movements</b>		
Net (gain)/loss on sale of non-financial assets	14.7	(11.4)
Depreciation and amortisation	285.3	253.2
<b>Movements in assets and liabilities</b>		
Decrease/(increase) in current receivables	(41.6)	96.3
Decrease/(increase) in prepayments	(2.0)	16.8
Decrease/(increase) in non-current receivables	(7.0)	(34.6)
Increase/(decrease) in current payables	87.9	(132.8)
Increase/(decrease) in other liabilities	16.0	(1.9)
Increase/(decrease) in current employee entitlements	(7.2)	95.9
Increase/(decrease) in non-current employee entitlements	(0.8)	35.1
<b>Net cash inflow from operating activities</b>	<b>451.9</b>	<b>141.6</b>

## Note 24 Subsequent events

The Department has no material or significant events occurring after the reporting date to the date of these financial statements that would affect significantly the figures included in them.

## Note 25 Annotated receipt agreements

The following is a listing of the *Financial Management Act 1994* Section 29 annotated income agreements approved by the Treasurer:

	Note	2013 \$m	2012 \$m
<b>Sales of goods and services</b>			
Alarms		0.2	0.2
Housing rent (input taxed)		1.0	1.0
		<b>1.2</b>	1.2
<b>Asset sales</b>			
Sale of land		33.0	12.7
		<b>33.0</b>	12.7
<b>Commonwealth Specific Purpose Payments</b>			
Digital Education Revolution		29.6	29.6
Building the Education Revolution		—	92.9
Trade Training Centres		25.2	65.2
National Skills and Workforce Development		343.6	338.1
TAFE fee waivers for childcare qualifications		6.8	5.4
Empowering Local Schools		—	9.3
Healthy Kids Healthchecks		—	0.7
Helping our Kids Understand Finances		0.1	0.2
Improving Teacher Quality		4.5	15.4
Low SES School Communities		66.7	68.8
National Solar Schools Program		1.2	5.1
More support for students with disabilities		14.9	14.9
Youth Attainment and Transitions		17.0	17.0
Universal access to early education		113.1	59.1
Indigenous Early Childhood Development		3.0	3.5
National Quality Agenda for Early Childhood Education and Care		5.1	4.5
Training Places for Single and Teen parents		4.7	6.3
Industry and Indigenous skills centre		0.2	—
Improving Literacy and Numeracy – Government Schools		19.6	—
		<b>655.5</b>	736.1
<b>Total annotated receipt agreements</b>	6(a)	<b>689.6</b>	750.0

## Note 26 Trust account balances

The following is a listing of trust account balances relating to trust accounts controlled or administered by the Department:

	Opening balance as at 1 July 2012 \$m	Total receipts \$m	Total payments \$m	Closing balance as at 30 June 2013 \$m
<b>2013</b>				
<b>Controlled trusts</b>				
State Treasury Trust	104.7	73.5	(78.9)	99.3
Commonwealth Treasury Trust	9.1	4.9	(6.8)	7.3
<b>Total controlled trusts</b>	<b>113.8</b>	<b>78.4</b>	<b>(85.7)</b>	<b>106.6</b>
<b>Administered trusts</b>				
Prizes and scholarships	4.6	0.3	(2.5)	2.4
Commuter club	—	0.7	(0.8)	(0.1)
On-passing from the Commonwealth	0.6	2,276.4	(2,276.5)	0.5
<b>Total administered trusts</b>	<b>5.2</b>	<b>2,277.5</b>	<b>(2,279.8)</b>	<b>2.8</b>

	Opening balance as at 1 July 2011 \$m	Total receipts \$m	Total payments \$m	Closing balance as at 30 June 2012 \$m
<b>2012</b>				
<b>Controlled trusts</b>				
State Treasury Trust	109.4	76.5	(81.2)	104.7
Commonwealth Treasury Trust	12.5	3.0	(6.4)	9.1
<b>Total controlled trusts</b>	<b>121.9</b>	<b>79.5</b>	<b>(87.6)</b>	<b>113.8</b>
<b>Administered trusts</b>				
Prizes and scholarships	5.9	1.9	(3.2)	4.6
Commuter club	(0.1)	0.1	(0.1)	—
On-passing from the Commonwealth	0.5	2,174.2	(2,174.1)	0.6
<b>Total administered trusts</b>	<b>6.3</b>	<b>2,176.3</b>	<b>(2,177.4)</b>	<b>5.2</b>

There were no trust accounts opened and closed by the Department during 2013.

The State Trust Fund of the State of Victorian operates by virtue of Section 19 of the *Financial Management Act 1994*.

The Trust Fund is comprised of individual Trust Accounts approved by the Minister for Finance under Section 19(1) of the *Financial Management Act 1994* and Trust Accounts created by other Acts of Parliament.

Trust Accounts are used as the legal mechanism to record and access moneys for specific, clearly identified purposes and are not funded by the State Appropriation unless approved by the Department of Treasury and Finance (DTF) or provided by specific legislation.

## Accountable officer's and chief finance officer's declaration

The attached financial statements for the Department of Education and Early Childhood Development have been prepared in accordance with Standings Direction 4.2 of the *Financial Management Act 1994*, applicable Financial Reporting Directions, Australian Accounting Standards including Interpretations and other mandatory professional reporting requirements.

We further state that, in our opinion, the information set out in the comprehensive operating statement, balance sheet, statement of changes in equity, cash flow statement and accompanying notes presents fairly the financial transactions during the year ended 30 June 2013 and financial position of the Department at 30 June 2013.

At the time of signing, we are not aware of any circumstance which would render any particulars included in the financial statements to be misleading or inaccurate.

We authorise the attached financial statements for issue on 09 September 2013.



C Britchford  
Chief Finance Officer  
Department of Education and  
Early Childhood Development



R Bolt  
Secretary  
Department of Education and  
Early Childhood Development

Melbourne  
09 September 2013

Melbourne  
09 September 2013





Victorian Auditor-General's Office

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## INDEPENDENT AUDITOR'S REPORT

### To the Secretary, Department of Education and Early Childhood Development

#### *The Financial Report*

The accompanying financial report for the year ended 30 June 2013 of Department of Education and Early Childhood Development which comprises the comprehensive operating statement, balance sheet, statement of changes in equity, cash flow statement, notes comprising a summary of significant accounting policies and other explanatory information, and the accountable officer's and chief finance officer's declaration has been audited.

#### *The Secretary's Responsibility for the Financial Report*

The Secretary of the Department of Education and Early Childhood Development is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards, and the financial reporting requirements of the *Financial Management Act 1994*, and for such internal control as the Secretary determines is necessary to enable the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error.

#### *Auditor's Responsibility*

As required by the *Audit Act 1994*, my responsibility is to express an opinion on the financial report based on the audit, which has been conducted in accordance with Australian Auditing Standards. Those standards require compliance with relevant ethical requirements relating to audit engagements and that the audit be planned and performed to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The audit procedures selected depend on judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, consideration is given to the internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the Secretary, as well as evaluating the overall presentation of the financial report.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

## Independent Auditor's Report (continued)

### *Independence*

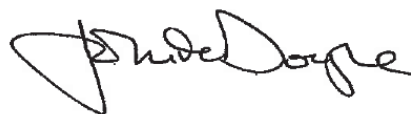
The Auditor-General's independence is established by the *Constitution Act 1975*. The Auditor-General is not subject to direction by any person about the way in which his powers and responsibilities are to be exercised. In conducting the audit, the Auditor-General, his staff and delegates complied with all applicable independence requirements of the Australian accounting profession.

### *Opinion*

In my opinion, the financial report presents fairly, in all material respects, the financial position of the Department of Education and Early Childhood Development as at 30 June 2013 and of its financial performance and its cash flows for the year then ended in accordance with applicable Australian Accounting Standards, and the financial reporting requirements of the *Financial Management Act 1994*.

### *Matters Relating to the Electronic Publication of the Audited Financial Report*

This auditor's report relates to the financial report of the Department of Education and Early Childhood Development for the year ended 30 June 2013 included both in the Department of Education and Early Childhood Development's annual report and on the website. The Secretary is responsible for the integrity of the Department of Education and Early Childhood Development's website. I have not been engaged to report on the integrity of the Department of Education and Early Childhood Development's website. The auditor's report refers only to the subject matter described above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of the financial report are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited financial report to confirm the information contained in the website version of the financial report.



MELBOURNE  
11 September 2013

John Doyle  
Auditor-General

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## Appendix 1 Budget portfolio outcomes

The budget portfolio outcomes provide a comparison between the actual Financial Statements of all general government sector entities within the portfolio and the forecast financial information published in the Budget Paper No. 5 (BP5), 2012–13 Statement of Finances. The budget portfolio outcomes comprise the operating statements, balance sheets, cash flow statements, statements of changes in equity and administered item statements.

The budget portfolio outcomes have been prepared on a consolidated basis and include all general government sector entities within the portfolio. Financial transactions and balances are classified into either controlled or administered categories as agreed with the Treasurer in the context of the published statements in BP5.

The following budget portfolio outcomes statements are not subject to audit by the Victorian Auditor-General's Office and are not prepared on the same basis as the Department's Financial Statements as they include the consolidated financial information of the following entities:

- Department of Education and Early Childhood Development (including government schools)
- Adult, Community and Further Education Board
- Victorian Curriculum and Assessment Authority
- Victorian Registration and Qualifications Authority
- Victorian Skills Commission
- 15 TAFE institutes and four universities with TAFE divisions.

## Comprehensive operating statement for the year ended 30 June 2013

	2013 Actual \$m	2013 Budget \$m	Variation (%)
<b>Net result from continuing operations</b>			
<b>Income from transactions</b>			
Output appropriations	10,375.8	10,303.7	0.7
Special appropriations	6.5	0.3	2,066.7
Interest	45.6	47.5	(4.0)
Sales of goods and services	737.4	761.8	(3.2)
Grants	125.5	80.9	55.1
Other income	551.1	533.0	3.4
<b>Total income from transactions</b>	<b>11,841.9</b>	<b>11,727.2</b>	<b>1.0</b>
<b>Expenses from transactions</b>			
Employee benefits	(6,207.7)	(6,118.1)	1.5
Depreciation and amortisation	(386.2)	(379.8)	1.7
Interest expense	(16.6)	(16.6)	—
Grants and other transfers	(867.0)	(1,193.7)	(27.4)
Capital asset charge	(1,258.1)	(1,258.1)	—
Other operating expenses	(3,047.5)	(2,580.6)	18.1
<b>Total expenses from transactions</b>	<b>(11,783.2)</b>	<b>(11,547.0)</b>	<b>2.0</b>
<b>Net result from transactions (net operating balance)</b>	<b>58.7</b>	<b>180.2</b>	<b>(67.4)</b>
<b>Other economic flows included in net result</b>			
Net gain/(loss) on non-financial assets	(38.7)	(1.2)	3,125.0
Net gain/(loss) on financial instruments	4.9	(0.2)	(2,550.0)
Other gains/(losses) from other economic flows	30.6	0.1	30,500.0
<b>Total other economic flows included in net result</b>	<b>(3.2)</b>	<b>(1.2)</b>	<b>166.7</b>
<b>Net result</b>	<b>55.5</b>	<b>179.0</b>	<b>(69.0)</b>
<b>Other economic flows – other non-owner changes in equity</b>			
Change in physical asset revaluation <sup>1</sup>	587.7	3.6	16,225.0
Adjustment to accumulated surplus/(deficit) due to a change in accounting policy	0.3	—	—
Other	(5.0)	(2.0)	150.0
<b>Total other economic flows – other non-owner changes in equity</b>	<b>583.0</b>	<b>1.6</b>	<b>36,337.5</b>
<b>Comprehensive result</b>	<b>638.6</b>	<b>180.6</b>	<b>253.6</b>

<sup>1</sup> The variance between the actual result and the published budget is due to the 2012–13 independent valuation of the Department's land and buildings which is required to be performed every five years. The financial impact to this revaluation resulted in an increase in land value of \$608.9 million and a decrease in building value of \$45.5 million.

## Balance sheet as at 30 June 2013

	2013 Actual \$m	2013 Budget \$m	Variation (%)
<b>Assets</b>			
<b>Financial assets</b>			
Cash and deposits	874.1	1,105.2	(20.9)
Receivables	1,341.9	1,476.5	(9.1)
Other financial assets	357.7	275.9	29.6
<b>Total financial assets</b>	<b>2,573.6</b>	<b>2,857.7</b>	<b>(9.9)</b>
<b>Non-financial assets</b>			
Non-financial assets classified as held for sale, including disposal group assets	137.5	61.1	125.0
Property, plant and equipment	17,051.6	17,523.1	(2.7)
Intangible assets	61.3	73.4	(16.5)
Inventories	3.7	4.6	(19.6)
Biological assets	3.7	7.7	(51.9)
Investment properties	29.6	19.1	55.0
Other	29.5	45.8	(35.6)
<b>Total non-financial assets</b>	<b>17,316.9</b>	<b>17,734.8</b>	<b>(2.4)</b>
<b>Total assets</b>	<b>19,890.5</b>	<b>20,592.5</b>	<b>(3.4)</b>
<b>Liabilities</b>			
Payables	804.0	907.1	(11.4)
Borrowings	230.7	246.9	(6.6)
Provisions	1,430.4	1,402.8	2.0
<b>Total liabilities</b>	<b>2,465.1</b>	<b>2,556.8</b>	<b>(3.6)</b>
<b>Net assets</b>	<b>17,425.4</b>	<b>18,035.7</b>	<b>(3.4)</b>
<b>Equity</b>			
Accumulated surplus/(deficit)	2,525.2	1,785.4	41.4
Reserves	5,588.1	5,613.4	(0.5)
Contributed capital	9,312.1	10,636.8	(12.5)
<b>Total equity</b>	<b>17,425.4</b>	<b>18,035.7</b>	<b>(3.4)</b>

## Statement of cash flows for the year ended 30 June 2013

	2013 Actual \$m	2013 Budget \$m	Variation (%)
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Receipts from Government	10,503.2	10,375.9	1.2
Receipts from other entities	658.4	769.6	(14.4)
Interest received	45.6	47.5	(4.0)
Goods and Services Tax recovered from the ATO	2.8	(0.1)	(2,900.0)
Dividends received	2.4	3.0	(20.0)
Other receipts	541.1	516.1	4.8
<b>Total receipts</b>	<b>11,753.4</b>	<b>11,712.0</b>	<b>0.4</b>
<b>Payments</b>			
Payments of grants and other transfers	(931.5)	(1,191.8)	(21.8)
Payments to suppliers and employees	(8,980.3)	(8,666.1)	3.6
Capital asset charge	(1,258.1)	(1,258.1)	—
Interest and other costs of finance paid	(16.6)	(16.6)	—
Goods and Services Tax paid to the ATO	1.2	—	n/a
<b>Total payments</b>	<b>(11,185.3)</b>	<b>(11,132.7)</b>	<b>0.5</b>
<b>Net cash flows from/ (used in) operating activities</b>	<b>568.1</b>	<b>579.4</b>	<b>(2.0)</b>
<b>Cash flows from investing activities</b>			
Net investments	(1,281.1)	(120.8)	960.5
Payments for non-financial assets	(608.6)	(528.8)	15.1
Proceeds from sale of non-financial assets	9.8	3.2	206.3
Net loans to other parties	(4.5)	—	n/a
<b>Net cash flow from/ (used in) investing activities</b>	<b>(1,884.5)</b>	<b>(646.4)</b>	<b>191.5</b>
<b>Cash flows from financing activities</b>			
Owner contributions by State Government	48.1	137.7	(65.1)
Net borrowings	1,248.6	16.1	7,655.3
Repayment of finance leases	2.8	(4.5)	(162.2)
<b>Net cash flows from/ (used in) financing activities</b>	<b>1,299.4</b>	<b>149.4</b>	<b>769.8</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(16.9)</b>	<b>82.4</b>	<b>(120.5)</b>
Cash and cash equivalents at the beginning of the financial year	891.0	1,022.8	(12.9)
<b>Cash and cash equivalents at the end of the financial year</b>	<b>874.1</b>	<b>1,105.2</b>	<b>(20.9)</b>

## Statement of changes in equity for the year ending 30 June 2013

	Accumulated surplus/(deficit) \$m	Contributions by owner \$m	Other reserves \$m	Asset revaluation reserve \$m	Total equity \$m
<b>Opening balance at 1 July 2012 (Actual)</b>	2,469.1	9,344.4	25.9	4,979.8	16,819.1
Comprehensive result	55.5	—	(5.3)	587.7	638.0
Transactions with owners in their capacity as owners	—	(32.3)	—	—	(32.3)
Other	0.6	—	—	—	0.6
<b>Closing balance 30 June 2013</b>	<b>2,525.2</b>	<b>9,312.1</b>	<b>20.6</b>	<b>5,567.5</b>	<b>17,425.4</b>
<b>Opening balance 1 July 2012 (Published Budget)</b>	1,606.4	10,499.1	29.4	5,582.4	17,717.4
Comprehensive result	179.0	—	(2.0)	3.6	180.6
Transactions with owners in their capacity as owners	—	137.7	—	—	137.7
<b>Closing balance 30 June 2013 (Published Budget)</b>	<b>1,785.4</b>	<b>10,636.8</b>	<b>27.4</b>	<b>5,586.0</b>	<b>18,035.7</b>
Variation (%)	29.3	(14.2)	(33.7)	(0.3)	6.0



## Administered items statement for the year ended 30 June 2013

	2013 Actual \$m	2013 Budget \$m	Variation (%)
<b>Administered income</b>			
Sale of goods and services	2.0	2.6	(23.1)
Grants	2,275.3	2,303.2	(1.2)
Interest	0.1	0.1	—
Other income	1.8	1.7	5.9
<b>Total administered income</b>	<b>2,279.2</b>	<b>2,307.6</b>	<b>(1.2)</b>
<b>Administered expenses</b>			
Grants and other transfers	(2,277.9)	(2,303.4)	(1.1)
Payments into the consolidated fund	33.5	(37.2)	(190.1)
Other operating expenses	(0.8)	—	n/a
<b>Total administered expenses</b>	<b>(2,245.2)</b>	<b>(2,340.5)</b>	<b>(4.1)</b>
<b>Income less expenses</b>	<b>33.9</b>	<b>(33.0)</b>	<b>(203.3)</b>
<b>Other economic flows included in net result</b>			
Net gain/(loss) on non-financial assets	35.7	33.0	8.2
<b>Total other economic flows included in net result</b>	<b>35.7</b>	<b>33.0</b>	<b>8.2</b>
<b>Net result</b>	<b>(1.7)</b>	<b>0.1</b>	<b>(3,307.5)</b>
<b>Administered assets</b>			
Cash and deposits	—	0.9	(100.0)
Receivables	4.8	1.9	152.6
Other financial assets	1.4	5.6	(75.0)
<b>Total administered assets</b>	<b>6.2</b>	<b>8.3</b>	<b>(25.3)</b>
<b>Administered liabilities</b>			
Payables	—	—	n/a
<b>Total administered liabilities</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Net assets</b>	<b>6.2</b>	<b>8.3</b>	<b>(25.3)</b>
<b>Equity</b>			
Accumulated surplus/(deficit)	6.2	8.3	(25.3)
<b>Total equity</b>	<b>6.2</b>	<b>8.3</b>	<b>(25.3)</b>

## Appendix 2 Portfolio statistics

The following portfolio data on school education includes:

- the number of enrolments in government schools by year level, as at February 2012 and February 2013
- the number of enrolments in all school sectors, 2010–13.

FTE government school enrolments by year level, February 2012 and February 2013		
Year level	2012	2013
Preparatory	49,671.4	<b>50,858.6</b>
Year 1	46,702.5	<b>49,469.4</b>
Year 2	44,767.7	<b>46,931.1</b>
Year 3	44,529.7	<b>44,932.8</b>
Year 4	43,677.7	<b>44,831.4</b>
Year 5	42,580.4	<b>43,352.3</b>
Year 6	43,100.4	<b>42,709.7</b>
Ungraded	0.0	<b>1.0</b>
<b>Primary total</b>	<b>315,029.8</b>	<b>323,086.3</b>
Year 7	36,307.8	<b>35,675.8</b>
Year 8	36,523.4	<b>36,893.0</b>
Year 9	38,224.2	<b>37,595.8</b>
Year 10	38,555.1	<b>38,332.1</b>
Year 11	37,737.4	<b>37,859.0</b>
Year 12	32,169.7	<b>32,542.1</b>
Ungraded	237.0	<b>271.0</b>
<b>Secondary total</b>	<b>219,754.6</b>	<b>219,168.8</b>
Special	10,342.3	<b>11,048.4</b>
Language	1,309.0	<b>1,380.0</b>
<b>Total</b>	<b>546,435.7</b>	<b>554,683.5</b>

### Full-time equivalent enrolments by student type and sector, February 2010–13

Student type	Government				Catholic				Independent				All schools			
	2010	2011	2012	2013	2010	2011	2012	2013	2010	2011	2012	2013	2010	2011	2012	2013
Primary	306,684.8	309,092.6	315,029.8	323,086.3	101,554.3	103,544.9	105,876.3	108,137.1	47,045.9	48,525.1	50,135.6	51,362.1	455,285.0	461,162.6	471,041.7	482,585.5
Secondary	223,414.4	221,728.4	219,754.6	219,168.8	89,192.5	90,259.1	91,616.0	93,784.4	73,808.0	74,109.8	74,713.0	74,682.1	386,414.9	386,097.3	386,083.6	387,635.3
Special	9,562.1	9,989.0	10,342.3	11,048.4	210.2	304.6	372.8	342.8	396.4	485.7	548.3	558.6	10,168.7	10,779.3	11,263.4	11,949.8
Language	1,253.0	1,182.0	1,309.0	1,380.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1,253.0	1,182.0	1,309.0	1,380.0
Total	540,914.3	541,992.0	546,435.7	554,683.5	190,957.0	194,108.6	197,865.1	202,264.3	121,250.3	123,120.6	125,396.9	126,602.8	853,121.6	859,221.2	869,697.7	883,550.6
% of all students	63.4	63.1	62.8	62.8	22.4	22.6	22.8	22.9	14.2	14.3	14.4	14.3	100.0	100.0	100.0	100.0

Percentages may not add up to 100 due to rounding.

### Number of schools by school type and sector, February 2010–13

School type	Government				Catholic				Independent				All schools			
	2010	2011	2012	2013	2010	2011	2012	2013	2010	2011	2012	2013	2010	2011	2012	2013
Primary	1,159	1,142	1,137	1,130	381	381	381	381	43	42	43	41	1,583	1,565	1,561	1,552
Primary/ Secondary	65	71	75	77	13	13	13	13	146	145	145	143	224	229	233	233
Secondary	250	246	245	240	86	85	85	85	18	15	15	15	354	346	345	340
Special	77	76	76	78	9	8	7	7	11	13	12	12	97	97	95	97
Language	4	4	4	4	0	0	0	0	0	0	0	0	4	4	4	4
Total	1,555	1,539	1,537	1,529	489	487	486	486	218	215	215	211	2,262	2,241	2,238	2,226
% of all schools	68.7	68.7	68.7	68.7	21.6	21.7	21.7	21.8	9.6	9.6	9.6	9.5	100.0	100.0	100.0	100.0

Percentages may not add up to 100 due to rounding.

## Appendix 3 Non-government schools

The Minister for Education has legislative responsibility for the education of all primary and secondary school students in Victoria, including those in non-government schools.

The Department contributes to the achievement of the Government's goals and targets for education by providing funding\* and other support to non-government schools in Victoria. As of February 2013, a total of 697 registered non-government schools – 486 Catholic and 211 independent – were educating over 328,000 students statewide, or approximately 37.2 per cent of all Victorian school students. Of these students, 61.5 per cent attended Catholic schools and 38.5 per cent attended independent schools.

The Victorian Government's Fair Funding for Non-Government Schools commitment provides for an additional \$239.5 million in recurrent funding over five financial years from 2010–11 to 2014–15, by lifting funding levels to 25 per cent of the recurrent cost of educating a child in a government school.

In 2012–13, the Department provided \$608.8 million in financial assistance to non-government schools in untied recurrent funding allocated through the Financial Assistance Model (this includes the Fair Funding commitment). A further \$8.5 million was provided to the Catholic Education Commission of Victoria and Independent Schools Victoria in specific-purpose grants for targeted programs, including support for students with special needs, suicide prevention initiatives and interest subsidies.

Non-government schools are also able to access a range of resources and opportunities available to government schools, including teacher professional development and curriculum materials, government-negotiated pricing for broadband access and a range of taxation concessions or exemptions. Eligible non-government school students in outer and non-metropolitan areas can access the Government's conveyance allowance and school bus service. Non-government school students are also able to access public transport travel concessions.

The Department liaises with the Catholic Education Commission of Victoria and Independent Schools Victoria on funding and collaborates on a range of program initiatives to improve learning outcomes across all sectors.

\*Funding for non-government schools excludes Departmental overheads.

### Key activities

- The Department continued collaboration with the non-government school sector to improve languages education. This includes collection of consistent data across all sectors on the provision of languages education and inclusion of non-government school languages teachers in postgraduate Content and Language Integrated Learning courses, delivered for the Department by the University of Melbourne. The Catholic and independent sectors are represented on the Ministerial Advisory Council for a Multilingual and a Multicultural Victoria and participated in the development of *Languages – Expanding your world: Plan to implement the Victorian Government's Vision for Languages Education 2013–25*.
- The National Partnership on Youth Attainment and Transitions continued to provide support for young people through initiatives accessible to all school sectors. In 2012–13, strong outcomes have been achieved across initiatives in workplace learning, apprenticeship support, career development and Koorie student support.

Workplace Learning coordinators sourced an increasing number of workplace learning opportunities for students in Catholic and independent schools.

Regional Career Development Officers have been working with Catholic, independent and government schools, VET providers and the Learn Local community education sector to implement the Careers Curriculum Framework.

- In Victoria, the School Business Community Partnership Broker initiative has been implemented through the 31 Local Learning and Employment Networks (LLENs) that have been operating across the state since 2001–02. LLENs are independently incorporated associations with a mandated governance structure comprising cross-sectoral community stakeholders who are elected to office and have oversight of strategy, review and finance for each LLEN. The LLEN initiative has been built upon and extended to incorporate all the requirements of the Partnership Broker initiative through variations to LLEN Funding Agreements. Over a quarter of all school representatives on LLEN Boards are from the non-government sector.
- The Victorian Deaf Education Institute provided a range of programs and services to government and non-government schools, including professional learning and mentoring programs, the captioning of VCE digital materials, and implementation and evaluation of soundfield, a specialised sound amplification system to support Victorian children who are deaf. In partnership with the Australian Communication Exchange and the Werribee Open Range Zoo, the Institute developed and launched a new Auslan application for smart phones to make excursions accessible for children who are deaf and in need of sign language interpretation.
- Collaboration continued with the non-government school sector through the Victorian Cross Sectoral Committee. Established in 2008, the Cross Sectoral Committee comprises senior representatives from the government, Catholic and independent sectors and is the primary forum to discuss and provide input into state and national school education issues affecting government and non-government schools. A particular focus for the committee over the last year has been the Towards Victoria as a Learning Community reforms.

## Appendix 4 Human resources, and people and productivity

The Department must ensure that all employees – principals, teachers, support staff, nurses, allied health and corporate – are healthy, happy and productive, if Victoria is to reach the global top tier of education systems within ten years. Effective and efficient human resource management, which creates supportive workplace cultures and productive workforces, is important in order to deliver the outcomes required to meet this vision.

The Department applies the standards issued by the Public Sector Standards Commissioner, which set out the essential requirements for managers and principals to apply the public sector values and employment principles under the *Public Administration Act 2004*. The standards stipulate that:

- employment decisions are based on merit
- public sector employees are treated fairly and reasonably
- equal employment opportunity is provided
- public sector employees have a reasonable avenue of redress against unfair or unreasonable treatment
- a career in public service is fostered (in the case of the public service bodies).

### Workforce capability and productivity

The Department is enhancing workforce capability and productivity by:

- building great leaders and managers at every level across the organisation
- providing integrated and innovative talent management services
- empowering people to be the best
- creating a safe work environment with a focus on employee wellbeing
- measuring and lifting performance.

Priority projects have included:

- the development and implementation of capability-based position descriptions articulating the key accountabilities and required capabilities for all corporate roles
- the development of a new Performance and Development Plan Process to build manager and employee capability in performance management, planning and discussion
- the development of a system-wide induction tool to assist all new-starters and their managers during the induction and on-boarding process, including the provision of mandatory training in discrimination and harassment
- the provision of reasonable adjustments for employees with disabilities

- the recognition and celebration of the diversity of the Department's workforce and the contribution diversity and inclusion can make to service delivery. The Department held events to mark the importance of International Day of People with Disability, International Women's Day, Cultural Diversity Week and Reconciliation Week
- the support of staff with caring responsibilities through the provision of a School Holiday Program on the Treasury Precinct to provide greater options for employees with family commitments.

## Employee relations

The Victorian Government Schools Agreement 2013 for the teaching service came into effect on 10 July 2013 with a nominal expiry date of 31 October 2016. The terms and conditions of the agreement apply to employees in the principal class, teacher class, paraprofessional class and education support class.

The Government and the Community and Public Sector Union (CPSU) reached agreement that resulted in the Fair Work Commission issuing the Victorian Public Service Determination 2012 (VPS determination 2012) on 23 July 2012. The Determination nominally expires on 31 December 2015. The Department reached agreement with the CPSU on Appendix 5 of the former VPS Agreement 2006, which covered Department-specific arrangements for Emergency and Security Management, the Victorian Curriculum and Assessment Authority and Senior Medical Advisors. The agreement reached between the Department and the CPSU in February 2012 was included in the VPS Determination 2012 as Appendix 2.

The Nurses (Department of Education and Early Childhood Development) Agreement 2012 came into operation on 24 April 2013 following agreement between the Department, the Australian Nursing Federation and the CPSU, and has an expiry date of 31 December 2015. This is a nexus agreement aligned with the VPS Determination 2012.

The Victorian Early Childhood Teachers' and Assistants' Agreement 2009 and the Local Government Early Childhood Education Employees' Agreement 2009 expired in January and April 2013 respectively. However, they continue to apply to early childhood teachers and assistants in the community sector until a new agreement is made. Negotiations between Early Learning Association Australia, the Municipal Association of Victoria, the Australian Education Union and United Voice for new agreements have commenced. The Department is supporting the employer parties in the negotiation process.

## School workforce planning

The Department continued its work of enhancing the capacity and capability of the current and future teaching workforce. In 2012–13, a range of initiatives, including Teacher Quality National Partnerships, scholarships and incentives focused on the quality, attraction and retention of the teaching workforce, particularly in hard-to-staff subjects and locations.

Science Graduate Scholarships contribute to fulfilling the Government's commitment to boost the engagement and learning outcomes of Victorian students in Science. A total of 400 scholarships for graduate entry teaching study are being awarded over four years, beginning in 2012. A total of 101 scholarships were awarded in the first round and a further 100 scholarships were awarded in 2013.

The Student Teacher Practicum Scheme provides students with financial incentives to undertake their practicum in targeted schools, predominantly in rural areas. A total of 271 student teachers benefited from the program in 2012–13.

The Teaching Scholarship Scheme provides financial incentives and employment opportunities in schools with difficult-to-fill vacancies to final year student teachers. Since 2001, the program has supported more than 1990 students, including 55 in 2013.

Graduate pathway scholarships provide scholarships and employment incentives for graduates in priority-degree disciplines to undertake a pre-service graduate-entry teaching course. A total of 80 scholarships were offered in 2011 and 2012. Of the 80 scholarship recipients, 30 have completed their studies. At the start of 2012, 18 scholarship recipients had gained employment; 16 teaching Science/Mathematics and two teaching languages.

Participants previously selected continue involvement in initiatives, including the Career Change Program, Graduate Retention Incentive Program, Indigenous scholarships, Special education scholarships, LOTE pathways scholarships and the Teacher Graduate Recruitment Program.

Other workforce initiatives that focus on improving the quality of teaching in Victorian schools include Teach for Australia (TFA) and the School Centres of Teaching Excellence.

TFA identifies and prepares high-achieving graduates to teach in disadvantaged schools. In the fourth cohort, 40 TFA Associates commenced teaching in 13 schools in 2012. Since 2010, 143 TFA Associates have been placed in 35 government schools across Victoria. Fifty Associates have been placed in rural schools and 93 in metropolitan schools.

School Centres for Teaching Excellence (SCTE) support partnerships between schools and universities to enhance teacher education. The seven centres established in 2011 continue to pilot a range of approaches to increase student immersion in teaching practice and the school community. Regular meetings of SCTE leaders and two symposiums have provided opportunities to share effective practices and strategies to improve the teacher education experience.



Links continued to be strengthened between the Department and universities, particularly education faculties delivering pre-service teacher education courses. These links occur through regular forums, such as the Teacher Supply and Demand Reference Group and the Victorian Council of Deans of Education meetings, and informal dialogue on a range of teacher supply issues. These links also provided a conduit for Departmental advice to universities about current and future areas of teacher shortage, and to discuss and collaborate on teacher quality improvements.

## Conduct and ethics

The Department has a responsibility to ensure the safety of all children and employees, and to maintain the security of assets by requiring and maintaining high standards of professional conduct from employees and volunteers.

In meeting these responsibilities, the Department must be satisfied that only those employees and volunteers who meet the highest standards of probity and suitability are employed.

In 2012–13, the Department conducted 1136 criminal record checks in collaboration with the Commonwealth CrimTrac Agency via the Department's online criminal record check system. Of these checks, approximately 18 per cent were for people wishing to perform volunteer work in schools.

The *Working with Children Act 2005* introduced a minimum mandatory checking standard, the Working with Children Check (WWC Check), for those who are employed or volunteer in child-related work in educational institutions, kindergartens and preschools, and counselling and other support services in Victoria.

Since 31 December 2007, suitability for employment in a non-teaching role, volunteer work in government schools or child-related work within the Department has been demonstrated by presentation of a Working with Children Card issued by the Department of Justice.

However, the Department has continued to conduct criminal record checks of non-teaching, school-based employees and volunteers when a criminal record check has been required in addition to a WWC Check.

Such circumstances may include the need to consider offences that are relevant to the duties the employee or volunteer is performing, for example dishonesty offences, which are not considered in a WWC Check.

Criminal record checks for teachers in government schools are conducted through the Victorian Institute of Teaching.

## Employee safety, health and wellbeing

The Department is committed to providing safe and healthy workplaces for all employees, students, visitors and contractors, and aims to continuously improve occupational health and safety (OHS) and WorkSafe performance and practices. The main OHS and WorkSafe activities during 2012–13 were:

- ongoing improvement of the Department's Occupational Health and Safety Management System (OHSMS) and OHS risk management through employee consultation and analysis of workplace data

- provision of support and advice on the continued implementation and maintenance of the OHSMS in Department schools and workplaces, including 600 site visits and almost 1000 contacts received via the Department's OHS Advisory Service and OHS support services provider
- completion of all 247 scheduled AS4801 OHS audits in schools
- a review of existing resources and processes to assist principals in developing and maintaining a positive school climate
- the implementation of OHSMS in all schools
- the addition of risk and claims modules to EduSafe to enhance school ability to assess workplace risks and process WorkSafe claims.

### Incident management

Incidents across the Department decreased from 14.28 per 100 FTE in 2011–12, to 13.93 per 100 FTE in 2012–13. Incidents include injuries and other hazard related incidents. In real terms, the decrease equates to 260 fewer reported incidents compared with the previous year. Incidents declared last year numbered 8133. This year there were 7873, a reduction of 260.

The Department's online incident reporting system has been in place for over four years and it is expected that incident reporting rates from one year to the next will be similar.

### WorkSafe claims

The number of standard WorkSafe claims increased in 2012–13, from 836 to 849. During the year stress-related claims fell, musculoskeletal claims were stable, while 'Other' types increased.

To address the issue of an increase in claims, the Department will continue to implement effective early intervention strategies and initiatives to improve claims performance.

The Department's initial WorkCover premium increased in 2012–13 compared to 2011–12, from \$56.32 million plus GST to \$58.35 million plus GST. The increase in premium is attributed to a rise in remuneration and a change in the rates within the WorkCover premium formula compared to the Department's claim performance.

## Occupational health and safety measures

Measure	Key performance indicators	2012–13	2011–12	2010–11
Incidents	Number of incidents reported	<b>7876</b>	8133	7060
	Rate per 100 FTE	<b>13.93</b>	14.28	12.55
Claims	Number of standard claims	<b>848</b>	836	903
	Rate per 100 FTE	<b>1.496</b>	1.468	1.605
	Number of lost-time claims <sup>1</sup>	<b>313</b>	329	370
	Rate per 100 FTE	<b>0.552</b>	0.578	0.658
	Number of claims exceeding 13 weeks <sup>2</sup>	<b>152</b>	164	192
	Rate per 100 FTE	<b>0.268</b>	0.288	0.341
Fatalities	Fatality claims	<b>0</b>	1	0
Claims costs	Average cost per standard claim <sup>3</sup>	<b>\$49,639.00</b>	\$53,657.00	\$49,003.00
Management commitment	Evidence of OHS policy statement, OHS objectives, regular reporting to senior management of OHS, and OHS plans (signed by CEO or equivalent)	<b>Completed</b>	Completed	Completed
	Evidence of OHS criteria in purchasing guidelines (including goods, services and personnel)	<b>Completed</b>	Completed	Completed
Consultation and communication	Evidence of designated work groups (DWGs), health and safety representatives (HSRs) and issue resolution procedures (IRPs)	<b>Completed</b>	Completed	Completed
	Compliance with agreed structure on DWGs, HSRs, and IRPs.	<b>Completed</b>	Completed	Completed
Risk management	Percentage of internal audits/inspections conducted as planned	<b>100%</b>	100%	100%
	Percentage of issues identified actioned arising from:	<b>100%</b>	100%	100%
	<ul style="list-style-type: none"> <li>• internal audits</li> <li>• HSR provisional improvement notices (PINs)</li> <li>• WorkSafe notices</li> </ul>			
Training	Percentage of managers and staff that have received OHS training:	>11%	11%	12%
	<ul style="list-style-type: none"> <li>• induction</li> <li>• management training</li> <li>• contractors, temps and visitors</li> </ul>			
	Percentage of HSRs trained:	100%	100%	100%
	<ul style="list-style-type: none"> <li>• acceptance of role</li> <li>• re-training (refresher)</li> <li>• reporting of incidents and injuries</li> </ul>			

## Notes

<sup>1</sup> A time-lost claim is one with one or more days compensated by WorkSafe (that is, once the employer has paid the 10-day excess) at the time of extraction. Time-loss claims are a sub-set of standardised claims.

<sup>2</sup> A 13-week claim is a measure of the number of claims exceeding 13-weeks compensation based on a derived day count. The 13-week measure begins at day one (that is, employer excess and WorkSafe payments).

<sup>3</sup> Standardised claims are those that have exceeded the employer excess (days or dollars) or are registered as a standard claim and are open with no payments at the time of extraction. Fatality claims are also based on the same definition of standardised claims.

## Appendix 5 Workforce data

The following workforce data is based on business unit (cost centre) and charge location. It includes:

- staff on pay (including paid leave) who were employed in the Department in the last pay period of June 2013
- ongoing and fixed-term staff.

It excludes:

- VPS and Government Teaching Service staff who left the Department during the last pay period of June 2013
- staff on leave without pay (including family leave) or who are absent on secondment
- external contractors/consultants and temporary staff employed by employment agencies
- staff employed directly by individual school councils.

# FTE staff receiving pay by sex and classification, as at June 2013

	FTE	Males Per cent	Females FTE	Per cent	Total FTE
<b>Government Teaching Service</b>					
<b>Executive Class</b>					
Executive Principal	30.0	62.5	18.0	37.5	48.0
<b>Principal Class</b>					
Principal	706.5	48.8	741.0	51.2	1,447.5
Assistant Principal	540.5	36.5	942.0	63.5	1,482.5
Liaison Principal	37.5	51.7	35.0	48.3	72.5
<b>Teacher Class</b>					
Leading Teacher	1,067.5	35.3	1,956.5	64.7	3,024.0
Expert Teacher	5,073.9	28.1	12,980.6	71.9	18,054.5
Accomplished Teacher	3,343.6	27.5	8,825.6	72.5	12,169.2
Graduate Teacher	1,188.0	26.1	3,365.3	73.9	4,553.3
<b>Paraprofessional Class</b>					
Paraprofessionals	111.3	58.3	79.6	41.7	190.9
<b>Sub-total</b>	12,098.8	29.5	28,943.6	70.5	41,042.4
<b>Education Support Class</b>					
Education Support	1,654.6	12.4	11,668.4	87.6	13,323.0
Other	48.9	13.9	303.5	86.1	352.4
<b>Sub-total</b>	1,703.5	12.5	11,971.9	87.5	13,675.4
<b>Total Government Teaching Service</b>	<b>13,802.3</b>	<b>25.2</b>	<b>40,915.5</b>	<b>74.8</b>	<b>54,717.8</b>
<b>Victorian Public Service</b>					
Executive Officers	43.0	53.3	37.7	46.7	80.7
Victorian Public Service Grades 1–6* and Specialists	514.0	33.2	1,035.4	66.8	1,549.4
Allied Health staff	3.6	2.8	126.5	97.2	130.1
Nurses	9.0	4.9	173.9	95.1	182.9
Other	2.0	50.0	2.0	50.0	4.0
<b>Casual VPS Employees</b>					
Casual VPSG 1–6	8.0	29.7	18.9	70.3	26.9
<b>Total VPS</b>	<b>579.6</b>	<b>29.4</b>	<b>1,394.4</b>	<b>70.6</b>	<b>1,974.0</b>
<b>Total</b>	<b>14,381.9</b>	<b>25.4</b>	<b>42,309.9</b>	<b>74.6</b>	<b>56,691.8</b>

## Notes

The category Victorian Public Service Grades 1–6 includes Graduate Recruits.  
‘Education Support Class Other’ comprises 352.4 FTE SRP-funded VPS classified staff.  
‘Victorian Public Service Other’ includes ministerial drivers, a LOTE Advisor and senior medical advisors.

‘Senior Officer’ is a Governor-in-Council appointee to a statutory office, as defined in the *Public Administration Act 2004*. Appointees are not included in the total staff count.  
This table includes employees of the VCAA and the VRQA who are also reported in those Authorities’ annual reports.

### Victorian Public Service staff on pay as at June 2013

	Ongoing		Fixed-term		Casual		Total	
	Number (Headcount)	FTE	Number (Headcount)	FTE	Number (Headcount)	FTE	Number (Headcount)	FTE
<b>June 2013</b>	<b>2,467</b>	<b>2,217</b>	<b>94</b>	<b>83</b>	<b>48</b>	<b>27</b>	<b>2,609</b>	<b>2,327</b>
June 2012	2,795	2,515	341	290	63	26	3,199	2,831

	June 2013				June 2012		
	Ongoing		Fixed-term and casual		Ongoing		Fixed-term and casual
	Headcount	FTE	Headcount	FTE	Headcount	FTE	FTE
<b>Gender</b>							
Male	611	599	34	30	712	694	72
Female	1,856	1,618	108	80	2,083	1,821	244
<b>Age</b>							
Under 25	28	28	19	13	41	41	36
25–34	473	433	42	35	532	489	111
35–44	560	484	32	26	615	528	71
45–54	750	676	23	18	857	771	51
55–64	589	544	20	14	672	622	39
Over 64	67	52	6	4	78	64	9
<b>Classification</b>							
VPSG1	5	4	1	1	9	8	2
VPSG2	111	101	16	8	164	150	26
VPSG3	265	248	28	19	333	310	46
VPSG4	320	306	20	16	350	333	31
VPSG5	584	553	31	29	669	630	91
VPSG6	289	284	12	10	321	312	16
Senior technical specialist	14	14	–	–	12	12	–
Executive officer	81	81	–	–	76	76	–
Allied Health	564	452	16	14	637	515	81
Nurse	230	171	17	12	220	165	22
Other	–	–	1	1	–	–	1
Driver	2	2	–	–	2	2	–
Senior Medical Advisor	2	1	–	–	2	1	–

#### Notes

'Number' refers to the number of people employed where each person counts as an employee regardless of the number of hours engaged to work.

FTE have been rounded to the nearest whole number.

'Casual' means a person who is subject to clause 25, Casual Employees – Loading of the VPS Agreement 2006, or similar clauses in other relevant agreements. It includes a person

employed on a sessional basis where such provision is made under an applicable industrial agreement.

June 2013 'Other' comprises a LOTE advisor.

June 2012 'Other' comprises a LOTE advisor.

Age of staff for 2013 is calculated as at 30 June 2013.

This table includes employees of the VCAA and the VRQA who are also reported in those Authorities' annual reports.

**Number of executive officer positions classified by 'Ongoing' and 'Special projects' excluding portfolio entities\***

Class	All		Ongoing		Special projects	
	Number	Variation	Number	Variation	Number	Variation
Secretary	1	—	1	—	—	—
E01	3	—	3	—	—	—
E02	42	-3	42	-3	—	—
E03	30	+1	30	+1	—	—
<b>Total</b>	<b>76</b>	<b>-2</b>	<b>76</b>	<b>-2</b>	<b>—</b>	<b>—</b>

\*Includes vacancies as at last full pay in June

**Number of executive officers by sex for 'Ongoing' and 'Special projects' excluding portfolio entities**

Class	Ongoing					Special projects				
	Male		Female		Vacancies	Male		Female		Vacancies
	Number	Variation	Number	Variation	Number	Number	Variation	Number	Variation	Number
Secretary	1	—	—	—	—	—	—	—	—	—
E01	1	-1	2	+1	—	—	—	—	—	—
E02	23	-1	18	+4	2	—	—	—	—	—
E03	14	-1	14	+2	2	—	—	—	—	—
<b>Total</b>	<b>39</b>	<b>-3</b>	<b>34</b>	<b>+7</b>	<b>4</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>

**Reconciliation of Department executive officer numbers excluding portfolio entities**

	2013	2012
Executives with remuneration over \$100,000 (refer to Note 20 of the financial statement – includes portfolio entities)	<b>73</b>	80
Add vacancies	<b>4</b>	9
Executives employed with total remuneration below \$100,000	<b>22</b>	1
Accountable officer (Secretary) Less separations	<b>1</b>	1
Less separations	<b>(15)</b>	(13)
Less portfolio entity executives included in Note 20	<b>(8)</b>	—
<b>Total</b>	<b>77</b>	78

**Number of executive officers in the Department's portfolio entities**

Portfolio agencies	Total		Vacancies		Male		Female	
	Number	Variation	Number	Variation	Number	Variation	Number	Variation
Victorian Curriculum and Assessment Authority	6	+1	—	—	4	—	2	+1
Victorian Registration and Qualifications Authority	2	—	1	+1	—	—	2	—
<b>Total</b>	<b>8</b>	<b>+1</b>	<b>1</b>	<b>+1</b>	<b>4</b>	<b>—</b>	<b>4</b>	<b>+1</b>

# Number of executive officers in the Department's portfolio entities as at 30 June 2013

Portfolio agencies	2012			2013			Change		
	Female	Male	Total	Female	Male	Total	Female	Male	Total
Adult Multicultural Education Services	4	4	8	3	4	7	-1	—	-1
Bendigo Regional Institute of TAFE	2	1	3	1	2	3	-1	1	—
Box Hill Institute of TAFE	9	5	14	8	3	11	-1	-2	-3
Central Gippsland Institute of TAFE	1	3	4	2	3	5	1	—	1
Centre for Adult Education	1	—	1	2	0	2	1	—	1
Chisholm Institute of TAFE	5	7	12	3	4	7	-2	-3	-5
East Gippsland Institute of TAFE	—	1	1	1	—	1	1	-1	—
Gordon Institute of TAFE	3	4	7	1	1	2	-2	-3	-5
Goulburn Ovens Institute of TAFE	0	2	2	—	2	2	—	—	—
Holmesglen Institute of TAFE	6	12	18	8	12	20	2	—	2
International Fibre Centre	—	1	1	—	1	1	—	—	—
Kangan Batman Institute of TAFE	5	7	12	5	6	11	—	-1	-1
Northern Melbourne Institute of TAFE	6	14	20	8	15	23	2	1	3
South West Institute of TAFE	1	4	5	1	4	5	—	—	—
Sunraysia Institute of TAFE	2	2	4	3	2	5	1	—	1
TAFE Development Centre	1	—	1	1	—	1	—	—	—
Victorian Institute of Teaching	1	—	1	1	—	1	—	—	—
William Angliss Institute of TAFE	1	5	6	1	6	7	—	1	1
Wodonga Institute of TAFE	1	3	4	1	3	4	—	—	—
<b>Total</b>	49	75	124	50	68	118	1	-7	-6



## Appendix 6 Statutory bodies

Statutory bodies are authorities, boards and other entities established under an Act of Parliament for a specific purpose. The functions, powers, membership and other details relating to each body are outlined in relevant legislation. The table below lists the statutory bodies within the Department as at 30 June 2013, the Act under which each body was established, the responsible Minister and the annual reporting method for each body. Staff of some of these bodies are on the Department's payroll, as reflected in the workforce data on pages 144–148.

### Statutory bodies

Body	Act of Parliament	Minister(s)	Annual report
Children's Services Coordination Board	<i>Child Wellbeing and Safety Act 2005</i>	Children and Early Childhood Development Community Services*	See page 149
Disciplinary Appeals Board	<i>Education and Training Reform Act 2006</i>	Education Minister responsible for the Teaching Profession	See page 150
Merit Protection Boards	<i>Education and Training Reform Act 2006</i>	Education Minister responsible for the Teaching Profession	See page 152
Victorian Children's Council	<i>Child Wellbeing and Safety Act 2005</i>	Children and Early Childhood Development Community Services	See page 158
Victorian Curriculum and Assessment Authority	<i>Education and Training Reform Act 2006</i>	Education Children and Early Childhood Development	Separate report to Parliament
Victorian Institute of Teaching	<i>Education and Training Reform Act 2006</i>	Education Minister responsible for the Teaching Profession	Separate report to Parliament
Victorian Registration and Qualifications Authority	<i>Education and Training Reform Act 2006</i>	Education Higher Education and Skills	Separate report to Parliament
Victorian Skills Commission	<i>Education and Training Reform Act 2006</i>	Higher Education and Skills	See page 187
Adult, Community and Further Education (ACFE) Board	<i>Education and Training Reform Act 2006</i>	Higher Education and Skills	Separate report to Parliament

### Children's Services Coordination Board

The Children's Services Coordination Board was established in 2005 under the *Child Wellbeing and Safety Act 2005*. It brings together key decision makers in government departments to ensure the coordination of activities affecting children. Membership of the Board is shown below. The role of the Children's Services Coordination Board is to coordinate the efforts of different programs and consider how to best deal with cross-portfolio issues.

The Board reports annually to the Minister for Children and Early Childhood Development and the Minister for Community Services on how Victoria's children and young people are faring. In May 2012, the Government released Victoria's *Vulnerable Children: Our Shared Responsibility*, which announced a strengthened role for the Board and a sharper focus on improving outcomes for the most vulnerable children in our community. The Board supported the development of the Victoria's Vulnerable Children Strategy 2013–2022 that was released in May 2013. The strategy sets out a whole-of-government plan for preventing abuse and neglect, acting earlier when children are vulnerable, and improving outcomes for children in state care. The Board oversees the implementation of the strategy at the Departmental level, and monitors performance through the production of biennial strategies to target responses to the needs of vulnerable children and young people.

In May 2013, the Board also agreed on a work program covering vulnerable children and families, disengaged young people, development of local governance arrangements, and monitoring and reporting functions.

The Children's Services Coordination Board met 12 times in 2012–13.

#### Children Services Coordination Board members at 30 June 2012

Mr Richard Bolt	Secretary, Department of Education and Early Childhood Development (Chair)
Mr Lachlan Bruce	Acting Secretary, Department of Planning and Community Development
Ms Gill Callister	Secretary, Department of Human Services
Mr Grant Hehir	Secretary, Department of Treasury and Finance
Mr Ken Lay	Chief Commissioner, Victoria Police
Mr Andrew Tongue	Secretary, Department of Premier and Cabinet
Dr Pradeep Philip	Secretary, Department of Health
Mr Greg Wilson	Secretary, Department of Justice

## Disciplinary Appeals Boards

The Disciplinary Appeals Boards were established in 2005 following an amendment to the *Teaching Service Act 1981* and are empowered under the *Education and Training Reform Act 2006* to hear and determine appeals in relation to decisions of the Secretary made under section 2.4.6.1 of the Act.

The Senior Chairperson of the Merit Protection Boards administers the Disciplinary Appeals Boards and selects members to constitute the Boards as required. The Merit Protection Boards staff provide administrative support to the Disciplinary Appeals Boards.

In May 2010, Board members were appointed for a five-year period after advertisements calling for expressions of interest were placed. All members are called upon on a sessional basis.

The Disciplinary Appeals Boards had no appeals pending at the start of July 2012 and received 11 appeals by the end of June 2013.

## Members of the Disciplinary Appeals Boards

Chairpersons, nominated by the Secretary, were appointed under Sections 2.4.73(2) (a) and 2.4.74 of the *Education and Training Reform Act 2006*. It is a requirement that they have been admitted to legal practice in Victoria for not less than five years.

### Chairpersons of the Disciplinary Appeals Boards

	Date first appointed	Date term expires
Dr Peter Condliffe	May 2010	April 2015
Ms Anne Dalton	May 2010	April 2015
Ms Leneen Forde	May 2010	April 2015
Mr Murray Gerkens	May 2010	April 2015
Mr Peter Harris	May 2010	April 2015
Mr Robert Howard	May 2010	April 2015
Mr Peter Kempson	May 2010	April 2015
Ms Jo-Anne Mazzeo	May 2010	April 2015
Ms Paula Robinson	May 2010	April 2015
Mr Ian Scott	May 2010	April 2015
Ms Janice Slattery	May 2010	April 2015
Dr Ian Turnbull	May 2010	April 2015
Ms Silvana Wilson	May 2010	April 2015

Secretary's nominees, who have knowledge and experience in education, education administration or public sector administration, were appointed under Sections 2.4.73(2)(c) and 2.4.74 of the *Education and Training Reform Act 2006*.

### Secretary's nominees to the Disciplinary Appeals Boards

	Date first appointed	Date term expires
Ms Claire Bolster	May 2010	April 2015
Ms Dianne Foggo	May 2010	April 2015
Dr Richard Gould	May 2010	April 2015
Ms Avis Grahame	May 2010	April 2015
Mr Russell Isaac	May 2010	April 2015
Mr Robert Loader	May 2010	April 2015
Mr Peter Norden	May 2010	April 2015
Mr Brian O'Dea	May 2010	April 2015
Ms Cheryl Vardon	May 2010	April 2015
Ms Helen Worlidge	May 2010	April 2015

Minister's nominees, who are officers in the teaching service, were appointed under Sections 2.4.73(2)(b) and 2.4.74 of the *Education and Training Reform Act 2006*.

#### Minister's nominees to the Disciplinary Appeals Boards

	Date first appointed	Date term expires
Ms Margaret Bates	May 2010	April 2015
Mr Peter Brown	May 2010	April 2015
Ms Vincenzina Calabro	May 2010	April 2015
Ms Kate Christensen	May 2010	April 2015
Ms Lorraine Dell	May 2010	April 2015
Ms Janet Evison	May 2010	April 2015
Ms Moira Findlay	May 2010	April 2015
Mr David Finnerty	May 2010	April 2015
Ms Debra Fischer	May 2010	April 2015
Ms Leonie Fitzgerald	May 2010	April 2015
Ms Sandra Greenhill	May 2010	April 2015
Mr Wayne Hill	May 2010	June 2013 *
Ms Angeliki Karvouni	May 2010	April 2015
Mr Steve McGarrigle	May 2010	April 2015
Ms Karen O'Dowd	May 2010	April 2015
Ms Maureen O'Flaherty	May 2010	April 2015
Mr Paul Rose	May 2010	October 2012 **
Mr Steven Silestean	May 2010	April 2015
Ms Cassandra Walters	May 2010	April 2015
Mr Tim Ward	May 2010	April 2015

\* Mr Hill passed away in June 2013

\*\* Mr Rose resigned from the Department in October 2012

## Merit Protection Boards

The Merit Protection Boards were established in 1993 under the *Teaching Service Act 1981* and are currently empowered by the *Education and Training Reform Act 2006* to:

- advise the Minister about principles of merit and equity to be applied in the teaching service
- hear reviews and appeals in relation to decisions made under the *Education Training and Reform Act 2006* (except Part 2.4, Divisions 9A and 10) or any other Act
- advise the Minister or the Secretary about any matter referred to them by the Minister or the Secretary relating to merit and equity in the teaching service
- hear reviews and appeals in relation to any decision prescribed by the regulations or Ministerial Order, as appropriate
- hear reviews and appeals in relation to any decision of the Secretary if the Secretary has delegated his or her function or power to hear reviews and appeals to a Merit Protection Board.

The Senior Chairperson, Mr Peter Hibbins, is a full-time member of the Merit Protection Boards. Ms June Weir is the Registrar for the Boards and there are three administrative officers who support their work.

Grievances lodged by VPS staff in the Department are heard by a Review of Action Board. The Senior Chairperson establishes the Review of Action Boards, which make recommendations to the Secretary of the Department. In the event that the Senior Chairperson does not sit on the Review of Action Board, the Board will make a recommendation to the Senior Chairperson, who in turn will make the recommendation to the Secretary.

The Merit Protection Boards and Review of Action Boards provide an independent mechanism to hear appeals and grievances for employees of the Department and associated statutory authorities in education.

Appeals and grievances include transfer and promotion, leave, change of time fraction, outcomes of performance review, outcomes of local complaints and other personal management decisions.

Appeals and grievances can be heard in the metropolitan area and regional centres, as appropriate.

Access to the Merit Protection Boards is available to employees in the Department, including principals, teachers and school-based non-teaching staff. Public servants, excluding executive officers, have access to Review of Action Boards.

## Members of the Merit Protection Boards

Members of the Merit Protection Boards and Review of Action Boards have a duty to act as individuals in an independent and objective manner in fairly hearing and determining appeals and grievances. The hearing procedures of both Boards are consistent with the principles of procedural fairness.

### Members of the Merit Protection Boards

School		Date first appointed	Date term expires
<b>Senior Chairperson (full-time)</b>			
Mr Peter Hibbins		3 March 2008	31 July 2014
<b>Chairpersons</b>			
Ms Vincenzina Calabro	Noble Park English Language School	22 September 2010	21 September 2013
Ms Leonie Fitzgerald	Dandenong South Primary School	22 September 2010	21 September 2013
Mr Wayne Hill		22 September 2010	30 June 2013 *
Ms Sharon Walker	Footscray North Primary School	22 September 2010	21 September 2013
<b>Secretary's nominees</b>			
Mr Neil Barker	Bastow Institute of Education Leadership	22 September 2010	21 September 2013
Ms Clare Berger	Keilor Downs Secondary College	22 September 2010	21 September 2013
Ms Judy Curson	Elisabeth Murdoch College	22 September 2010	21 September 2013
Ms Kerrie Dowsley	St Albans Secondary College	22 September 2010	21 September 2013
Ms Lorraine Dell	Ormond Primary School	22 September 2010	21 September 2013
Ms Janet Evison	McKinnon Primary School	22 September 2010	21 September 2013

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	School	Date first appointed	Date term expires
Mr David Finnerty	Hampton Park Secondary College	22 September 2010	21 September 2013
Mr Rick Gervasoni	Lakeview Senior College	22 September 2010	21 September 2013
Ms Sandra Greenhill	Koonung Secondary College	22 September 2010	21 September 2013
Ms Karen Hutchinson	Fitzroy High School	22 September 2010	21 September 2013
Ms Angeliki Karvouni	Carwatha College P–12	22 September 2010	21 September 2013
Ms Karen O'Dowd	Altona Green Primary School	22 September 2010	21 September 2013
Ms Gail Shaw	Sunshine North Primary School	22 September 2010	21 September 2013
<b>Minister's nominees</b>			
Ms Rowena Archer	Braybrook College	22 September 2010	21 September 2013
Mr John Baston	Melba Secondary College	22 September 2010	21 September 2013
Ms Margaret Bates	Sunbury College	22 September 2010	21 September 2013
Dr Mary Cannon	Canterbury Girls Secondary College	22 September 2010	21 September 2013
Mr Ian Dendle	Geelong East Primary School	22 September 2010	21 September 2013
Ms Jan Foenander	Ascot Vale Special School	22 September 2010	21 September 2013
Ms Valda Grimston	Footscray North Primary School	22 September 2010	21 September 2013
Mr Nuccio Gurciullo	Mac.Robertson Girls High School	22 September 2010	21 September 2013
Ms Rae MacArdy	Footscray City College	22 September 2010	21 September 2013
Ms Michelle McCabe	Sunshine North Primary School	21 September 2013	21 September 2013
Mr Brett Miller	Boneo Primary School	22 September 2010	21 September 2013
Mr Michael Rogan	Yarraville West Primary School	22 September 2010	21 September 2013
Ms Maxine Schmidt	Camberwell High School	22 September 2010	21 September 2013
Ms Glenda Splatt	Mount Waverley Secondary College	22 September 2010	21 September 2013
Ms Meredith Stephenson	Thornbury High School	22 September 2010	21 September 2013
Ms Katrina Tenson	Broadmeadows Special Developmental School	22 September 2010	21 September 2013
Ms Rhonda Warburton	Caulfield Park Community School	22 September 2010	21 September 2013
Ms Joanna Young	Sunshine College	22 September 2010	21 September 2013

\* Mr Hill passed away in June 2013

## Appeals and grievances

### Teaching service

During the year to 30 June 2013, the Merit Protection Boards for the teaching service received a total of 182 appeals and grievances, including 22 selection grievances and 160 personal grievances. Of the 182 grievances received, 113 were abandoned, conciliated, lapsed, deemed to be out of time, withdrawn or are still pending, or there was no jurisdiction for the Board to hear them. Sixty-nine grievances were heard, 30 were upheld and 3 were partially upheld.

There were 22 selection grievances received for this year, compared with 14 for the previous year and, of the 5 heard, 3 were upheld. There were 160 personal grievances received, compared with 135 for the previous year and, of the 64 heard, 27 were upheld and 3 were partially upheld.

There was a wide range of issues raised in personal grievances. The majority of grievances concerned priority transfer status and excess status not being managed in accordance with Department policy, as well as grievances relating to time fraction changes.

### Public sector

There were 49 appeals and grievances received from public servants – 34 on the grounds of selection and 15 personal grievances. Of the 49 grievances received from the VPS, 31 were heard and 9 were upheld. The majority of the issues raised were selection grievances related to the Department's organisational restructure process.

### Teaching service – appeals and grievances 2012–13

Category	Upheld and partially upheld		Disallowed		Withdrawn		Pending		Abandoned, lapsed, no jurisdiction, out of time		Conciliated		Received		Total
	F	M	F	M	F	M	F	M	F	M	F	M	F	M	
Personal	21	9	24	10	22	15	2	1	28	18	7	3	104	56	160
Selection	3	0	2	0	0	0	0	0	11	5	1	0	17	5	22
<b>Total</b>	<b>24</b>	<b>9</b>	<b>26</b>	<b>10</b>	<b>22</b>	<b>15</b>	<b>2</b>	<b>1</b>	<b>39</b>	<b>23</b>	<b>8</b>	<b>3</b>	<b>121</b>	<b>61</b>	<b>182</b>

### VPS – appeals and grievances 2012–13

Category	Upheld		Disallowed		Withdrawn		Pending		Abandoned, lapsed, no jurisdiction, out of time		Conciliated		Received		Total
	F	M	F	M	F	M	F	M	F	M	F	M	F	M	
Personal	1	0	1	1	4	2	0	0	3	3	0	0	9	6	15
Selection	5	3	12	8	1	3	0	0	2	0	0	0	20	14	34
<b>Total</b>	<b>6</b>	<b>3</b>	<b>13</b>	<b>9</b>	<b>5</b>	<b>5</b>	<b>0</b>	<b>0</b>	<b>5</b>	<b>3</b>	<b>0</b>	<b>0</b>	<b>29</b>	<b>20</b>	<b>49</b>



## Merit protection training

It is a requirement for all selection panels in the Department to include a merit-trained employee as a member of any selection panel. To facilitate this requirement, the Merit Protection Boards provide training in the principles of merit and equity for principals, teachers, education support class employees and members of the public service.

These programs are conducted statewide and are supported by the Department through the provision of senior personnel to deliver those sections of the training that focus on human resource policies. This year the Boards conducted some 31 seminars and provided training for 893 employees.

### Principals

One hundred and forty-three principals were trained by the Boards in metropolitan and country centres and are available to serve on principal selection panels.

### Teachers and education support class employees

A total of 442 teachers and 106 education support class employees were trained by the Boards in metropolitan and country centres in 2012–13. Teachers and school education support class employees who have been trained are available to assist principals with personnel management decision-making in schools in which panels must include a merit protection-accredited teacher.

### Members of the Victorian Public Service

During 2012–13, 202 VPS employees (including Nurses and Allied Health employees) were trained and are therefore available to assist on panels in decision-making about selection.

#### Number of employees trained by region (includes reaccreditation)

Region	Principals	Teachers	ESC	VPS	Total
North-Eastern Victoria *	22	70	17	3	112
North-Western Victoria **	54	115	19	10	198
South-Eastern Victoria ***	29	83	24	4	140
South-Western Victoria ****	38	174	46	10	268
Central – Corporate	0	0	0	175	175
<b>Total</b>	<b>143</b>	<b>442</b>	<b>106</b>	<b>202</b>	<b>893</b>

\* Previously Eastern Metropolitan and Hume Regions. Became North-Eastern Victoria Region effective from 1 January 2013.

\*\* Previously Northern Metropolitan and Loddon Mallee Regions. Became North-Western Victoria Region effective from 1 January 2013.

\*\*\* Previously Southern Metropolitan and Gippsland Regions. Became South-Eastern Victoria Region effective from 1 January 2013.

\*\*\*\* Previously Barwon South Western, Western Metropolitan and Grampians Regions. Became South-Western Victoria Region effective from 1 January 2013.

## Other activities

The Merit Protection Boards provided advice to the Department on merit and equity issues in relation to major policy initiatives in response to requests from the Department, as well as advice when existing policies and procedures were being reviewed.

The Senior Chairperson accepted invitations to address groups of principals, field officers of the principals' associations, teacher representatives and regional personnel.

Senior Merit Protection Board personnel delivered statewide training programs for principals, members of the teaching service and VPS staff. These programs focus on the legislative and policy requirements for human resource management within the Department.

Information about the appeal and grievance process, as well as the Merit Protection accreditation programs, is available on the Merit Protection Boards' website at [www.mpb.vic.gov.au](http://www.mpb.vic.gov.au).

## Victorian Children's Council

The Victorian Children's Council was established by the Victorian Government under the *Child Wellbeing and Safety Act 2005*. The Council supports the Premier, the Minister for Children and Early Childhood Development and the Minister for Community Services with expert independent advice relating to policies and services that enhance the health, wellbeing, development and safety of children.

Council members are recognised experts in children's policies and services. They have been selected as individuals and not as representatives of their organisations or interest groups. The Council's mandate is to be forward-looking, acting as an adviser to the Government on how to meet key challenges facing Victorian families and improve outcomes for children. The Council is particularly concerned with the problems faced by children who are vulnerable and at risk of poor outcomes.

The Council actively engages with the Victorian Government in planning to help families give their children the best start in life and to support young people in the transition to adulthood. The Council is involved in assisting Victorian departments to build a stronger evidence base and understanding of how to improve child outcomes and opportunities.

In May 2012, the Government released *Victoria's Vulnerable Children: Our Shared Responsibility*, which announced that the Council would support a stronger whole-of-government response to vulnerable children and their families as part of the Government's reform agenda.

As at June 2013, the Council had 12 members. Mr David Pugh resigned in May 2013; and legislative change abolished the membership of the Child Safety Commissioner, on the recommendation of the Protecting Victoria's Vulnerable Children Inquiry report. The Council held seven meetings in 2012–13, with additional meetings of subcommittees and working groups when needed. The Department provides secretariat support to the Victorian Children's Council.

Over the 12-month period the Council considered:

- the *Victoria's Vulnerable Children Strategy, 2013–2022* and next steps to address child and family vulnerability
- area-based responses to vulnerability
- strengthening responses to women and children harmed by family violence
- strategies to prevent and identify child abuse and neglect
- rural and regional disadvantage
- improving school supports for children with a disability
- judging of the Early Years Awards.

#### **Victorian Children's Council members as at 30 June 2013**

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Professor Frank Oberklaid (Chair)	Director, Centre for Community Child Health
Ms Sandie de Wolf (Deputy Chair)	Chief Executive Officer, Berry Street Victoria
Dr Maria Apostolopoulos	Parent advocate and Board member, Kalparrin Early Childhood Intervention Program
Ms Heather Barnes	Early childhood training consultant
Ms Muriel Bamblett	Chief Executive Officer, Victorian Aboriginal Child Care Agency
Dr Ray Cleary	Former Chief Executive Officer, Anglicare Victoria
Dr Don Edgar	Social policy and research consultant
Ms Sue Harper	National President, Organisation Mondiale pour l'Education Prescolaire Australia
Mr David Huggins	Assistant Director, Student Services, Catholic Education Office
Mr Steve Rogers	Principal, Mooroopna Primary School
Mr Rob Spence	Chief Executive Officer, Municipal Association of Victoria
Ms Kerry Stubbings	Director of Community Services, City of Knox

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## Appendix 7 Office-based environmental impacts

The Department's Environmental Management System (EMS) provides a structured approach to planning and implementing environment protection measures in the Department's office-based activities. In line with government directives, the Department reports on energy, water and paper consumption, waste generation, transportation and greenhouse gas emissions, as well as sustainable procurement.

The EMS objectives include:

- reducing the amount of waste and maximising the amount reused and recycled
- minimising energy, water and paper consumption
- reducing passenger vehicle fleet emissions
- ensuring new office accommodation incorporates environmental sustainability principles
- adopting an environmental management system based on ISO14001
- communicating environmental performance through regular reporting
- encouraging staff to reduce environmental impacts.

The 2012 Sustainable Government Initiative resulted in major office movements and a reduction in FTE staff. This led to many fluctuations in data against previous years' calculations.

As such, for the purpose of this report the average FTE count was taken for the period 1 April 2012 to 31 March 2013. Historically the FTE count used for calculations is taken as at 30 June of the reporting year, and it is intended that this reference point will be reverted to in future reporting.

Unless otherwise stated, all consumption data is representative of the period 1 April 2012 to 31 March 2013.

## Energy

The Department has continued to implement energy efficiencies in its corporate office sites.

The data presented below was collected through energy retailer billing information and represents 100 per cent of sites and 100 per cent of FTE staff.

Energy consumption	2012–13			2011–12		
	Electricity	Natural gas	GreenPower	Electricity	Natural gas	GreenPower
Total energy usage segmented by primary source (MJ)	<b>21,437,319</b>	<b>7,942,525</b>	<b>36,188</b>	20,898,728	5,108,289	1,064,221
Cost of GreenPower (\$)			<b>363</b>			10,667
<b>Energy indicators</b>						
Units of energy used per FTE (MJ/FTE)	<b>13,712</b>			12,403		
Units of energy used per unit of office area (MJ/m <sup>2</sup> )	<b>755</b>			690		
Percentage of electricity purchased as GreenPower	<b>0.2</b>			5		
<b>Action undertaken</b>						
Computer audits	Computer audits were undertaken by Eco Champions in many offices. Over a three-month period where education on energy best practice was strongly communicated, audit results showed an increase of 30 per cent of monitors and 12 per cent of hard drives were now being correctly switched off.					

## Target

- Reduce energy use per FTE by 5 per cent of 2011–12 levels by 31 March 2014.

## Notes

- Total electricity use (electricity + GreenPower) decreased on the previous year by 2.2 per cent.
- Gas use increased substantially against the previous year, most of which was used by Central offices (issues with air-conditioning and boilers are currently being corrected by a facilities maintenance company).
- 2011–12 gas figures were unusually low for the Central office precinct. Against 2010–11 figures, this precinct's gas increased by only 11 per cent.
- Substantial changes to office accommodation would explain many fluctuations seen across a number of sites.

## Water

The data in the table below is based on water meter readings at 86 per cent of office sites covering 91 per cent of FTE staff.

	2012–13	2011–12
<b>Water consumption</b>		
Total units of metered water consumed by usage types (KL)	<b>17,529</b>	17,542
<b>Water indicators</b>		
Units of metered water consumed in offices per FTE (KL/FTE)	<b>8.17</b>	8.04
Units of metered water consumed in offices per unit of office area	<b>0.45</b>	0.45

## Target

- Reduce the litres of water consumed per FTE by 7 per cent of 2011–12 levels by 31 March 2014.

## Notes

- Total water use decreased on previous year by 0.1 per cent, and decreased by 14 per cent against 2010–11 figures.
- One office experienced a 75 per cent increase in their water use, likely due to a leak that has been rectified.
- As with previous years, water consumption data at the former Eastern and Western Metropolitan regional offices is unavailable due to the offices being shared facilities and the occupancy area of Departmental staff being unavailable.

## Paper

The Department has decreased its paper use in both corporate office use and publications.

The data presented below was collected through stationery suppliers and represents 100 per cent of sites and 100 per cent of FTE staff.

	2012–13	2011–12
<b>Paper use</b>		
Total units of copy paper used (reams)	<b>31,830</b>	36,685
Percentage 75–100% recycled copy paper purchased (%)	<b>60</b>	37
Percentage 50–74% recycled copy paper purchased (%)	<b>37</b>	48
Percentage 0–49% recycled copy paper purchased (%)	<b>3</b>	15
<b>Indicators</b>		
Units of copy paper used per FTE (reams/FTE)	<b>15</b>	17
Total Units of A4 equivalent paper used in publications (reams)	<b>73,108</b>	101,820

## Target

- Reduce paper consumption to 14 A4 reams per FTE by 31 March 2014.

## Notes

- Previous targets to 'Reduce the amount of copy paper purchased with less than 50 per cent recycled content to below 10 per cent by 31 March 2014' and 'Reduce paper consumption 15 A4 reams per FTE by 31 March 2014' were achieved a year ahead of time.
- Due to more stringent printing guidelines, many Departmental publications have ceased being printed and are now produced online.

## Waste

DEECD continues to address waste generation by utilising a variety of re-use and recycling methods.

The data presented below was collected through four five-day waste audits at five sites.

Waste generation	2012–13					2011–12				
	Landfill	Co-mingled recycling	Compost	Shredded paper	Other	Landfill	Co-mingled recycling	Compost	Shredded paper	Other
Total units of waste disposed of by destination (kg/yr)	8,572	6,340	8,314	50,778	1,867	11,400	10,806	12,618	23,023	2,802
Units of waste disposed of per FTE by destination (kg/FTE)	9	7	9	54	2	10	9	11	19	2
<b>Recycling indicator</b>	89					81				
Recycling rate (as a % of total waste)										

### Notes

'Other' includes collection of toner cartridges, polystyrene, steel, reusable plastics and batteries.

In 2011–12, a large proportion of 'Other' included data from additional sites, for which data was not available for in 2012–13.

## Target

- Increase recycling rate to a minimum of 90 per cent by 31 March 2014.

## Notes

- Prior to 2012, one company collecting shredded paper did not produce data reports. This has been rectified and as such contributes to the increase in shredded paper being reported, and consequently the recycling rate per FTE being reported.
- Due to the annual average FTE count being unavailable, the FTE count used for the waste sites was taken as at 30 June 2013.



## Transport

The Department's fleet comprises 346 vehicles, 75 per cent of which are operational vehicles and the remainder are executive fleet.

Of the operational vehicles, 13 per cent are LPG, 3 per cent are 4-cylinder petrol-fuelled, 12 per cent are 6-cylinder, 11 per cent are dual petrol/LPG fuelled, 1 per cent is diesel fuelled and 60 per cent are hybrid.

Operational vehicles	2012–13			2011–12		
	Petrol	LPG		Petrol	LPG	
Total energy consumption by vehicles (MJ)	20,139,797	5,855,644		22,747,496	8,871,628	
Total vehicle travel associated with entity operations (km)	6,481,424	1,341,633		7,141,994	2,046,520	
Greenhouse gas emissions from vehicle fleet per 1000km travelled (t CO <sub>2</sub> -e)	0.22	0.28		0.23	0.28	
Air travel	Short <500km	Medium 500 – 3,700km	Long >3,700km	Short <500km	Medium 500 – 3,700km	Long >3,700km
Total distance travelled by aeroplane (km)	187,194	758,988	1,044,947	286,783	1,231,742	1,173,981
Sustainable Commuting	CBD		Regional	CBD		Regional
Percentage of employees regularly (>75 per cent of work attendance days) using public transport, cycling, walking or car pooling to and from work or working from home, by locality	76		13	86		29
<b>Action undertaken</b>						
Teleconferencing facilities	Use of video and teleconferencing facilities has been emphasised and encouraged. Survey results showed that 86 per cent of staff would usually use conferencing facilities where possible to minimise transport.					

## Target

- Reduce total kilometres travelled by operational vehicles by 10 per cent of 2012–13 levels by 31 March 2014.

## Notes

- Operational Fleet data is taken from 1 July 2012 – 31 June 2013.
- Due to the purchase of vehicle fleet being controlled by Department of Treasury and Finance, a retraction has been made of the previous target to 'Ensure a minimum of 70 per cent of Departmental operational vehicles are hybrid by 31 March 2014'. Departmental staff are encouraged to choose hybrid vehicles where appropriate.

## Procurement

The Department has worked with whole-of-government stationery supplier Staples to monitor the proportion of environmentally friendly items purchased against other products. These EarthSaver products are reported on, meeting the 2011–12 target of 'Capture green spend on stationery via the Corporate Express reports by 31 March 2014'.

Increased awareness of the Departmental 'swap-shop' – a stationery reuse system – has assisted in decreasing excessive stationery purchases and in turn reduced unnecessary items being sent to landfill.

### Target

- Increase EarthSaver purchases to a minimum of 60 per cent of total stationery purchases by 31 March 2014.

## Greenhouse gas emissions

The emissions disclosed in the section below are taken from the previous sections and brought together here to show the Department's greenhouse footprint.

Indicator	2012–13	2011–12
Total greenhouse gas emissions associated with energy use (t CO <sub>2</sub> -e)	<b>8,419</b>	8,178
Total greenhouse gas emissions associated with water consumption (t CO <sub>2</sub> -e)	<b>41</b>	41
Total greenhouse gas emissions associated with paper purchases (t CO <sub>2</sub> -e)	<b>117</b>	139
Total greenhouse gas emissions associated with waste production (t CO <sub>2</sub> -e)	<b>10</b>	14
Total greenhouse gas emissions associated with vehicle fleet (t CO <sub>2</sub> -e)	<b>1,838</b>	2,221
Total greenhouse gas emissions associated with air travel (t CO <sub>2</sub> -e)	<b>495</b>	671
<b>Grand total greenhouse gas emissions created by the Department</b>	<b>10,920</b>	11,264

### Target

- Reduce the Department's office-based greenhouse gas emissions by 10 per cent of 2011–12 levels by 31 March 2014.

### Note

- The reduction of purchased GreenPower contributed to the increase of the Department's energy emissions.

## Appendix 8 Freedom of Information

During 2012–13, 245 requests were received for documents under the *Freedom of Information Act 1982* (the Act). One hundred and thirty five of the requests were received from members of parliament or representatives of the media and the remainder were received from the general community. For decisions made in 2012–13, full access was granted for 64 requests and partial access for a further 103.\* Access was not granted for 14 requests, and documents could not be located or did not exist for 32 requests. Eighteen requests were not proceeded with by the applicants. At the end of the reporting period, there were 34 requests for which no decision had been made.

Where access was not granted to a document, the major exemption categories in the Act used in decision-making were:

- section 30 (opinions, advice and recommendations that are against the public interest to release)
- section 32 (legal professional privilege)
- section 33 (protection of the privacy of the personal affairs of others)
- section 35 (communications in confidence).

Seven applicants sought an internal review. The original decisions of all seven were fully upheld.

The *Freedom of Information Amendment (Freedom of Information Commissioner) Act 2012* commenced on 1 January 2013. This abolished the internal review process and established a new process for review of decisions by the Freedom of Information Commissioner (the Commissioner). Seven applicants sought a review by the Commissioner. Three of the original decisions were fully upheld, three were varied and one was settled by agreement between the Commissioner and the applicant.

There were five applications to the Victorian Civil and Administrative Tribunal for reviews of decisions made under the Act. Two reviews were settled prior to a hearing and withdrawn by the applicant. Three had not been completed at the end of the reporting period.

For the 12 months ending 30 June 2013, the Department processed 92 per cent of requests within statutory requirements. The average time taken to finalise requests was 32.36 days.

\*Access decisions made in 2012–13 include requests that were outstanding from the previous financial year.

### Publication requirements

The information required to be published pursuant to section 7 of the Act is either contained in the following pages or elsewhere in this report. This information relates to the following agencies:

- Department of Education and Early Childhood Development
- Merit Protection Boards
- Disciplinary Appeals Boards.

Queries about the availability of, and charges for, material prepared under Part II of the Act should be directed to the relevant authorised officer. (See page 170.)

## Categories of documents

The Department produces a large number of documents in a decentralised record-keeping environment. Accordingly, the Department does not maintain a single, consolidated list of detailed categories of documents. The Department maintains collections of policy files, transaction files and records and, where necessary, personnel records.

A variety of indexes and other search aids are used by agencies. In general, files and records are retrieved through subject descriptors or personal names.

The Merit Protection Boards maintain records of appeals and grievances received.

The Disciplinary Appeals Boards maintain records of appeals lodged.

The following outlines the general categories of documents maintained.

### Correspondence, administrative and policy documents

The Department has a number of systems in place for recording, sharing and tracking these records.

The Merit Protection Boards are responsible for their own records. Regional offices and schools maintain their own record-keeping systems. These are largely independent of the systems used by the central administration.

### Personnel documents

The Department and the Merit Protection Boards maintain record-keeping systems for their employees including, where appropriate, records for members of the teaching service and the VPS.

### Accounting records

Accounting records are maintained on an electronic accounting system. The records deal with general ledger entries, accounts payable, payroll and other accounting functions. Some paper records are also kept.

## Freedom of Information arrangements

### Access to records

All requests for access to documents held by agencies are dealt with by the authorised officer of the appropriate agency. (See table on page 170.) Applicants seeking access to documents held by agencies should attempt to specify the topic of interest rather than the file series under which the applicant considers the document might exist. Assistance in specifying the topic is available from the authorised officer.

### Forms of request for access

Applicants are required by the Act to submit requests for access to documents in writing.

There is no specific application form. A letter or email clearly describing the document(s) sought is sufficient. It should specify that the application is a request made under the *Freedom of Information Act 1982* and should not form part of a letter or email on another subject. The applicant should provide the following additional information:

- name
- address

- telephone number (business hours)
- details of document(s) requested
- form of access required – copies of documents, inspection of file or other (specify).

Where the request is for access to documents about the applicant, personal identification will also be required.

## Correction of personal information

A request for correction or amendment of personal information contained in a document held by the agency must be made in writing. It should specify particulars of how and why the person making the request believes the information to be incorrect, incomplete, misleading or out of date, and specify the amendments they wish to have made.

## Fees and charges

An application fee is required unless evidence of hardship is provided. Applicants are advised that other charges may be made in accordance with Freedom of Information (Access Charges) Regulations 2004. Details of the fee and access charges can be found at [www.foi.vic.gov.au](http://www.foi.vic.gov.au).

## Appeals

Applicants may appeal against a decision made in response to requests for access to documents and amendment of records, or against the cost levied for allowing access to documents. Information about the appropriate avenue of appeal is conveyed to the applicant in a letter advising them of the initial decision. Applicants are advised to consult Part VI of the Act for further information about appeal rights.

Further information about Freedom of Information can be found on the Department's website at [www.education.vic.gov.au](http://www.education.vic.gov.au).

### Freedom of Information authorised officers

Agency	Authorised officer	Postal address	Telephone
Department of Education and Early Childhood Development	Ms Shirley Thompson	GPO Box 4367 Melbourne 3001	(03) 9637 3134
Merit Protection Board	Ms June Weir	Level 4, Casseldon Place 2 Lonsdale Street Melbourne 3000	(03) 9032 1701
Disciplinary Appeals Board	Ms June Weir	Level 4, Casseldon Place 2 Lonsdale Street Melbourne 3000	(03) 9032 1701

## Appendix 9 Statement of support to whistleblowers or people making a protected disclosure

The Department recognises the value of transparency and accountability in its administrative and management practices. It supports the making of disclosures that reveal corrupt conduct, conduct involving a substantial mismanagement of public resources, or a substantial risk to public health and safety or the environment.

The Department does not tolerate improper conduct by its employees or officers nor the taking of reprisals against those who come forward to disclose such conduct.

The Department complied with *Whistleblowers Protection Act 2001* (WP Act) in the 2012–13 year until the introduction of the *Protected Disclosure Act 2012* (PD Act).

The WP Act was repealed by section 83 of the PD Act.

### ***Whistleblowers Protection Act 2001***

Under the WP Act, the Department assessed five disclosures. Of these five disclosures none were assessed as a protected disclosure.

No matters were declined because the complainant could not substantiate them. No matters were awaiting substantiation by the complainant.

One matter was referred by the Ombudsman for investigation.

### ***Protected Disclosure Act 2012***

Since the introduction of the PD Act the Department has received four disclosures regarding corrupt, improper or specific conduct. All four of the disclosures were deemed not to be protected disclosures.

None of the disclosures were referred to the Independent Broad-Based Anti-Corruption Commission.

By the 10 August 2013, the Department will publish guidelines regarding its procedures it has instituted to comply with the PD Act.

### **Making an assessment**

In making an assessment as to whether or not a complaint was deemed to be a protected disclosure under the WP Act or the PD Act the Department noted the following definitions.

#### **Corrupt conduct**

Corrupt conduct means:

- conduct of any person that adversely affects the honest performance by a public officer or public body of his or her or its functions as a public officer or public body
- the dishonest performance of functions or performance with inappropriate partiality
- conduct that amounts to a breach of public trust
- conduct that amounts to the misuse of information or material acquired in the course of one's duties.

## Improper conduct

Improper conduct means corrupt conduct or conduct that is not corrupt conduct but that, if proved, would constitute a criminal offence; or reasonable grounds for dismissing or dispensing with, or otherwise terminating, the services of the officer who was, or is, engaged in that conduct.

## Specific conduct

Specific conduct means:

- conduct of any person that adversely affects the honest performance by a public officer or public body of his or her or its functions as a public officer or public body
- conduct of a public officer or public body that constitutes or involves the dishonest performance of his or her or its functions as a public officer or public body
- conduct of a public officer or public body that constitutes or involves knowingly or recklessly breaching public trust
- conduct of a public officer or public body that involves the misuse of information or material acquired in the course of the performance of his or her or its functions as a public officer or public body, whether or not for the benefit of the public officer or public body or any other person
- conduct that could constitute a conspiracy or an attempt to engage in any conduct referred to in paragraphs above
- conduct of a public officer or public body in his or her capacity as a public officer or its capacity as a public body that involves substantial mismanagement of public resources; or involves substantial risk to public health or safety; or involves substantial risk to the environment.

## The reporting system

### Contact persons within the Department

A protected disclosure about this Department or any of its employees and/or officers can be made to:

Mr Gordon Caris  
Protected Disclosure Coordinator  
Director, Information and Knowledge Management Branch  
Department of Education and Early Childhood and Development  
2 Treasury Place  
East Melbourne Victoria 3002  
DX 210083  
GPO Box 4367  
Melbourne Victoria 3001  
03 9637 3496  
caris.gordon.m@edumail.vic.gov.au  
or



One of the following officers at the Department:

- the manager/supervisor of the person who is the subject of the disclosure
- the manager/supervisor of the person making the disclosure
- Secretary of the Department
- a person acting in any of the above roles.

*or*

IBAC

Level 1, North Tower

459 Collins Street

Melbourne Vic 3000

GPO Box 24234, Melbourne Victoria 3001

[www.ibac.vic.gov.au](http://www.ibac.vic.gov.au)

1300 735 135

## Appendix 10 Portfolio responsibilities

The Acts of Parliament currently administered by the Minister for Higher Education and Skills and Minister responsible for the Teaching Profession, the Minister for Education, and the Minister for Children and Early Childhood Development are outlined in the General Order, which was issued by the Premier on 22 February 2011. This General Order is published on the website of the Department of Premier and Cabinet at the Machinery of Government page and can be accessed at: <http://www.dpc.vic.gov.au/index.php/resources/legal/machinery-of-government>.

## Appendix 11 Contracts and consultancies

Under the *Financial Management Act 1994* the following distinction is made between contractors and consultants.

Contractors:

- provide goods, works or services that implement a decision
- perform all or part of a new or existing ongoing function to assist an agency to carry out its defined activities and operational functions
- perform a function involving skills or perspectives that would normally be expected to reside within the Department but which the Department has decided to outsource.

Consultants:

- provide expert analysis and advice that facilitates decision-making
- perform a specific, one-off task or set of tasks
- perform a task involving skills or perspectives that would not normally be expected to reside within the Department.

### Disclosure of major contracts

The Department has disclosed all contracts greater than \$10 million in value that it entered into during 2012–13. The disclosed contracts can be viewed on the Victorian Government contracts publishing system at [www.contracts.vic.gov.au](http://www.contracts.vic.gov.au).

### Compliance with the Victorian Industry Participation Policy

The *Victorian Industry Participation Policy Act 2003* requires public bodies and departments to report on the implementation of the Victorian Industry Participation Policy.

Departments are required to apply the policy in all tenders over \$3 million in metropolitan Melbourne and \$1 million in regional Victoria.

During 2012–13, the Department commenced and completed contracts under both the State Capital Works Program and the Federal Government's Building the Education Revolution Program.

Under the State Capital Works Program, the Department commenced 19 contracts to which the Victorian Industry Participation Policy applied, totalling \$160,061,980 in value. The contracts included seven metropolitan contracts totalling \$65,785,249 in value and 12 regional contracts totalling \$94,276,731 in value.

The commitments under the policy included:

- an average level of local content of 86 per cent across the contracts
- 533 continuing and new full-time equivalent jobs and 87 continuing and new full-time equivalent apprenticeships/traineeships
- benefits to the Victorian economy through:
  - development and implementation of technology in schools
  - professional development for staff
  - skills development through work on infrastructure projects and participation in related training in OHS and various trade areas.

Under the State Capital Works Program, the Department completed four contracts to which the Victorian Industry Participation Policy applied, totalling \$171,413,163 in value. The contracts included 16 metropolitan contracts totalling \$148,736,675 and three regional contracts totalling \$22,676,488.

Under the Building the Education Revolution Program, the Department commenced two contracts to which the Victorian Industry Participation Policy applied, totalling \$3,333,618 in value. Both contracts were regionally based.

The commitments under the policy included:

- an average level of local content of 84 per cent of the total value of the contracts
- fifty-eight continuing and full-time equivalent jobs and eight continuing and full-time equivalent apprenticeships
- benefits to the Victorian economy through:
  - development and implementation of technology in schools
  - professional development for staff
  - skills development through work on infrastructure projects and participation in related training in OHS and various trade areas.

Under the Building the Education Revolution Program, the Department completed 20 contracts to which the Victorian Industry Participation Policy applied, totalling \$43,335,666 in value. The contracts included 10 metropolitan contracts totalling \$28,534,178, and 10 regional contracts totalling \$14,801,488.

## Consultancies

In 2012–13, there were no engagements of consultants less than \$10,000. The table below indicates the consultancies the Department entered into which cost \$10,000 or above.

Consultant	Purpose of consultancy	Start date <sup>1</sup>	End date	Total approved project fee (excluding GST)	Expenditure 2012–13 (excluding GST)	Future expenditure (excluding GST)
Cube Management Solutions Pty Ltd	To undertake a feasibility study on secondary education provision options in the Sandringham area	19 February 2013	30 April 2013	\$56,300	\$56,300	\$0
KPMG <sup>2</sup>	To support the Future Models for the Victorian TAFE Network Project	25 June 2012	31 December 2012	\$420,426	\$420,426	\$0

<sup>1</sup> Start date indicates approval date of consultancy by delegate

<sup>2</sup> Engagement under the Victorian Skills Commission

## Appendix 12 Capital projects

The Department and its related portfolio entities manage a number of capital projects. For information on recent capital projects for the Department and the broader Victorian public sector, please refer to the most recent Budget Paper No. 4 State Capital Program available on the Department of Treasury and Finance's website. This publication also contains information on the Department's related portfolio agencies' asset investment programs and can be found at the following link: <http://www.dtf.vic.gov.au/Publications/State-Budget-publications/Budget-Paper-No-4-State-Capital-Program>.

## Appendix 13 Other statutory requirements

### ***Building Act 1993***

The Department conforms with the requirements of the *Building Act 1993* and other statutory obligations with respect to the construction of new educational facilities and modernisation. The school modernisation program and building compliance program progressively ensure that existing buildings comply with relevant legislative requirements.

### **Purchasing and contracting**

The Department promotes consistent rules on probity and ethics in all of its purchasing and contracting arrangements, in line with the Victorian Government Purchasing Board's policy on probity. These rules ensure an equitable and sound purchasing process, and the provision of equal opportunity for all parties. Compliance with these rules is guaranteed through routine internal audits and an accredited purchasing process.

The Department promotes staff attendance at training courses in purchasing, tendering and contracting, and ensures that probity and ethics are discussed at each session.

### **National Competition Policy**

In 1995, the Commonwealth, State and Territory governments agreed to implement the National Competition Policy to promote greater competition and encourage economic growth. Three requirements of the policy are:

- legislative reviews to eliminate restrictions on competition
- assessment of new legislation and regulation to ensure continued compliance with the policy
- competitive neutrality to ensure consistency in pricing of goods and services.

The Department has complied with the requirements of the National Competition Policy and is continuing to report to the Department of Treasury and Finance as required regarding implementation.

### **Legislative reviews**

The Department did not undertake any reviews of legislation under the National Competition Policy in 2012–13.

### **Assessment of new legislation and regulations**

All new legislation and regulations enacted within the portfolio during 2012–13 were subject to an assessment against National Competition Policy requirements to ensure continued compliance with the policy.

### **Competitive neutrality**

Competitive neutrality requires government businesses to ensure, where services may compete with the private sector, that any advantages arising from their government ownership are removed if they are not in the public interest. The Department was not involved in any complaints for the year 2012–13.

## Information privacy

The Department is committed to protecting the privacy of personal and health information. Personal and health information is collected and used by the Department to provide services or carry out statutory functions.

All of the Department's central and regional offices, schools and funded services have been provided with tools to assist with compliance and assisted with tailored privacy advice as required.

All the Department's funded service providers are obliged contractually and by Victoria's privacy laws to ensure that they comply with the requirements of the legislation.

The Department's Information Privacy Policy is reviewed periodically and is made widely available.

The Department works closely with the Office of the Victorian Privacy Commissioner and the Health Services Commissioner in providing privacy advice and assistance, resources and reference materials to ensure ongoing compliance across the Department.

The Department's Freedom of Information and Privacy Unit investigates and responds to privacy complaints. Complaints are generally resolved at a local level. Some privacy complaints may be conciliated at the Office of the Victorian Privacy Commissioner or the Office of the Victorian Health Services Commissioner.

## Supporting carers: *Carers Recognition Act 2012*

The Department is committed to ensuring that the rights and interests articulated in the *Carers Recognition Act 2012* are considered in the delivery of its services to clients who are in a care relationship. The Department is currently examining options to ensure that all relevant employees are aware of the care relationship principles, and that these principles are taken into account during policy development and service delivery.

## Disability Action Planning

Following the expiry of the Department's Disability Action Plan 2009–2012, a cross-sectoral committee is working to develop a new Department disability action plan.

The Department's new plan will focus on the objectives set out in the Victorian State Disability Plan 2013–2016, which provides broad direction for (among other things) the improvement of education, care and training services to Victorians who experience disability. As required by the *Disability Act 2006* the plan will include initiatives that further the aims of:

- reducing barriers to persons with a disability accessing goods, services and facilities
- reducing barriers to persons with a disability obtaining and maintaining employment
- promoting inclusion and participation in the community of persons with a disability
- achieving tangible changes in attitudes and practices which discriminate against persons with a disability.

The Department's Disability Action Plan 2013–2016 is expected to be launched in late 2013.

## Appendix 14 Details of government advertising expenditure

### Details of government advertising expenditure (campaigns with a media spend of \$150,000 or greater)

Name of campaign	Campaign summary	Start/end date	Advertising (media) expenditure 2012–13 (excluding GST)	Creative and campaign development expenditure 2012–13 (excluding GST)	Research and evaluation expenditure 2012–13 (excluding GST)	Print and collateral expenditure 2012–13 (excluding GST)	Other campaign expenditure 2012–13 (excluding GST)
Bully Stoppers	The Bully Stoppers campaign aims to increase the awareness of anti-bullying initiatives to make schools safer and protect students from bullying and cyber-bullying. The Bully Stoppers community awareness campaign promotes its key messages through television, press and radio advertising, as well as online promotions and competitions.	February 2013 – 30 June 2013	\$747,157.97	\$155,145.75	\$800.00	\$1,145.40	\$16,239.94
Healthy Kids Check	The aim of the Healthy Kids Check media campaign is to promote the Maternal and Child Health 3.5 year check for every child aged between 3.5 and 4 years of age in Victoria. This basic health and development check allows parents to determine that their children are healthy, fit and ready to start school.	September–November 2012	\$619,885.00	\$26,107.00	\$300.00	n/a	n/a



## Appendix 15 Risk management attestation

I, Richard Bolt, certify that the Department of Education and Early Childhood Development has risk management processes in place consistent with the Australian/New Zealand Risk Management Standard (AS/NZS ISO 31000:2009) and that an internal control system is in place that enables the executive to understand, manage and satisfactorily control risk exposures.

The Portfolio Audit Committee verifies this assurance and that the risk profiles of the Department of Education and Early Childhood Development have been critically reviewed within the last 12 months.



Richard Bolt  
Secretary  
2 / August 2012

## Appendix 16 Insurance attestation

I, Richard Bolt, certify that the Department of Education and Early Childhood Development has complied with Ministerial Direction 4.5.5.1 – Insurance, except for maintaining a current register of all indemnities. The Department has provided a list of significant indemnities to the Victorian Managed Insurance Authority and accounts for these as contingent liabilities.



Richard Bolt

Secretary

16 September 2013

## Appendix 17 Disclosure index and additional information

### Report of operations

Legislation	Requirement	Pages
<b>Charter and purpose</b>		
FRD 22D	Manner of establishment and the relevant Ministers	9–10
FRD 22D	Objectives, functions, powers and duties	1–16
FRD 22D	Nature and range of services provided	1–16
<b>Management and structure</b>		
FRD 22D		16
<b>Financial and other information</b>		
FRD 8B	Budget portfolio outcomes	128–133
FRD 10	Disclosure index	183–184
FRD 22C	Disclosure of major contracts	175–176
FRD 15B	Executive officer disclosures	147
FRD 22D, SD4.2(k)	Operational and budgetary objectives and performance against objectives	19–48
FRD 22D	Employment and conduct principles	138–143, 150–159
FRD 22D	Occupational Health and Safety	141–143
FRD 22D	Summary of the financial results for the year	17–18
FRD 22D	Significant changes in financial position during the year	17–18
FRD 22D	Major changes or factors affecting performance	19–34
FRD 22D	Subsequent events	120
FRD 22D	Application and operation of the <i>Freedom of Information Act 1982</i>	168–170
FRD 22D	Compliance with building and maintenance provisions of the <i>Building Act 1993</i>	176
FRD 22D	Statement on National Competition policy	176
FRD 22D	Application and operation of the <i>Whistleblowers Protection Act 2001</i>	169
FRD 22C	Details of consultancies over \$100,000	175–176
FRD 22C	Details of consultancies under \$100,000	175–176
FRD 22D	Details of government advertising expenditure	180
FRD 22D	Statement of availability of other information	185
FRD 24C	Reporting of office-based environmental impacts	160–167
FRD 25A	Victorian Industry Participation policy disclosures	175
FRD 29	Workforce data disclosures	144–148
SD 4.2(g)	Specific information requirements	1–16, 19–48
SD 4.2(j)	Sign off requirements	frontice
SD 4.5.5	Risk management compliance attestation	181
SD 4.5.5.1	Insurance compliance attestation	182

## Financial report

Legislation	Requirement	Pages
<b>Financial statements required under Part 7 of the <i>Financial Management Act 1994</i></b>		
SD 4.2(b)	Statement of changes in equity	52
SD 4.2(b)	Operating statement	50
SD 4.2(b)	Balance sheet	51
SD 4.2(b)	Cash flow statement	53
<b>Other requirements under Standing Directions 4.2</b>		
SD 4.2(a)(c)	Compliance with Australian Accounting Standards and other authoritative pronouncements	55, 75–77
SD 4.2(c)	Compliance with Ministerial Directions	55
SD 4.2(c)	Accountable officer's declaration	124
SD 4.2(d)	Rounding of amounts	58
SD 4.2(f)	Compliance with Model Financial Report	49–126
<b>Other disclosures in notes to the Financial Statements</b>		
FRD 9A	Departmental disclosure of administered assets and liabilities by activity	85–86
FRD 11	Disclosure of ex-gratia payments	32
FRD 13	Disclosure of parliamentary appropriations	90–91
FRD 21B	Disclosures of responsible persons, executive officers and other personnel in the financial report	114–116
FRD 102	Inventories	n/a
FRD 103D	Non-current physical assets	97–99
FRD 104	Foreign currency	74
FRD 106	Impairment of assets	65, 99
FRD 107	Investment properties	n/a
FRD 109	Intangible assets	96
FRD 110	Cash flow statements	53, 131
FRD 112C	Defined benefit superannuation obligations	104
FRD 113	Investments in subsidiaries, jointly controlled entities and associates	n/a
FRD 114A	Financial instruments – general government entities and public non-financial corporations	106–113
FRD 119	Contributions by owners	52, 72
<b>Legislation</b>		
<i>Freedom of Information Act 1982</i>		168–170
<i>Building Act 1993</i>		178
<i>Financial Management Act 1994</i>		Frontice, 175, 125, 224
<i>Audit Act 1994</i>		125, 224
<i>Whistleblowers Protection Act 2001</i>		171
<i>Victorian Industry Participation Policy Act 2003</i>		175–176
<i>Public Administration Act 2004</i>		138–139
<i>Protected Disclosure Act 2012</i>		171
<i>Carers Recognition Act 2012</i>		179

## Additional information

Consistent with the requirements of the *Financial Management Act 1994*, the Department has retained material on the following items, which are available on request (subject to freedom of information requirements, if applicable):

- a statement that declarations of pecuniary interests have been duly completed by all relevant officers of the Department
- details of shares held by senior officers as nominees or held beneficially in a statutory authority or subsidiary
- details of publications produced by the Department about the Department and how these can be obtained
- details of changes in prices, fees, charges, rates and levies charged by the Department
- details of any major external reviews carried out on the Department
- details of major research and development activities undertaken by the Department
- details of overseas visits undertaken, including a summary of the objectives and outcomes of each visit
- details of major promotional, public relations and marketing activities undertaken by the Department to develop community awareness of the Department and its services
- details of assessments and measures undertaken to improve the occupational health and safety of employees
- a general statement on industrial relations within the Department and details of time lost through industrial accidents and disputes
- a list of major committees sponsored by the Department, the purpose of each committee and the extent to which those purposes have been achieved
- contractors engaged by the Department with a value over \$100,000, including Victorian Skills Commission.

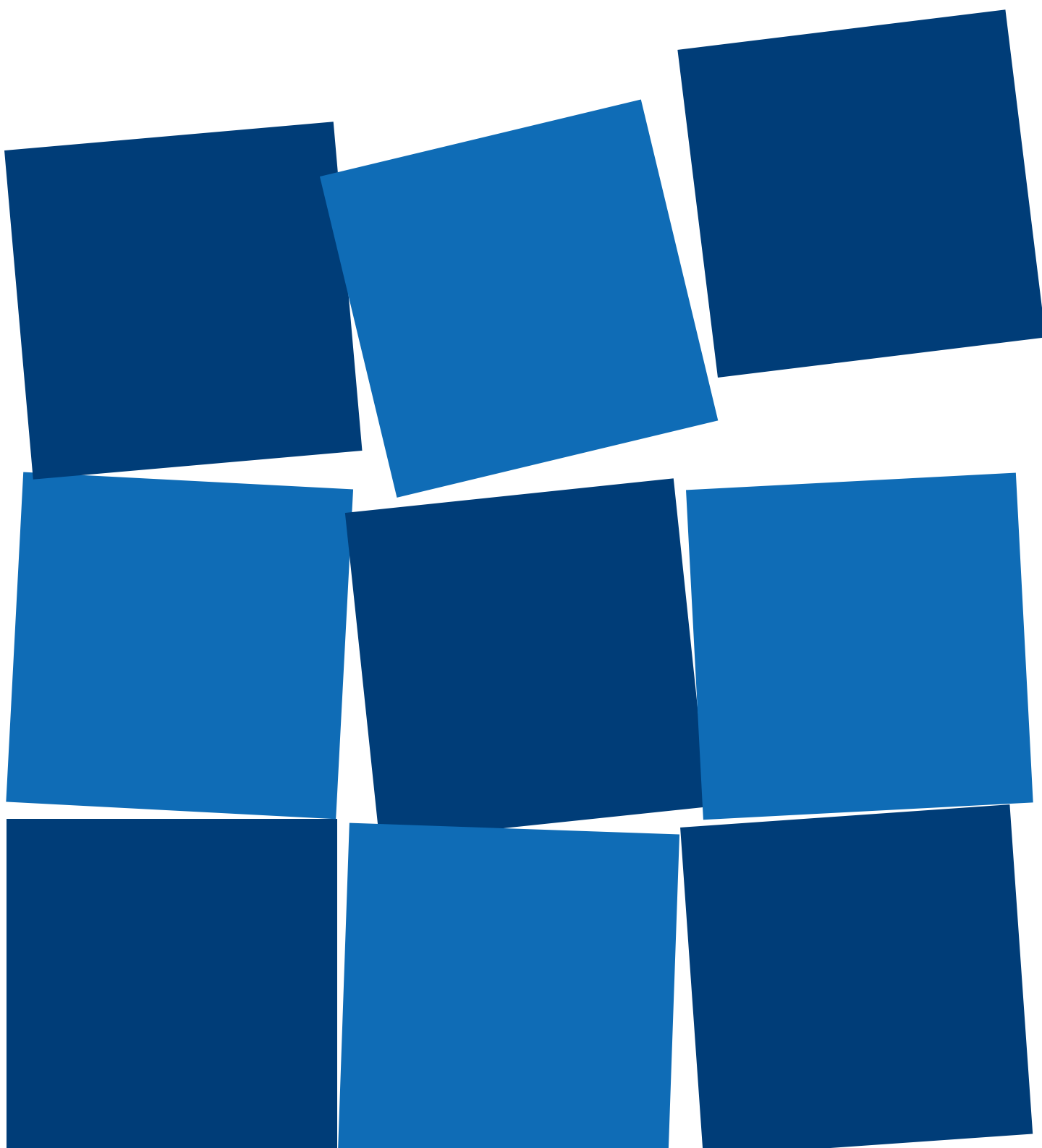
This information is available on request from:

Secretary  
Department of Education and Early Childhood Development  
GPO Box 4367  
Melbourne Victoria 3001



# Victorian Skills Commission

Annual Report 2012–13



# Victorian Skills Commission, 2012–13

## 2012–13 in brief

- A new approach to industry consultation leadership for the Victorian training system was introduced from 1 July 2012. The introduction of the Government's New Industry Participation Model required disbanding the Victorian Skills Commission (VSC).
- In June 2012, the *Education Legislation Amendment (VET Sector, Universities and Other Matters) Act 2012* amended the *Education and Training Reform Act 2006* to transfer apprenticeship regulation functions from the VSC to the Victorian Registration and Qualifications Authority from 1 October 2012 and to transfer to the Minister of Higher Education and Skills (from August 2012) powers relating to TAFE institutes.
- From 1 July 2012, the Commission operated with three ex-officio officers only, delegating remaining functions to the Department.
- The VSC did not meet in the period from 1 July to 31 December 2012.
- The VSC was disbanded from 1 January 2013, following amendments to the *Education and Training Reform Act 2006* in 2012.

## Context

The VSC was responsible for addressing Victoria's government, industry and community training needs, was the fund holder for government funding for vocational education and training, and regulated the Victorian apprenticeship and traineeship system.

In May 2012, the Victorian Government published the *Refocusing Vocational Training in Victoria* statement, which details policy decisions to give industry a stronger and more direct voice to influence training market activity. The statement included the announcement that the VSC would be wound up on 1 January 2013.

## The VSC role

The VSC oversaw the efficiency and effectiveness of the publicly funded training market in Victoria. In exercising this role in 2012–13, the VSC delegated the following functions to the Deputy Secretary, Higher Education and Skills Group in the Department:

- capture and publish information about current and prospective labour market demand for skills
- monitor quarterly outcomes of training expenditure and training activity, including matching training delivery to training market needs



- oversee apprenticeship regulations (until October 2012)
- as fundholder, oversee the contracting and payment business processes and controls, and authorise the release of funds accordingly.

## Members of the VSC

### Richard Bolt

#### **Ex-officio member from July 1 to 31 December 2012**

For information about Richard Bolt see page 10.

### Rowena Allen

#### **Ex-officio member from July 1 to 31 December 2012**

Ms Rowena Allen is Chair of the Adult Community and Further Education Board. She has a passion for social justice and social inclusion, and has held positions in the areas of community development and direct youth services with rural and metropolitan local governments.

### Stuart Hamilton AO

#### **Ex-officio member from July 1 to 16 October 2012**

Mr Stuart Hamilton was the Chair of the Victorian Registration and Qualifications Authority for his term as ex-officio officer of the VSC. Mr Hamilton was Executive Director of what is now Universities Australia (1996–2001) and before that worked as senior executive in the Commonwealth and Victorian public services.

### Timothy Smith

#### **Ex-officio member from 17 October 2012 to 31 December 2012**

Mr Timothy Smith was the Chair of the Victorian Registration and Qualifications Authority for his term as ex-officio officer of the VSC. He is a member of the Board of Directors of the VET Development Centre as a Ministerial nominee. For seven years he was the Chief Executive of the Australian Council for Private Education and Training. Prior to this role, he was a Senior Executive for the Education Department, first as a Ministerial Adviser to Education and Training Ministers in the Victorian Government and then as Assistant Secretary Higher Education.

## Training market performance

For information relating to training market performance see pages 30–31 and 45–48.

# VSC Financial Statements for the period 1 July to 31 December 2012

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## Comprehensive operating statement for 1 July to 31 December 2012

	Note	December 2012 (6-month) \$' 000	June 2012 (12-month) \$' 000
<b>Income from transactions</b>			
Grant income		892,320	1,748,303
Specific purpose income	2	1,000	12,328
Interest		356	6,950
Other income		186	716
<b>Total income from transactions</b>		<b>893,862</b>	<b>1,768,297</b>
<b>Expenses from transactions</b>			
	1(f)		
Administrative expenses		12,406	19,804
Payments to training providers		906,116	1,591,583
Capital grants to TAFE Institutes		22,911	64,504
Specific purpose payments		18,786	77,712
Amortisation	3	74	149
Other operating expenses		13,573	33,982
<b>Total expenses from transactions</b>		<b>973,866</b>	<b>1,787,734</b>
<b>Net result from transactions (net operating balance)</b>		<b>(80,004)</b>	<b>(19,437)</b>
<b>Other economic flows included in net result</b>			
Net gain/(loss) on non-financial assets	1(g)	(21,140)	(26)
Net gain/(loss) on financial instruments and statutory receivables/payables	1(q)	—	(8,000)
<b>Total other economic flows included in net results</b>		<b>(21,140)</b>	<b>(8,026)</b>
<b>Net result</b>		<b>(101,144)</b>	<b>(27,463)</b>
<b>Comprehensive result</b>		<b>(101,144)</b>	<b>(27,463)</b>

The above comprehensive operating statement should be read in conjunction with the accompanying notes

## Balance sheet as at 31 December 2012

	Note	31 December 2012 \$'000	30 June 2012 \$'000
<b>Assets</b>			
<b>Financial Assets</b>			
Cash and cash deposits	15(b)	458	20,282
Receivables	1(q), 4	50,474	166,568
Assets held for sale	1(i)	21,889	21,889
<b>Total financial assets</b>		<b>72,821</b>	<b>208,739</b>
<b>Non-financial assets</b>			
Property, plant and equipment	5	578	667
Intangible assets	1(i), 6	55,017	63,629
<b>Total non-financial assets</b>		<b>55,595</b>	<b>64,296</b>
<b>Total assets</b>		<b>128,416</b>	<b>273,035</b>
<b>Liabilities</b>			
Payables	7	127,519	171,048
Finance lease		583	529
<b>Total liabilities</b>		<b>128,102</b>	<b>171,577</b>
<b>Net assets</b>		<b>314</b>	<b>101,458</b>
<b>Equity</b>			
Contributed capital		34,205	34,205
Accumulated surplus/(deficit)		(33,891)	67,253
<b>Net worth</b>		<b>314</b>	<b>101,458</b>
Commitments for expenditure	13		
Contingent liabilities and contingent assets	12		

The above balance sheet should be read in conjunction with the accompanying notes

## Statement of changes in equity for 1 July to 31 December 2012

	Accumulated Surplus \$'000	Contributions by Owner \$'000	Total \$'000
<b>Balance at 1 July 2011</b>	<b>94,716</b>	<b>14,316</b>	<b>109,032</b>
Net result for the year	(27,463)	—	(27,463)
Additional to net assets base	—	19,889	19,889
<b>Balance at 30 June 2012</b>	<b>67,253</b>	<b>34,205</b>	<b>101,458</b>
Net result for the period	(101,144)	—	(101,144)
<b>Balance at 31 December 2012</b>	<b>(33,891)</b>	<b>34,205</b>	<b>314</b>

The statement of changes in equity should be read in conjunction with the accompanying notes

## Cash flow statement for 1 July to 31 December 2012

	Note	December 2012 (6-month) \$'000	June 2012 (12-month) \$'000
<b>Cash flows from operating activities</b>			
Receipts from Government		1,010,125	1,790,632
Other receipts		186	716
Interest received		356	6,950
GST recovered from the ATO		76,009	121,258
<b>Total receipts</b>		<b>1,086,676</b>	<b>1,919,556</b>
Payments to suppliers and others		(25,284)	(61,786)
Payments for training and grants		(1,068,047)	(1,903,036)
GST paid to the ATO		(709)	(2,059)
<b>Total payments</b>		<b>(1,094,040)</b>	<b>(1,966,881)</b>
<b>Net cash flows from/(used in) operating activities</b>	15(a)	<b>(7,364)</b>	<b>(47,325)</b>
<b>Cash flows from investing activities</b>			
Payment for non-financial assets		(12,460)	(26,891)
<b>Net cash flow from/(used in) investing activities</b>		<b>(12,460)</b>	<b>(26,891)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(19,824)</b>	<b>(74,216)</b>
Cash and cash equivalents at the beginning of the financial period		20,282	94,498
<b>Cash and cash equivalents at 31 December 2012</b>	15(b)	<b>458</b>	<b>20,282</b>

The above cash flow statement should be read in conjunction with the accompanying notes

## Notes to the Financial Statements

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## Note 1 Summary of accounting policies

The financial statements represent the audited general purpose financial statements for the Victorian Skills Commission (the Commission) for the six-month period ended 31 December 2012.

### (A) Statement of compliance

These general purpose financial statements have been prepared in accordance with the *Financial Management Act 1994* (FMA) and applicable Australian Accounting Standards (AAS) which include Interpretations, issued by the Australian Accounting Standards Board (AASB). In particular, they are presented in a manner consistent with the requirements of the *AASB 1049 Whole of Government and General Government Sector Financial Reporting*.

Where applicable, those paragraphs of the AASs applicable to not-for-profit entities have been applied.

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

To provide a better understanding of the terminology used in this report, a glossary of terms and style conventions is included at Note 16.

### (B) Basis of accounting preparation and measurement

The accrual basis of accounting has been applied in the preparation of these financial statements whereby assets, liabilities, equity, income and expenses are recognised in the reporting period to which they relate, regardless of when cash is received or paid.

Judgments, estimates and assumptions are required to be made about the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on professional judgments derived from historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods. Judgments made by management in the application of AASs that have significant effects on the financial statements and estimates, with a risk of material adjustments in the subsequent reporting period, are disclosed throughout the notes to the financial statements.

These financial statements are presented in Australian dollars, and prepared in accordance with the historical cost convention except for; non-financial physical assets which, subsequent to acquisition, are measured at a revalued amount being their fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent impairment losses. Assessments and revaluations are made with sufficient regularity to ensure that the carrying amounts do not materially differ from their fair value; with changes reflected in the comprehensive operating statement (fair value through profit and loss).



The accounting policies set out below have been applied in preparing the financial statements for the six-month period ended 31 December 2012 and the comparative information presented for the year ended 30 June 2012.

The financial statements have been prepared on a going concern basis even though current liabilities exceed current assets by \$55.28 million. Preparation of the statements on this basis is considered appropriate given the provisions of the *Education Legislation Amendment (Governance) Act 2012* (the Act), which abolished the Commission. The Act specifies that all rights, assets, liabilities and obligations of the Commission immediately before its abolition become rights, assets, liabilities and obligations of the Department of Education and Early Childhood Development with effect from 1 January 2013.

### (C) Reporting entity

The financial statements cover the Victorian Skills Commission as an individual reporting entity. The Victorian Skills Commission was established as a statutory authority established under the *Education and Training Reform Act 2006*.

The Victorian Skills Commission reports separately to Parliament through the Minister for Higher Education and Skills. Its principal address is:

Victorian Skills Commission  
Level 3, 2 Treasury Place  
East Melbourne, 3002  
Victoria

The financial statements include all controlled activities of the Victorian Skills Commission for the six-month period ended 31 December 2012.

### (D) Scope and presentation of financial statements

#### Comprehensive operating statement

Income and expenses in the comprehensive operating statement are classified according to whether or not they arise from 'transactions' or 'other economic flows'. This classification is consistent with the whole of government reporting format and is allowed under *AASB 101 Presentation of financial statements*.

'Transactions' and 'other economic flows' are defined by the *Australian system of government finance statistics: concepts, sources and methods 2005* Cat. No. 5514.0 published by the Australian Bureau of Statistics.

'Transactions' are those economic flows that are considered to arise as a result of policy decisions, usually interactions between two entities by mutual agreement. Transactions also include flows within an entity, such as depreciation where the owner is simultaneously acting as the owner of the depreciating asset and as the consumer of the service provided by the asset. Taxation is regarded as mutually agreed interactions between the Government and taxpayers. Transactions can be in kind (e.g. assets provided/given free of charge or for nominal consideration) or where the final consideration is cash.

## Note 1 Summary of accounting policies

(continued)

'Other economic flows' are changes arising from market re-measurements.

They include:

- gains and losses from disposals, revaluations and impairments of non-financial physical and intangible assets;
- fair value changes of financial instruments and agricultural assets; and
- depletion of natural assets (non-produced) from their use or removal.

The net result is equivalent to profit or loss derived in accordance with AASs.

### Balance sheet

Assets and liabilities are presented in liquidity order with assets aggregated into financial assets and non-financial assets.

Current and non-current assets and liabilities (those expected to be recovered or settled beyond 12 months) are disclosed in the notes, where relevant.

### Cash flow statement

Cash flows are classified according to whether or not they arise from operating activities, investing activities, or financing activities. This classification is consistent with requirements under *AASB 107 Statement of cash flows*. For cash flow statement presentation purposes, cash and cash equivalents include bank overdrafts, which are included as current borrowings on the balance sheet.

### Statement of changes in equity

The statement of changes in equity presents reconciliations of non-owner and owner changes in equity from opening balance at the beginning of the reporting period to the closing balance at the end of the reporting period. It also shows separately changes due to amounts recognised in the 'Comprehensive result' and amounts recognised in 'Other economic flows – other movements in equity' related to 'Transactions with owner in its capacity as owner'.

## (E) Income from transactions

### Grants income

State and Commonwealth Governments' grants over which the Commission gains control during a reporting period are recognised as income of that reporting period consistent with *Australian Accounting Standard AASB 1004 'Contributions'* and other relevant accounting concepts, pronouncements and views. 'Control' arises on the earlier event of receipt or notification of eligibility for grants by relevant authorities. Revenue also includes minor amounts for services provided and recognised as they are earned.

### Specific purpose income

Specific purpose income is a grant against which a specific outcome is required.

## Interest income

Interest includes interest received on deposits and other investments and the unwinding over time of the discount on financial assets. Interest income is recognised using the effective interest method which allocates the interest over the relevant period.

## Fair value of assets and services received free of charge or for nominal consideration

Contributions of resources received free of charge or for nominal consideration are recognised at their fair value when the Commission obtains control over them, irrespective of whether restrictions or conditions are imposed over the use of the contributions, unless received from another government Commission or agency as a consequence of a restructuring of administrative arrangements. In the latter case, such a transfer is recognised at its carrying value. Contributions in the form of services are only recognised when a fair value can be reliably determined and the services would have been purchased if not received as a donation.

## Other Income

### Income from sale of goods

Income from the sale of goods is recognised when:

- the Commission no longer has any of the significant risks and rewards of ownership of the goods transferred to the buyer;
- the Commission no longer has continuing managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;
- the amount of income, and the costs incurred or to be incurred in respect of the transactions, can be reliably measured;
- it is probable that the economic benefits associated with the transaction will flow to the Commission; and
- sale of goods and services includes regulatory fees which are recognised at the time the regulatory fee is billed.

## (F) Expenses from transactions

Expenses are recognised as they are incurred and reported in the financial year to which they relate.

### Administrative expenses

All employees of the Commission are deemed to be employees of the Department of Education and Early Childhood Development and the Commission reimburses the Department for all employee entitlements including superannuation, long service and annual leave costs (including on-costs). The costs are classified as administrative expenses in the comprehensive operating statement.

### Payments to training providers

Each training provider signs a contract with the Victorian Skills Commission and based on the training delivered, payments are made in arrears each month. The Commission has necessary reporting mechanisms in place to monitor training delivery and there are agreed policies to ensure the State and Commonwealth grants are used to achieve the two levels of Governments' objectives.

## Note 1 Summary of accounting policies

(continued)

The Commission and each TAFE institute sign individual agreements annually to determine capital expenditure and associated contract requirements and payments for these items are made accordingly.

### Specific purpose payments

The Commission also makes payments from funds received for specific purposes.

### Depreciation of property, plant and equipment

All infrastructure assets, buildings, plant and equipment and other non-financial physical assets (excluding items under operating leases, assets held for sale, land and investment properties) that have finite useful lives are depreciated. Depreciation is calculated on a straight line basis to write off the net cost or re-valued amount of each item of property, plant and equipment (excluding land) over its expected useful life to its estimated residual value. The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period, and adjustments made where appropriate.

### Other operating expenses

Other operating expenses generally represent the day to day running costs incurred in normal operations.

## (G) Other economic flows included in the net result

### Impairment of financial assets

At the end of each reporting period, the Commission assesses whether there is objective evidence that a financial asset or group of financial assets is impaired. All financial instrument assets, except those measured at fair value through profit or loss, are subject to annual review for impairment.

Receivables are assessed for bad and doubtful debts on a regular basis. Those bad debts considered as written off by mutual consent are classified as a transaction expense. Bad debts not written off by mutual consent and the allowance for doubtful receivables are classified as other economic flows in the net result.

The amount of the allowance is the difference between the financial asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate.

In assessing impairment of statutory (non-contractual) financial assets, which are not financial instruments, professional judgment is applied in assessing materiality using estimates, averages and other computational methods in accordance with "AASB 136 Provisions, contingent liabilities and contingent assets".

### Impairment of Non-Financial Assets.

As at 31 December 2012, the Commission was required to assess the carrying value of non-financial assets for impairment (i.e., as to whether their carrying value exceeds their recoverable amount, and so require write down).

The Commission assessed its intangible asset, the Student Management System (SMS) for impairment, as required by *AASB 136 Impairment of Assets*.

Management identified the current value – work in progress costs of the SMS is higher than the likely cost that would be incurred if the asset were to be replaced as at 31 December 2012.

As there was an indication of impairment, of the SMS, impairment was identified and recorded as an “other economic flow”.

Management obtained a best estimate of the recoverable amount of the asset in compliance with AASB 108 to enhance the relevance and reliability of the Commission’s financial statements.

It is deemed that, in the event of the loss of the intangible asset (SMS), the future economic benefits arising from the use of the asset will be replaced unless a specific decision to the contrary has been made. The recoverable amount for most assets is measured at the higher of depreciated replacement cost and fair value less costs to sell.

## **(H) Financial Assets**

### **Cash and deposits**

Cash and deposits, including cash equivalents, comprise cash on hand, cash at bank, deposits at call and highly liquid investments with an original maturity of three months or less, which are held for the purpose of meeting short term cash commitments rather than for investment purposes, and which are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

For the cash flow statement presentation purposes, cash and cash equivalents include bank overdrafts, which are included as interest bearing liabilities on the balance sheet.

### **Receivables**

Receivables consist predominantly of debtors in relation to goods and services, accrued investment income and GST input tax credits recoverable. Receivables that are contractual are classified as financial instruments. Amounts owing from the Victorian Government, taxes and other statutory receivables are not classified as financial instruments.

Receivables are recognised initially at fair value and subsequently measured at amortised cost, using the effective interest method, less any accumulated impairment. At the end of each reporting period, the Commission assesses whether there is objective evidence that a financial asset or group of financial assets is impaired. Objective evidence includes financial difficulties of the debtor, default payments, debts which are more than 60 days overdue, and changes in debtor credit ratings. All financial instrument assets, except those measured at fair value through profit or loss, are subject to annual review for impairment.

## **(I) Non-Financial Assets**

### **Revaluation of non-current physical assets**

Non-current physical assets measured at fair value are re-valued in accordance with *FRD 103D* issued by the Minister for Finance. A full revaluation normally occurs every five years, based on the asset’s government purpose classification, but may occur more frequently if fair value assessments indicate material changes in values.

## Note 1 Summary of accounting policies

(continued)

Revaluation increase or decrease arises from difference between an asset's carrying value and fair value. Independent valuers are generally used to conduct these scheduled revaluations. Certain infrastructure assets are revalued using specialised advisors. Any interim revaluations are determined in accordance with the requirements of the FRDs.

Net revaluation increases (where the carrying amount of a class of assets is increased as a result of revaluation ) are recognised in other comprehensive income and accumulated in equity under the revaluation surplus, except that the net revaluation increase shall be recognised in the net result to the extent that it reverses a net revaluation decrease in respect of that class of property, plant and equipment, previously recognised as an expense (other economic flows) in the net result, the increase is recognised as income (other economic flows) in determining the net result.

Net revaluation decreases are recognised immediately as expenses (other economic flows) in the net result, except that the net revaluation decrease shall be recognised in other comprehensive income to the extent that a credit balance exists in the revaluation surplus in respect of the same class of property, plant and equipment. The net revaluation decrease recognised in other comprehensive income reduces the amount accumulated in equity under revaluation surplus.

Revaluation increases and decreases relating to individual assets within a class of property, plant and equipment, are offset against one another within that class but are not offset in respect of assets in different classes. Any revaluation surplus is not normally transferred to accumulated funds on de-recognition of the relevant asset.

### Intangible assets

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following are demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- an intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

## Work in progress

A Student Management System (SMS) is in the process of being developed and is included in intangible assets.

Intangible assets represent identifiable non-monetary assets without physical substance and are initially recognised at cost. Costs incurred subsequent to initial recognition are capitalised when it is expected that additional future benefits will follow to the Commission.

All costs associated in designing, developing and installing the SMS have been capitalised. This includes expenditure on employees, consultants and contractor's fees, other services and supplies where these are directly attributable to the development of the SMS (see Note 6). No amortisation expense relating to tangible work in progress assets has been incurred as at 31 December 2012 as these assets are yet to be commissioned.

## Assets held for sale

Kangan Institute had identified land and building assets located at Coburg, Moreland and Richmond campuses to be surplus to its requirements. These properties are to be sold as per the State Government disposal processes and the proceeds will be credited to the Consolidated Fund to offset the cost of construction of the ACE Docklands building. As part of this process the assets are transferred from Kangan Institute and held as "assets held for sale" by Victorian Skills Commission in June 2012.

## (J) Liabilities

### Payables

Payables consist of:

- contractual payables, such as accounts payable and unearned income including deferred income from concession arrangements. Accounts payable represent liabilities for goods and services provided to the Commission prior to the end of the financial period that are unpaid, and arise when the Commission becomes obliged to make future payments in respect of the purchase of those goods and services; and
- statutory payables, such as goods and services tax and fringe benefits tax payables.

Contractual payables are classified as financial instruments and categorised as financial liabilities at amortised cost. Statutory payables are recognised and measured similarly to contractual payables, but are not classified as financial instruments and not included in the category of financial liabilities at amortised cost, because they do not arise from a contract.

## (K) Equity

### Contributions by owners

Additions to net assets which have been designated as contributions by owners are recognised as contributed capital. Other transfers that are in the nature of contributions or distributions have also been designated as contributions by owners.



## Note 1 Summary of accounting policies

(continued)

Transfers of net assets arising from administrative restructuring are treated as distributions to or contributions by owners. Transfers of net liabilities arising from administrative restructurings are treated as distributions to owners.

### (L) Accounting for goods and services tax (GST)

Income, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the balance sheet.

Cash flows are presented on a gross basis. The net GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flow.

### (M) Commitments

Commitments for future expenditure include operating and capital commitments arising from contracts. Commitments are disclosed at their nominal value (refer to Note 13) and are inclusive of the goods and services tax payable. In addition, where it is considered appropriate and provides additional relevant information to users, the net present value of significant individual projects are stated. These future expenditures cease to be disclosed as commitments once the related liabilities are recognised in the balance sheet.

Commitments and contingent assets and liabilities are also stated inclusive of GST.

### (N) Other Significant Matters

In May 2012, the government announced the Commission will be wound up. The *Education Legislation Amendment (Governance) Act 2012* (the Act) which abolished the Commission received Royal Assent on 4th of December 2012.

The Act requires the Secretary to submit the financial report of the Commission in accordance with the *Financial Management Act 1994* for the period from 1 July to 31 December 2012. The Act also specifies on and from the commencement day of the Commission is abolished, that all rights, assets, liabilities and obligations of the Commission become rights, assets, liabilities and obligations of the Department of Education and Early Childhood Development. This requirement will be accounted for in accordance with the Department of Treasury and Finance, Financial Reporting Direction 119, Contributions by owners. No income or consideration has been recognised by the Commission in respect of the net assets transferred to the Department of Education and Early Childhood Development.

### (O) Rounding of amounts

Amounts in the financial report including the notes have been rounded to the nearest thousand dollars, or in some instances, to the nearest dollar. Figures in the financial statement may not equate due to rounding.



### **(P) New accounting standards and interpretations**

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2012 reporting period. The Department of Treasury and Finance assesses the impact of these new standards and advises the Commission and other entities of their applicability and early adoption where applicable.

As at 31 December 2012 a number of standards and interpretations applicable to the Commission had been issued but were not mandatory for the six-month period ending 31 December 2012. The Commission has not early adopted these standards.

### **(Q) Reclassification of financial information**

The Commission has elected to reclassify items in the financial statements for the period to 31 December 2012. The reason for reclassification of these transactions is to better reflect the nature of the type of transactions to be reported and has resulted in impact on the comparative information presented in the financial statements. The reclassifications of current and comparative financial information are as followed:

- i. Comprehensive operating statement – Other operating expenses: reclassified \$8.0 million of 2010–11 doubtful debts expenses from “other operating expenses” to “net gain/(loss) on financial instruments and statutory receivables/payables” to better reflect the nature of the type of expenditure being recognised.
- ii. Balance sheet – Other non-financial assets: reclassified \$3.65 million of 2010–11 advance payment to TAFE from “other non-financial assets” to “receivables” to better reflect the nature of the type of asset being recognised.

## Note 2 Income from transactions

	December 2012 (6-month) \$'000	June 2012 (12-month) \$'000
<b>Specific purpose revenue</b>		
Commonwealth projects	1,000	4,828
State Government projects	–	7,500
<b>Total specific purpose revenue</b>	<b>1,000</b>	<b>12,328</b>

## Note 3 Amortisation expenses

	December 2012 (6-month) \$'000	June 2012 (12-month) \$'000
Motor vehicle lease amortisation	74	149
<b>Total amortisation</b>	<b>74</b>	<b>149</b>

## Note 4 Receivables

	December 2012 \$'000	June 2012 \$'000
<b>Current</b>		
<b>Contractual receivables</b>		
Sale of goods and services	28,920	29,058
Accrued income	29,554	145,510
Provision for doubtful debts	(8,000)	(8,000)
<b>Total</b>	<b>50,474</b>	<b>166,568</b>

The average credit period is 30 days. No interest is charged on other receivables.

The receivables were determined to be current and not impaired.

Refer to Note 8(e) for an ageing analysis of contractual receivables.

## Note 5 Property, plant and equipment

	31 December 2012 \$'000	30 June 2012 \$'000
<b>Motor Vehicles</b>		
At cost	738	1,054
Less accumulated amortisation	(160)	(387)
	<b>578</b>	<b>667</b>
<b>Total property, plant, equipment</b>	<b>578</b>	<b>667</b>

Reconciliations	Buildings \$'000	Computers \$'000	Vehicles \$'000	Total \$'000
<b>31 December 2012 (6-month)</b>				
Carrying amount at start of period	—	—	667	667
Additions	—	—	251	251
Transfers	—	—	(266)	(266)
Amortisation	—	—	(74)	(74)
<b>Carrying amount at 31 December 2012</b>	<b>—</b>	<b>—</b>	<b>578</b>	<b>578</b>
<b>30 June 2012 (12-month)</b>				
Carrying amount at start of year	14	4	458	476
Additions	—	—	366	366
Disposals	(14)	(4)	(8)	(26)
Amortisation	—	—	(149)	(149)
<b>Carrying amount at 30 June 2012</b>	<b>—</b>	<b>—</b>	<b>667</b>	<b>667</b>

## Note 6 Intangible assets WIP

	31 December 2012 \$'000	30 June 2012 \$'000
<b>Gross carrying amount</b>		
Opening balance	63,629	38,841
Additions	12,528	24,788
Impairments*	(21,140)	—
<b>Closing balance</b>	<b>55,017</b>	<b>63,629</b>

\*Intangible Assets comprises the development of a Student Management Solution. The impairment recognises an estimated overstatement in the recoverable value of the asset cost resulting from data that indicates that it would cost less to reproduce the asset in its existing form as at 31 December 2012.

## Note 7 Payables

	31 December 2012 \$'000	30 June 2012 \$'000
<b>Current payables</b>		
Contractual payables (trade and other)	127,438	170,968
Statutory payables (Taxes including GST)	81	80
<b>Total payables</b>	<b>127,519</b>	<b>171,048</b>
<b>Total payables</b>	<b>127,519</b>	<b>171,048</b>

The average credit period is 30 days. No interest is charged on late/ non payment of debts.  
These payables are current and the due dates for payments are less than 30 days.  
Refer to Note 8(f) for an ageing analysis of contractual payables.

## Note 8 Financial instruments

### 8 (a) Financial risk management objectives and policies

The main purpose in holding financial instruments is to prudentially manage the Commission's financial risks within the government policy parameters

The Commission's activities expose it primarily to the financial risks of changes relating to changes in interest rates. The Commission does not enter into derivative financial instruments to manage its exposure to interest rate risk nor trade financial instruments, including derivative financial instruments, for speculative purposes.

The Commission's principal financial instruments comprise of:

- Cash assets and cash equivalents;
- Term deposits;
- Receivables excluding statutory receivables; and
- Payables excluding statutory payables.

The Commission's Members have the overall responsibility for the establishment and oversight of the Commission's risk management framework. The Commission's overall risk management program focuses on the interest movement of short term/ long term money market.

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement, and the basis on which income and expenses are recognised, with respect to each class of financial asset, financial liability and equity instrument above are disclosed in Note 1 to the financial statements.

The Commission's main financial risks include credit risk, liquidity risk and interest rate risk.

## Note 8 Financial instruments

(continued)

### 8 (a) Categorisation of financial instruments

	Contractual financial assets loans and receivables \$'000	Contractual financial liabilities at amortised cost \$'000	Total \$'000
<b>31 December 2012</b>			
<b>Contractual financial assets</b>			
Cash and deposits	458	—	458
Receivables #	50,474	—	50,474
<b>Total contractual financial assets</b>	<b>50,932</b>	<b>—</b>	<b>50,932</b>
<b>Contractual financial liabilities</b>			
Payables #	—	127,438	127,438
Finance lease	—	583	583
<b>Total contractual financial liabilities</b>	<b>—</b>	<b>128,021</b>	<b>128,021</b>
<b>30 June 2012</b>			
<b>Contractual financial assets</b>			
Cash and deposits	20,282	—	20,282
Receivables #	166,568	—	166,568
<b>Total contractual financial assets</b>	<b>186,850</b>	<b>—</b>	<b>186,850</b>
<b>Contractual financial liabilities</b>			
Payables #	—	170,968	170,968
Finance lease	—	529	529
<b>Total contractual financial liabilities</b>	<b>—</b>	<b>171,496</b>	<b>171,496</b>

# Receivables and payables disclosed above exclude statutory receivables and statutory payables

### Market Risk

Market risk is the risk that changes in market prices will affect the fair value or future cash flows of the Commission's financial instruments. Market risk comprises interest rate risk, foreign exchange risk and other price risk. The Commission is only exposed to interest rate risk. Objectives, policies and processes used to minimise this risk are given below:

## Interest Rate Risk

Interest rate risk arises from the potential for a change in net interest earnings in the current reporting period and in future years. The objective is to manage the rate risk to achieve stable and sustainable net interest earnings in the long term. This is managed predominately through a mixture of short term and longer term investments. Interest rate movements have not been sufficiently significant during the period to have an impact on the Commission's period end result.

### 8 (b) Interest rate exposure of financial instruments

The Commission's exposure to interest rate risk and the effective weighted average interest rate is set out in the table below:

			Interest rate exposure		
	Weighted average interest rate %	Carrying amount \$'000	Fixed interest rate \$'000	Variable interest rate \$'000	Non-interest rate \$'000
<b>31 December 2012</b>					
<b>Financial assets</b>					
Cash and cash equivalents	3.33	458	—	458	—
Cash assets - deposits	—	—	—	—	—
Receivables #	—	50,474	—	—	50,474
<b>Total Financial assets</b>		<b>50,932</b>	<b>—</b>	<b>458</b>	<b>50,474</b>
<b>Financial liabilities</b>					
Payables #	—	127,438	—	—	127,438
Finance lease	6.61	583	583	—	—
<b>Total Financial liabilities</b>		<b>128,021</b>	<b>583</b>	<b>—</b>	<b>127,438</b>
<b>30 June 2012</b>					
<b>Financial assets</b>					
Cash and cash equivalents	4.44	282	—	282	—
Cash assets - deposits	4.58	20,000	—	20,000	—
Receivables #	—	166,568	—	—	166,568
<b>Total financial assets</b>		<b>186,850</b>		<b>20,282</b>	<b>166,568</b>
<b>Financial liabilities</b>					
Payables #	—	170,968	—	—	170,968
Finance lease	6.65	529	529	—	—
<b>Total financial liabilities</b>		<b>171,496</b>	<b>529</b>	<b>—</b>	<b>170,968</b>

# Receivables and payables disclosed above exclude statutory receivables and statutory payables.

## Note 8 Financial instruments

(continued)

### 8 (c) Market Risk Sensitivity Analyses

The sensitivity analysis disclosed below has taken into consideration past performance, future expectations, economic forecasts and management knowledge and experience of the financial markets. The Commission believes that a 1% movement in interest rates is reasonable over the next 12 months.

		Interest rate exposure			
	Carrying amount \$'000	–1% Profit \$'000	Equity \$'000	1% Profit \$'000	Equity \$'000
<b>31 December 2012</b>					
<b>Financial assets</b>					
Cash and cash equivalents	458	(5)	(5)	5	5
Term Deposits	–	–	–	–	–
Receivables	50,474	–	–	–	–
<b>Financial liabilities</b>					
Payables	127,438	–	–	–	–
Finance lease	583	6	6	(6)	(6)
<b>Total increase/(decrease)</b>		<b>1</b>	<b>1</b>	<b>(1)</b>	<b>(1)</b>
<b>30 June 2012</b>					
<b>Financial assets</b>					
Cash and cash equivalents	282	(3)	(3)	3	3
Term Deposits	20,000	(200)	(200)	200	200
Receivables	166,568	–	–	–	–
<b>Financial liabilities</b>					
Payables	170,968	–	–	–	–
Finance lease	529	5	5	(5)	(5)
<b>Total increase/(decrease)</b>		<b>(198)</b>	<b>(198)</b>	<b>198</b>	<b>198</b>

### 8 (d) The carrying amounts and net fair values of financial assets and liabilities at reporting date.

The net fair value of cash and cash equivalents and non-interest bearing monetary financial assets and financial liabilities of the Commission approximates their carrying amounts.



## 8 (e) Credit risk

Credit risk arises from the contractual financial assets of the Commission, which comprise cash and deposits, non-statutory receivables, available-for-sale contractual financial assets. The Commission's exposure to credit risk arises from the potential default of a counter party on their contractual obligations resulting in financial loss to the Commission. Credit risk is measured at fair value and is monitored on a regular basis.

Credit risk associated with the Commission's contractual financial assets is minimal because the main debtor is the Victorian Government. For debtors other than the Government, it is the Commission's policy to obtain sufficient collateral or credit enhancements, where appropriate.

The Commission minimises concentrations of credit risk in relation to trade accounts receivable by undertaking transactions with customers. Payments are made in arrears for provision of training by private providers thus minimising the credit risk. The Commission continues to provide training facilitation to TAFE institutes and other service providers who adhere to industry trade terms. The risk is further minimised because large amount of the debts are due from Governments.

Provision of impairment for contractual financial assets is recognised when there is objective evidence that the Commission will not be able to collect a receivable. Objective evidence includes financial difficulties of the debtor, default payments, debts which are more than 60 days overdue, and changes in debtor credit ratings.

Except as otherwise detailed in the following table, the carrying amount of contractual financial assets recorded in the financial statements, net of any allowances for losses, represents the Commission's maximum exposure to credit risk without taking account of the value of any collateral obtained.

Credit risk in trade receivables is managed in the following ways:

- payment terms are 30 days from date of invoice; and
- debtors with accounts in excess of 30 days are sent a statement of account, indicating terms of 30 days to make payment.

There has been no significant change in the Commission's exposure, or its objectives, policies and processes for managing funding risk or the methods used to measure this risk from the previous reporting period.

### Financial assets that are either past due or impaired

Currently the Commission does not hold any collateral as security nor credit enhancements relating to any of its financial assets.

As at the reporting date, there is no event to indicate that any of the financial assets were impaired.

There are no financial assets that have had their terms renegotiated so as to prevent them from being past due or impaired, and they are stated at the carrying amounts as indicated.

## Note 8 Financial instruments

(continued)

### Credit quality of contractual financial assets that are neither past due nor impaired

	Financial institutions AA– credit rating \$'000	Government agencies AAA credit rating \$'000	Closely monitored customers \$'000	Total \$'000
<b>31 December 2012</b>				
Cash and cash equivalent	458	–	–	458
Deposits	–	–	–	–
Receivables #	–	29,554	20,920	50,474
<b>Total contractual financial assets</b>	<b>458</b>	<b>29,554</b>	<b>20,920</b>	<b>50,932</b>
<b>30 June 2012</b>				
Cash and cash equivalent	282	–	–	282
Deposits	–	20,000	–	20,000
Receivables #	–	148,356	18,212	166,568
<b>Total contractual financial assets</b>	<b>282</b>	<b>168,356</b>	<b>18,212</b>	<b>186,850</b>

# The total amounts disclosed here exclude statutory receivables (for example, amounts related to GST input tax credit recoverable or GST payable).

### Ageing analysis of contractual financial assets

			Past due but not impaired			
	Carrying amount \$'000	Not past due and not impaired \$'000	Less than 1 month \$'000	1 to 3 months \$'000	3 to 12 months \$'000	1 to 5 years \$'000
<b>31 December 2012</b>						
<b>Financial assets</b>						
Receivables	50,474	32,135	14	63	18,262	–
<b>Total</b>	<b>50,474</b>	<b>32,135</b>	<b>14</b>	<b>63</b>	<b>18,262</b>	<b>–</b>
<b>30 June 2012</b>						
<b>Financial assets</b>						
Receivables	166,568	162,227	733	176	3,432	–
<b>Total</b>	<b>166,568</b>	<b>162,227</b>	<b>733</b>	<b>176</b>	<b>3,432</b>	<b>–</b>

# The carrying amounts disclosed here exclude statutory amounts (for example, amounts related to GST input tax credit recoverable).

## 8 (f) Liquidity risk

Liquidity risk is associated with the Commission's ability to pay its debts as and when they fall due. The Commission's policy is to settle its financial obligations within 30 days and in the event of dispute settling within 30 days from the date of resolution.

The Commission's maximum exposure to liquidity risk is the carrying amount of financial liabilities as disclosed in the face of the balance sheet.

The following table discloses the contractual maturity analysis of the Commission's financial liabilities:

### Maturity analysis of financial liabilities

			Maturity dates			
	Carrying amount \$'000	Nominal amount \$'000	Less than 1 month \$'000	1 to 3 months \$'000	3 to 12 months \$'000	1 to 5 years \$'000
<b>31 December 2012</b>						
<b>Liabilities</b>						
Payables	127,438	127,438	125,115	1,361	962	—
Finance lease	583	583	18	36	160	369
<b>Total</b>	<b>128,021</b>	<b>128,021</b>	<b>125,133</b>	<b>1,397</b>	<b>1,122</b>	<b>369</b>
<b>30 June 2012</b>						
<b>Liabilities</b>						
Payables	170,967	170,967	168,063	—	2,904	—
Finance lease	529	529	16	32	143	338
<b>Total</b>	<b>171,496</b>	<b>171,496</b>	<b>168,079</b>	<b>32</b>	<b>3,047</b>	<b>338</b>

# The carrying amounts disclosed here exclude statutory amounts

## Note 9 Responsible persons

In accordance with the Ministerial Directions issued by the Minister for Finance under the *Financial Management Act 1994*, the following disclosures are made regarding responsible persons for the reporting period:

<b>Responsible Minister</b>	The Hon. Peter Hall MP	1 July 2012 – 31 December 2012
<b>Commission Members</b>	Ms Rowena Allen	1 July 2012 – 31 December 2012
	Mr Richard Bolt	1 July 2012 – 31 December 2012
	Mr Stuart Hamilton AO	1 July 2012 – 16 October 2012
	Mr Tim Smith	17 October 2012 – 31 December 2012

### Commission Members' remuneration

The remuneration/emolument received or receivable by members of the Commission as members of the Commission during the reporting period totalled:

<b>December 2012 (6-month)</b>	<b>June 2012 (12-month)</b>
\$41,115	\$174,625

The Department of Education and Early Childhood Development paid the Commission Members' remuneration for the respective period.

The number of members of the Commission, excluding the accountable officer, with remuneration/emolument that fell within the following bands was:

<b>Band</b>	<b>December 2012 (6-month)</b>	<b>June 2012 (12-month)</b>
\$0–\$9,999	1	–
\$10,000–\$19,999	1	8
\$20,000–\$29,999	1	–
\$30,000–\$39,999	–	–
\$40,000–\$49,999	–	1
<b>Total</b>	<b>3</b>	<b>9</b>

## Related party disclosure

The following Commission members are members or employees of organisations that have received grants from the Commission under terms applicable to all other recipients.

VSC member	Interest	\$'000	
		December 2012 (6-month)	June 2012 (12-month)
Mr Richard Bolt (Board member)			
Mr Stuart Hamilton (Chair)	Victorian Registration & Qualifications Authority (VRQA)	1,501	2,790
Mr Tim Smith (Chair)			
Mr Tim Smith (Director)	the VET Development Centre	20	–

## Accountable Officer

Mr Richard Bolt                      1 July 2012 – 31 December 2012

## Accountable Officer's remuneration

The accountable officer was employed by Department of Education and Early Childhood Development. The remuneration was paid by the Department and will be included in the Department's annual financial statements for the year ended 30 June 2013.

Amounts relating to the Minister will be disclosed in the annual financial statements of the Department of Premier and Cabinet for the year ended 30 June 2013.

## Note 10 Remuneration of executives

The executive officers were employed by Department of Education and Early Childhood Development. The remuneration was paid by the Department and will be included in the Department's annual financial statements for the year ended 30 June 2013.

## Note 11 Remuneration of auditors

Band	December 2012 (6-month) \$	June 2012 (12-month) \$
Paid or Payable at end of reporting period – Victorian Auditor-General's Office for financial statements' audit	44,664	54,204

## Note 12 Contingent assets and contingent liabilities

The Commission has no known contingent assets or contingent liabilities at the reporting date.

## Note 13 Commitments for expenditure

### (a) Operating lease commitments

	December 2012 (6-month) \$'000	June 2012 (12-month) \$'000
Payable within one year	35	27
	<b>35</b>	<b>27</b>

### (b) Capital expenditure commitments

	December 2012 (6-month) \$'000	June 2012 (12-month) \$'000
Payable within one year	48,737	61,203
Payable later than one year but not later than 5 years	15,099	18,100
	<b>63,836</b>	<b>79,303</b>

### (c) Outsourcing commitments

The Commission has training contracts, under the Apprenticeship/Traineeship Training Program, with a number of registered training organisations. These contracts cover training over a number of years and payments are due as long as the contractual obligations are fulfilled by the registered training organisations. These commitments which have not been recognised as liabilities, but quantified at the end of reporting period were:

	December 2012 (6-month) \$'000	June 2012 (12-month) \$'000
Payable within one year	497	2,292
Payable later than one year but not later than 5 years	177	500
	<b>674</b>	<b>2,792</b>

## Note 14 Subsequent events

The Commission has no material or significant events occurring after the reporting date to the date of these Financial Statements that would affect significantly the figures included in them.

## Note 15 Cash flow information

### (a) Reconciliation of net result for the period to net cash flows from operating activities

	December 2012 (6-month) \$'000	June 2012 (12-month) \$'000
Net result for the period	(101,144)	(27,462)
Depreciation and amortisation	74	149
(Gain)/loss on non-current assets	21,140	26
Provision for doubtful debts	—	8,000
Increase/(decrease) in payables	(43,530)	(56,654)
(Increase)/decrease in receivables	116,096	28,616
<b>Net cash flow from operating activities</b>	<b>(7,364)</b>	<b>(47,325)</b>

### (b) Reconciliation of cash and deposits

	31 December 2012 \$'000	30 June 2012 \$'000
Cash at bank	458	282
Deposits	—	20,000
<b>Total cash and deposits</b>	<b>458</b>	<b>20,282</b>

## Note 16 Glossary of terms

### a. Comprehensive result

Total comprehensive result is the change in equity for the period other than changes arising from transactions with owners. It is the aggregate of net result and other non-owner changes in equity.

### b. Commitments

Commitments include those operating, capital and other outsourcing commitments arising from non-cancellable contractual or statutory sources.

### c. Financial asset

A financial asset is any asset that is:

- (a) cash;
- (b) an equity instrument of another entity;
- (c) a contractual right:
  - to receive cash or another financial asset from another entity; or to exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity; or
- (d) a contract that will or may be settled in the entity's own equity instruments and is:
  - a non-derivative for which the entity is or may be obliged to receive a variable number of the entity's own equity instruments; or
  - a derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments.

## Grants and other transfers

Transactions in which one unit provides goods, services, assets (or extinguishes a liability) or labour to another unit without receiving approximately equal value in return. Grants can either be operating or capital in nature. While grants to governments may result in the provision of some goods or services to the transferor, they do not give the transferor a claim to receive directly benefits of approximately equal value. Receipt and sacrifice of approximately equal value may occur, but only by coincidence. For example, governments are not obliged to provide commensurate benefits, in the form of goods or services, to particular taxpayers in return for their taxes. For this reason, grants are referred to by the AASB as involuntary transfers and are termed non-reciprocal transfers.

Grants can be paid as general purpose grants which refer to grants that are not subject to conditions regarding their use. Alternatively, they may be paid as specific purpose grants which are paid for a particular purpose and/or have conditions attached regarding their use.

### d. Grants for on-passing

All grants paid to one institutional sector (e.g. a State general government) to be passed on to another institutional sector (e.g. local government or a private non-profit institution).



## **e. Financial statements**

Depending on the context of the sentence where the term 'financial statements' is used, it may include only the main financial statements (i.e. comprehensive operating statement, balance sheet, cash flow statements, and statement of changes in equity); or it may also be used to replace the old term 'financial report' under the revised AASB 101 (Sept 2008), which means it may include the main financial statements and the notes.

## **f. Intangible assets**

Intangible assets represent identifiable non-monetary assets without physical substance.

## **g. Interest revenue**

Interest revenue includes interest received on bank term deposits, interest from investments, and other interest received.

## **h. Investment properties**

Investment properties represent properties held to earn rentals or for capital appreciation or both. Investment properties exclude properties held to meet service delivery objectives of the State of Victoria.

## **i. Net acquisition of non-financial assets (from transactions)**

Purchases (and other acquisitions) of non-financial assets less sales (or disposals) of non-financial assets less depreciation plus changes in inventories and other movements in non-financial assets includes only those increases or decreases in non-financial assets resulting from transactions and therefore excludes write-offs, impairment write-downs and revaluations.

## **j. Net result**

Net result is a measure of financial performance of the operations for the period. It is the net result of items of revenue, gains and expenses (including losses) recognised for the period, excluding those that are classified as 'other non-owner changes in equity'.

## **k. Net result from transactions/net operating balance**

Net result from transactions or net operating balance is a key fiscal aggregate and is revenue from transactions minus expenses from transactions. It is a summary measure of the ongoing sustainability of operations. It excludes gains and losses resulting from changes in price levels and other changes in the volume of assets. It is the component of the change in net worth that is due to transactions and can be attributed directly to government policies.

## **l. Non-financial assets**

Non-financial assets are all assets that are not 'financial assets'.

## Note 16 Glossary of terms

(continued)

### m. Other economic flows

Other economic flows are changes in the volume or value of an asset or liability that do not result from transactions. It includes gains and losses from disposals, revaluations and impairments of non-financial physical and intangible assets; actuarial gains and losses arising from defined benefit superannuation plans; fair value changes of financial instruments and agricultural assets; and depletion of natural assets (non-produced) from their use or removal. In simple terms, other economic flows are changes arising from market re-measurements.

### n. Payables

Includes short and long term trade debt and accounts payable, grants and interest payable.

### o. Receivables

Includes short and long term trade credit and accounts receivable, grants, taxes and interest receivable.

### p. Sales of goods and services

Refers to revenue from the direct provision of goods and services and includes fees and charges for services rendered sales of goods and services, fees from regulatory services, work done as an agent for private enterprises. It also includes rental income under operating leases and on produced assets such as buildings and entertainment, but excludes rent income from the use of non-produced assets such as land. User charges includes sale of goods and services revenue.

### q. Supplies and services

Supplies and services generally represent cost of goods sold and the day-to-day running costs, including maintenance costs, incurred in the normal operations of the Commission.

### r. Transactions

Transactions are those economic flows that are considered to arise as a result of policy decisions, usually an interaction between two entities by mutual agreement. They also include flows within an entity such as depreciation where the owner is simultaneously acting as the owner of the depreciating asset and as the consumer of the service provided by the asset. Taxation is regarded as mutually agreed interactions between the government and taxpayers. Transactions can be in kind (e.g. assets provided/given free of charge or for nominal consideration) or where the final consideration is cash. In simple terms, transactions arise from the policy decisions of the government.

### Accountable Officer's Declaration

We certify that the accompanying Financial Statements for the Victorian Skills Commission have been prepared in accordance with Standing Direction 4.2 of the Directions of the Minister for Finance under the *Financial Management Act 1994*, applicable Financial Reporting Directions, Australian Accounting Standards and other mandatory professional reporting requirements.

We further state that, in our opinion, the information set out in the Comprehensive Operating Statement, Balance Sheet, Statement of Changes in Equity, Cash Flow Statement and notes to and forming part of the financial statements, presents fairly the financial transactions during the six-month period ended 31 December 2012 and financial position of the Victorian Skills Commission at 31 December 2012.

We are not aware of any circumstance that would render any particulars included in the financial statements to be misleading or inaccurate.

We authorise the attached financial report for issue on \_\_ April 2013.



**RICHARD BOLT**  
Accountable Officer  
Victorian Skills Commission

Date 25/4/2013

# VAGO

Victorian Auditor-General's Office

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## INDEPENDENT AUDITOR'S REPORT

### To the Members of Victorian Skills Commission

#### *The Financial Report*

The accompanying financial report for the half-year ended 31 December 2012 of the Victorian Skills Commission which comprises comprehensive operating statement, balance sheet, statement of changes in equity, cash flow statement, notes comprising a summary of significant accounting policies and other explanatory information, and the accountable officers' declaration has been audited.

#### *The Members' Responsibility for the Financial Report*

The Members of the Victorian Skills Commission are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards, and the financial reporting requirements of the *Financial Management Act 1994*, and for such internal control as the Members determine is necessary to enable the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error.

#### *Auditor's Responsibility*

As required by the *Audit Act 1994*, my responsibility is to express an opinion on the financial report based on the audit, which has been conducted in accordance with Australian Auditing Standards. Those standards require compliance with relevant ethical requirements relating to audit engagements and that the audit be planned and performed to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The audit procedures selected depend on judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, consideration is given to the internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the Members, as well as evaluating the overall presentation of the financial report.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

*Auditing in the Public Interest*

### Independent Auditor's Report (continued)

#### *Independence*

The Auditor-General's independence is established by the *Constitution Act 1975*. The Auditor-General is not subject to direction by any person about the way in which his powers and responsibilities are to be exercised. In conducting the audit, the Auditor-General, his staff and delegates complied with all applicable independence requirements of the Australian accounting profession.

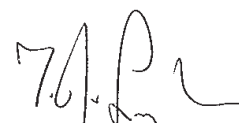
#### *Opinion*

In my opinion, the financial report presents fairly, in all material respects, the financial position of the Victorian Skills Commission as at 31 December 2012 and of its financial performance and its cash flows for the half-year then ended in accordance with applicable Australian Accounting Standards, and the financial reporting requirements of the *Financial Management Act 1994*.

#### *Matters Relating to the Electronic Publication of the Audited Financial Report*

This auditor's report relates to the financial report of the Victorian Skills Commission for the half-year ended 31 December 2012 included both in the Victorian Skills Commission's annual report and on the website. The Members of the Victorian Skills Commission are responsible for the integrity of the Victorian Skills Commission's website. I have not been engaged to report on the integrity of the Victorian Skills Commission's website. The auditor's report refers only to the subject matter described above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of the financial report are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited financial report to confirm the information contained in the website version of the financial report.

MELBOURNE  
30 April 2013



for Dr Peter Frost  
Acting Auditor-General

## Acronyms and abbreviations

AAS	Australian Accounting Standard
AASB	Australian Accounting Standards Board
ABS	Australian Bureau of Statistics
ACFE	Adult, Community and Further Education
ACFEB	Adult, Community and Further Education Board
AEDI	Australian Early Development Index
AMES	Adult Multicultural Education Services
ANF	Australian Nursing Federation
ANZSOG	Australia and New Zealand School of Government
BP3	Budget Paper No. 3
BP4	Budget Paper No. 4
BP5	Budget Paper No. 5
CAE	Centre for Adult Education
CART	Curriculum and Assessment Reporting Taskforce
CEO	Catholic Education Office
CLIL	Content and Language Integrated Learning
CPSU	Community and Public Sector Union
DEECD	Department of Education and Early Childhood Development
DTF	Department of Treasury and Finance
EMS	Environmental Management System
ESC	Education Support Class
FTE	Full-time equivalent
FWA	Fair Work Australia
GAAP	Generally accepted accounting principles
GST	Goods and Services Tax
HR	Human resources
HSR	Health and safety representatives
IFRIC	International Financial Reporting Interpretations Committee
ISV	Independent Schools Victoria
KMP	Key management personnel
LOTE	Language(s) other than English

LSL	Long service leave
MCH	Maternal and Child Health
NAIDOC	National Aborigines and Islanders Day Observance Committee
NAPLAN	National Assessment Program – Literacy and Numeracy
NCVER	National Centre for Vocational Education Research
OCI	Other comprehensive income
OHS	Occupational health and safety
RDR	Reduced disclosure requirements
ROI	Return on investment
SES	Socioeconomic status
SRP	Student Resource Package
SSV	School Sport Victoria
TAFE	Technical and Further Education
VCAA	Victorian Curriculum and Assessment Authority
VCAL	Victorian Certificate of Education
VGPB	Victorian Government Purchasing Board
VIT	Victorian Institute of Teaching
VPS	Victorian Public Service
VRQA	Victorian Registration and Qualifications Authority
VSC	Victorian Skills Commission
WoVG	Whole of Victorian Government
WWC	Working with children











