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The Hon. James Merlino MP  
Deputy Premier and Minister for Education

The Hon. Steve Herbert MP  
Minister for Training and Skills

The Hon. Jenny Mikakos MP  
Minister for Families and Children

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 Training's Annual Report for the year ending 30 June 2015.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Gill Callister', with a stylized flourish at the end.

**Gill Callister**  
Secretary

21 October 2015



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# Report of operations—year in review

## Our mission

The Department of Education and Training 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 high-quality education, training, development, wellbeing and child health services (i.e. 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.

## 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**—we proactively share our expertise and information and willingly work with others

**Outcomes**—we always strive to do things better and deliver quality outcomes

**Respect and Diversity**—we respect others and value diversity

**Empowerment**—we enable individuals to reach their potential and maximise their contribution.

## Secretary's report

The Victorian Government has committed to make Victoria the Education State.

This exciting vision for Victoria is founded on the fact that public education does not serve a public, it creates a public. The vision is for the best future for Victoria and, as such, the Education State has the makings of one of the most far-reaching socioeconomic reform platforms in the state's living memory.

I began as Secretary in January 2015 and ever since then I've been talking with education professionals, principals, staff, experts and many others throughout Victoria about how we make the Education State a reality.

For the Department, already it has shaped our immediate priorities for consulting on a new regional model and for supporting our services and schools to improve performance. The early years and school years represent at once the best beginnings for every child in Victoria and the cornerstones of the Education State.

The vision for the Education State quickly changed how we do things too; we're in open conversation with Victorians on how we build the Education State across early childhood, schools and Vocational Education and Training (VET), we're strengthening governance arrangements to sharpen our focus on outcomes, and we've redoubled our commitment to proper public service.

The Education State represents the long-term trajectory for our education system, toward a system with much, much stronger connections between the early years, primary and secondary schooling, and VET and higher education.

This is a vision to ensure every child—regardless of their background, postcode or circumstance—has access to safe, high-quality early childhood services, to a great school with great teachers in every classroom, and to world-class training that gets them ready to succeed in the workplaces of tomorrow.

The Education State reform agenda was anchored by the 2015–16 State Budget, which auspices the largest investment in education on record.

This past year the Victorian Government secured two more years of funding for 15 hours of kindergarten. We're also making good on the Government's commitment to build and upgrade kindergartens and integrated children's centres across the state. Combined, our efforts will continue to increase access to the kind of high-quality early childhood education and care that helps prepare young Victorians for happy, healthy, meaningful lives.

We know that education can change people's lives; it can be especially powerful in a young person's life, for helping unlock their potential and reaching for opportunities they value. To this end and on the strength of this year's Budget we've been working across the education system to tackle disadvantage at every stage of a young person's life. Already we've established Breakfast Clubs, the Camps and Excursions Fund, and the Glasses for Kids program. And considerable work is underway to drive improvement in our schools and provide school leaders and teachers with the support they need to engage every child in a great education.

We're also supporting young people to kick-start their careers through stronger, more structured pathways. The Tech School initiative is a really exciting program aimed at equipping young people with the skills they need to move confidently into work or further training. More broadly, our work on the Government's VET funding and quality reforms will prove critical to making the sector sustainable and adaptive to the needs of industries and communities in Victoria's fast-changing economy. A strong VET sector is vital to making Victoria the Education State and supporting jobs, industry and economic growth through the Government's Back to Work Plan. We know that VET supports individuals to attain knowledge, skills and qualifications they need to improve their life chances, participate in society and contribute to the economy.

The Department itself needs strong foundations to be able to deliver on the Education State.

During this past year the Department cooperated with the Independent Broad-based Anti-corruption Commission (IBAC) on *Operation Ord*, which uncovered serious corruption and misconduct on the part of public sector employees as well as practices and behaviours that do not meet the standard Victorians expect and deserve.

The Department has been working to improve its financial controls and cultural practices. I appeared as the last witness at the *Operation Ord* public hearings and on that occasion I announced further changes to strengthen finance, procurement and audit functions, and set expectations for conduct, culture and behaviours based on integrity and the core public sector values.

The Department's people—people who exemplify service and dedication—have responded with determination and energy and shared commitment to restoring Victoria's trust and confidence in our important work.

I am confident that these changes along with the very strong commitment of our people will enable the Department to engage all of Victoria in the Education State, starting in 2015 and over the longer term.

I look forward to working with people in our Department, people across Victoria's education system and colleagues across government as we make Victoria the Education State.

**Gill Callister**

Secretary

## About this report

In accordance with Ministerial Financial Reporting Direction (FRD) 30B that annual reports be “reports of the financial and business operations of an entity, produced to comply with relevant Victorian legislation and pronouncements”, material not required under relevant legislation and pronouncements is not included in this report. An index that identifies the Department’s compliance with statutory disclosure requirements is provided on page 166.

## Purpose and functions

The Department is responsible for delivering statewide learning and development services to at least one-third of all Victorians every year.

The Department provides education and development services to children, young people and adults directly through government schools, and indirectly through the regulation and funding of early childhood services, non-government schools and training providers.

Early Childhood	School Education	Higher Education and Skills
<b>Birth to 8</b> <i>more than 400,000 children and families</i>	<b>5 to 18</b> <i>more than 915,000 students</i>	<b>15 to 65+</b> <i>more than 443,000 in government-subsidised vocational education and training</i>
<ul style="list-style-type: none"> <li>• Maternal and child health services</li> <li>• Early years learning and development including early childhood education and care services</li> <li>• Early childhood intervention services</li> </ul>	<ul style="list-style-type: none"> <li>• Primary education</li> <li>• Secondary education</li> <li>• Special education</li> <li>• Health and wellbeing</li> </ul>	<ul style="list-style-type: none"> <li>• Vocational education and training</li> <li>• Higher education</li> <li>• Apprenticeships and traineeships</li> <li>• Adult, community and further education</li> </ul>
<b>We have a diverse range of public, private and not-for-profit providers serving Victorians of all ages:</b>		
<ul style="list-style-type: none"> <li>• More than 4000 approved education and care services and approximately 450 licensed children’s services including services that provide long day care, kindergarten, outside school hours care, occasional care and family day care</li> <li>• 652 maternal and child health service locations</li> </ul>	<ul style="list-style-type: none"> <li>• 1528 government schools</li> <li>• 700 non-government schools</li> </ul>	<ul style="list-style-type: none"> <li>• 12 TAFE institutes</li> <li>• 8 public universities (four of which also provide vocational training), one specialised university and campuses of the multi-state Australian Catholic University</li> <li>• 314 registered adult and community education providers including two Adult Education Institutions</li> <li>• 497 government-contracted registered training organisations (including TAFEs, universities and Learn Local Providers)</li> </ul>

The Department plays a significant role as system architect, regulator, and funder/purchaser across Victoria’s learning and development system. It is also the owner-operator of government schools. The Department’s roles are outlined below.

### System architect

Improvements to the outcomes of Victoria’s learning and development system can be driven by improvements to its design. The Department’s role is to advise the Government on design improvements, especially those relating to funding and regulation. Liaison with the Commonwealth is also a critical element of this role.

Regular monitoring and evaluation of performance outcomes informs system improvements.

## Regulator

The Department and the portfolio authorities play a critical role in the regulation of service providers and teachers across the early childhood, school and training sectors, thereby ensuring provision of high-quality and robust learning and development services to Victorians.

The Department regulates more than 4000 children's services as required by the *Education and Care Services National Law Act 2010* and *Children's Services Act 1996*, assesses education and care services against the National Quality Standard, responds to notifications and complaints, monitors compliance, grants licences, determines administrative and statutory sanctions, and provides advice and guidance to the sector to increase its capacity to comply with the legislation.

The Victorian Registration and Qualifications Authority (VRQA) is responsible for the registration of school education and senior secondary education providers and some providers in the vocational training sector. The VRQA is also responsible for the accreditation of courses and the registration of qualifications for registered providers.

The Victorian Institute of Teaching is responsible for the registration of teachers, develops standards of professional practice and approves and accredits pre-service teacher education courses.

## Funder/purchaser

The Department administers the funding and associated reporting requirements for service providers including early childhood intervention services, kindergartens, maternal and child health services, non-government schools, and training providers. The administration of funding is guided by its broader work on systems architecture, to ensure that the funds available for learning and development services in Victoria are used to best effect.

## Owner-operator

The Department is the largest owner-operator of educational providers in the state, with more than 1500 government schools. The size of Victoria's government school system is one of its great strengths, allowing economies of scale and enabling innovation to flourish and be shared.

As owner-operator, the Department gives schools a higher level of autonomy than is found in most systems around the world, while setting clear accountabilities and expectations and providing a range of support services.

The Department has a responsibility to ensure the services it offers are high-quality, efficient and fair. To this end it has significant streams of work in relation to:

- Talent development: to identify and develop great leaders and make sure Victorian institutions are distinguished by their cultures of professional learning
- Shared services: to provide economies of scale (such as allowing government schools to opt in to large information technology purchases) and other consolidated services (such as shared payroll services for departmental and Government Teaching Service staff).

## System services and a Centre of Excellence

The Department and its authorities provide services to the education system to help service providers fulfil their obligations and improve their performance.

The Victorian Curriculum and Assessment Authority (VCAA) provides high-quality curriculum, assessment and reporting that enables lifelong learning.

The Department identifies, develops and actively shares good practice and resources to support learning and development providers. Historically, this has been most evident in the school sector (both government and non-government), but the Department has in recent years developed an increased role in sharing and supporting good practice among early childhood practitioners and within the training sector.

## Structural changes to the Department during 2014–15

There were no changes to the Department's organisational structure during 2014–15 that resulted in changes to the Department's output structure.

Implementation of election commitments and development work around the Government's commitment to Victoria as the Education State has been the focus of the Department's work since December 2014.

## Key initiatives and achievements

The Victorian Government has committed to make the Victoria the Education State. In 2015, the Department commenced whole-of-Government work and significant consultation with the community and stakeholders to build the vision and foundations of the Education State from the early years through to post-school education and training. These reforms and initiatives were supported by significant investment in education through the 2015–16 State Budget.

In the early years the Department continued to increase access to, and the quality of, early childhood services. The Government secured two further years of Commonwealth funding for 15 hours of kindergarten for four-years-olds under the National Partnership Agreement on Universal Access to Early Childhood Education. Victoria is expected to receive approximately \$204 million under the National Partnership across 2016 and 2017. In addition, the Victorian Government provided \$83.7 million over four years to support early childhood services to transition to improved educator-to-child ratios, as required under the National Quality Framework. From the start of 2016, Victorian kindergarten services will move from an educator-to-child ratio of 1:15 to 1:11 or better. On capital investment, the State Budget provided \$50 million over four years to upgrade kindergartens and integrated children's centres, particularly in areas experiencing rapid population growth and those with high levels of disadvantage. The Department opened the first capital grants round in May 2015 with funding to be provided to services from the second half of 2015.

In the education portfolio, initiatives focused on addressing disadvantage and achieving excellence, creating stronger pathways from school into work or further education, and building the high-quality infrastructure necessary to support the Education State in schools. A \$178 million package of initiatives was provided in the State Budget to address disadvantage faced by school-aged children. These initiatives include the establishment of a Camps, Sports and Excursions Fund to assist eligible students to cover the costs of school trips, camps and sporting activities; a new partnership with Foodbank to deliver breakfast clubs in 500 government primary schools across the state every school day; and extension of the Department's partnership with State Schools Relief to expand the current uniform programs to also fund the purchase of books, stationery and software, and establish a new Glasses for Kids program.

Two key reviews were launched in the education portfolio. Consistent with the Government's commitment, the Department is leading the Review of the Program for Students with Disabilities (PSD), as one of nine initiatives in the Special Needs Plan for Victorian Government Schools. The review is examining how to transition the current PSD to a family-friendly, strength-based approach to inclusive education for students with a disability, and is due to report to the Minister for Education in late 2015. The former premier, the Hon. Steve Bracks AC, is undertaking a review of government school funding to examine funding arrangements for schooling in Victoria for the period beyond 2017. The review will provide recommendations to the Minister for Education on how to improve the Student Resource Package and deliver a transparent school funding model, which supports schools and promotes excellent educational outcomes for all Victorian government school students. The 2015–16 State Budget also saw Victoria commit in full to our obligations under the Gonski National Agreement for the 2015, 2016 and 2017 school years. On capital investment, the Government provided \$730 million in the State Budget for a school building program—the largest school infrastructure investment ever in Victoria. This comprised \$567.5 million for government school capital works to be delivered by the end of 2018–19, \$120 million for non-government school infrastructure, and funding for maintenance and asbestos removal.

In 2014–15, planning works commenced on 10 state-of-the-art Tech Schools to be implemented in partnership with schools, higher education and training providers,

industry, local governments and communities. The Tech Schools will strengthen links between education and industry and equip Victorian students with the skills required to compete in a global economy.

In training and skills, two key external reviews were commissioned to guide reforms to strengthen and stabilise Victoria's vocational education and training (VET) sector. The independent VET Funding Review led by Bruce Mackenzie PSM was established in February 2015 under the *Inquiries Act 2014* and is due to report to Government in late 2015. The VET Funding Review is complemented by the Review of Quality Assurance in Victoria's VET System, which was released with the Government response in June 2015. In light of the review, the Department commenced immediate action to target a range of compliance and conduct issues in the current system and to exclude low-quality providers from government funding. In line with the Government's election commitment, the Department established a \$320 million TAFE Rescue Fund to support TAFEs to offer courses relevant to the communities they serve and improve their financial position. The first \$20 million was disbursed between seven TAFEs by the end of June 2015 to assist the institutes to retain staff, and improve training, courses and job opportunities for students. In addition, total funding of \$48 million was provided to all 12 TAFE institutes and two dual-sector universities from the TAFE Back to Work Fund to build capability and partnerships with businesses and industry, including those in the six growth sectors identified in the Government's Back to Work Plan.

## Objectives, indicators and outputs

The Department's objectives, and indicators<sup>1</sup> for each objective, are set out in 2014–15 State Budget Paper No. 3 *Service Delivery* and shown in Table 1.

Budget Paper No. 3 also sets out the Department's outputs and the performance measures for each output. Each output is linked to each objective and indicator as shown in Table 1.

The Department's progress towards its objectives and indicators is reported under Progress towards objectives and indicators on page 10.

For each output, there are a range of performance measures. The Department's performance against its output performance measures is reported under Performance against output performance measures on page 17

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<sup>1</sup> 'Departmental objectives' are represented in departmental strategic plans terms as 'outcomes', and 'indicators' and 'objective indicators' as 'performance indicators'.

**Table 1—Departmental objectives, indicators and linked outputs**

Objectives	Indicators	Outputs
<b>Achievement</b> Raise standards of learning and development achieved by Victorians using education, development and child health services	Children developmentally 'on track' on the Australian Early Development Index language and cognitive skills domains	Strategy, Review and Regulation Early Childhood Development School Education—Primary
	Students meeting the expected standard in national and international literacy and numeracy assessments	School Education—Secondary Support Services Delivery Support for Students with Disabilities
	VET course completions	Higher Education and Skills
	Year 12 or equivalent completion rates of young people	
<b>Engagement</b> Increase the number of Victorians actively participating in education, development and child health services	Participation in a kindergarten service in the year before school	Strategy, Review and Regulation Early Childhood Development
	Participation in Maternal and Child Health Services	School Education—Primary School Education—Secondary
	Students with acceptable levels of school attendance	Support Services Delivery
	Students with a positive opinion of their teachers providing a stimulating learning environment	Support for Students with Disabilities Higher Education and Skills
	VET enrolments by age and gender	
	VET enrolments by administrative region	
	Enrolments by skills shortage category courses	
	Enrolments by specialised category courses	
<b>Wellbeing</b> Increase the contribution education, development and child health services make to good health and quality of life of Victorians, particularly children and young people	Children developmentally 'on track' on the Australian Early Development Index social competence and emotional maturity domains	Strategy, Review and Regulation Early Childhood Development School Education—Primary School Education—Secondary
	Students feeling connected to their school	Support Services Delivery Support for Students with Disabilities
	Students with a positive opinion about their school providing a safe and orderly environment for learning	Higher Education and Skills
	Level of student satisfaction with VET	
<b>Productivity</b> Increase the economic and social return on expenditure on the Department's services	\$ per kindergarten student per year (or early childhood intervention services or maternal and child health)	Strategy, Review and Regulation Early Childhood Development School Education—Primary
	\$ per primary school student per year	School Education—Secondary Support Services Delivery
	\$ per secondary school student per year	Support for Students with Disabilities
	\$ per VET student contact hour	Higher Education and Skills

## Progress towards objectives and indicators

The Department seeks to measure the progress of children and young people as they move from early childhood into their school years and then into further education and work.

This section reports on the Department's progress on its four objectives—*Achievement*, *Engagement*, *Wellbeing* and *Productivity*—through a range of indicators. Trends in these indicators demonstrate that the Department's performance story is complex; in some areas we have made gains, while in others there is significant room to improve.

In 2014–15, the Department finalised a review of its indicators. The review, which drew on best-available evidence, enabled the Department to address gaps in existing data collections to strengthen our tracking of performance and progress. The Department's *2015–19 Strategic Plan*, currently being developed, outlines strategies to improve performance for all Departmental objectives.

### Achievement

For *Achievement* indicators, Victoria performs well in the triennial Australian Early Development Index, with the majority of Prep students assessed as on track in the development of their language and communication skills in 2012.

Results from the National Assessment Program—Literacy and Numeracy (NAPLAN) show that the proportion of Victorian students meeting the expected national standard in literacy and numeracy has remained stable with slight (but statistically insignificant) decreases for some Year levels. While Victorian students perform well in NAPLAN assessments when compared to other states and the Australian average, the educational achievement of our students has stalled over recent years. When looking at international results from the triennial Programme for International Student Assessment (PISA), the performance of Victorian students in reading and mathematics literacy has not improved in the past two assessments, and shows a slight decrease in performance at the top end of the scale.

The proportion of Victorian students completing their Year 12 or equivalent remains high, despite a small decrease in 2014.

In 2014 there were 249,700 vocational completions. This represents a significant increase from 2013 (13 per cent) and a result that is nearly two-thirds (64 per cent) higher than in 2010. It is likely that these completions are a result of the high level of delivery in previous years. While overall *numbers* of course completions have increased, other reported data<sup>1</sup> show that completion *rates* have been in decline, with most courses not being completed (62 per cent in 2013). A challenge will be to lift completion rates, particularly in training related to occupations in demand by industry.

### Engagement

*Engagement* with early childhood services remains high. In 2014–15 nearly all newborns participated in their first maternal and child health consultation, and participation rates for the 12-month consultation increased. Rates of participation in kindergarten services for Victorian children in the year before school also remained high, at 96.4 per cent, with a new methodology (counting children rather than enrolments) providing a more accurate rate than previously.

Student attendance at school was similar to previous years, and the percentage of students reporting that their teachers provided a stimulating learning environment remained generally stable, with a minor decrease in positive responses from students in Years 11–12. The Department has committed to better tracking students at risk of disengaging from school as part of a program of works to strengthen school transitions.

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<sup>1</sup> Victorian Training Market Report 2014, page 19, <http://www.education.vic.gov.au/training/providers/market/pages/reports.aspx>

In 2014 there were nearly 450,000 students enrolled in government-subsidised training in Victoria, an eight per cent decrease compared with 2013. This decline was particularly apparent for enrolments by young people aged 15 to 19 years, which fell 18 per cent over the past year. All areas of the state experienced a decline over the last year.

Government-subsidised enrolments in areas of skill demand and specialised training have steadily increased since 2010.

In early 2015 the Government commissioned an independent VET Funding Review to report on how to improve the quality, stability and sustainability of the Victorian training market. This will include consideration of alternative funding models and settings that match training delivery to the growing job opportunities in Victorian industries. The final report is due to be provided to Government in August 2015.

## Wellbeing

For *Wellbeing*, indicators show positive trends in the early years. Breastfeeding rates at three and six months have remained stable. More than half of three-month-old infants are fully breastfed. The majority of Victorian children (nearly 80 per cent) are developmentally on track, according to the 2012 Australian Early Development Index.

The proportion of children who have no behavioural issues on entry to Prep (as identified by their teacher) has decreased slightly since 2010 but more than 85 per cent are identified as not having behavioural issues. The proportion of children who have no general developmental issues on entry to Prep (as identified by parents) has decreased significantly since 2010 (with only slight decreases since 2013). This may reflect increased awareness and concerns from parents about child development issues.

Students' feelings of wellbeing have remained relatively stable, with feelings of connectedness to school and perceptions that schools provide a safe and orderly learning environment changing little in recent years. There has, however, been an increase since 2013 in positive student responses to feeling safe at school.

The level of student satisfaction with the quality of vocational training appeared to decline in 2014. While this represents a modest reduction from a high base, it flags possible quality issues for the sector.

## Productivity

*Productivity* is an important performance outcome because understanding the cost of our services is essential to making a balanced assessment of their value.

In 2015 the standard per-capita rate paid by the Victorian Government increased for funded maternal and child health services and for kindergarten services, reflecting the government's commitment to services in the early years.

The unit cost per school student (primary and secondary) remained fairly stable between 2010 and 2012, while the unit cost per VET student contact hour gradually decreased from \$11.70 per hour in 2010 to \$9.40 per hour in 2013.<sup>1</sup>

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<sup>1</sup> Unit cost per student contact hour is calculated by the Productivity Commission and includes Commonwealth and State funding with a series of adjustments made to ensure comparability across jurisdictions.

## Achievement

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

Indicators	Unit	2010	2011	2012	2013	2014
<b>Early childhood development</b>						
<b>Children developmentally 'on track' on the Australian Early Development Index language and cognitive skills domains</b>						
Proportion of children developmentally 'on track' on the Australian Early Development Index <sup>1</sup> language and cognitive skills domains	per cent	—	—	84.0	—	—
<b>School education</b>						
<b>Students meeting the expected standard in national and international literacy and numeracy assessments<sup>2</sup></b>						
NAPLAN Proportion of students at or above the National Minimum Standard:						
Year 3—Literacy	per cent	95.4	95.3	95.2	96.0	94.6
Year 3—Numeracy	per cent	95.4	96.2	95.6	96.2	95.5
Year 5—Literacy	per cent	94.2	94.3	94.1	96.5	94.2
Year 5—Numeracy	per cent	95.7	95.6	95.0	94.4	94.7
Year 7—Literacy	per cent	96.2	95.8	95.5	95.6	95.6
Year 7—Numeracy	per cent	96.1	95.8	95.0	95.7	95.5
Year 9—Literacy	per cent	93.3	94.0	93.0	94.3	93.3
Year 9—Numeracy	per cent	94.8	94.6	95.0	92.2	94.8
Proportion of Year 4 students reaching the international benchmarks (PIRLS) <sup>3,4</sup> —Reading	per cent	—	80.0	—	—	—
Proportion of Year 4 students reaching the international benchmarks (TIMSS) <sup>4,5</sup> —Mathematics	per cent	—	75.0	—	—	—
Proportion of Year 8 students reaching the international benchmarks (TIMSS) <sup>5,6</sup> —Mathematics	per cent	—	65.0	—	—	—
Proportion of 15-year-old students in achieving level 3 or above in PISA Reading literacy <sup>7</sup>	per cent	—	—	67.0	—	—
Proportion of 15-year-old students in achieving level 3 or above in PISA Mathematical literacy <sup>7</sup>	per cent	—	—	58.0	—	—
<b>Students meeting the expected standard in other key learning areas, such as science, arts, history and ICT<sup>2</sup></b>						
Proportion of Year 6 students at or above the Proficient Standard in scientific literacy <sup>8</sup>	per cent	—	—	51.3	—	—
Proportion of Year 6 students at or above the Proficient Standard on the Information and Communications Technologies Literacy scale <sup>9</sup>	per cent	—	64	—	—	—
Proportion of Year 10 students at or above the Proficient Standard on the Information and Communications Technologies Literacy scale <sup>9</sup>	per cent	—	68	—	—	—

1 Source: Australian Early Development Index 2012. Data collected every three years.

2 Victorian government and non-government schools.

3 Progress in International Reading Literacy Study. Data collected every five years.

4 Source: 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.

5 Trends in International Mathematics and Science Study. Data collected every four years.

6 Source: Thomson, S., Hillman, K. and Wernert, N. (2012). Monitoring Australian Year 8 student achievement internationally: TIMSS 2011, ACER.

7 Programme for International Student Assessment (PISA). Data collected every three years. In Australia, the national agreed baseline, as agreed in the Measurement Framework for Schooling in Australia, is Level 3. Sources: Thomson, S., De Bortoli, L., Nicholas, M., Hillman, K., Buckley, S. (2011). PISA 2012: how Australia measures up: The PISA 2012 assessment of students' mathematical, scientific and reading literacy, ACER.

8 Students achieving at a Proficient Level of 3.3 or better (from five levels) is considered to demonstrate exemplary understanding of Year 6 science. Data collected every three years. Source: National Assessment Program—Science Literacy Year 6 Report 2012, ACARA.

9 Year 6 students performing at a Proficient Level of 3 and above, and Year 10 students performing at a Proficient Level of 4 and above (from six levels) are considered to have meet or exceeded their achievement in ICT Literacy. Data collected every three years. Source: National Assessment Program—ICT Literacy Years 6 & 10 Report 2011, ACARA.

Indicators	Unit	2010	2011	2012	2013	2014
<b>Higher education and skills</b>						
<b>VET course completions</b>						
VET completions <sup>1</sup>	number	152,600	187,500	238,500	220,500	249,700
<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>2</sup>	per cent	88.1	86.1	88.0	90.1	89.1

## Engagement

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

Indicators	Unit	2010	2011	2012	2013	2014
<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	95.1	94.6	97.9	98.2	96.4 <sup>3</sup>
<b>Participation in Maternal and Child Health Services<sup>4</sup></b>						
Home consultation	per cent	100	100	100	101 <sup>5</sup>	—
12 months	per cent	81.9	80.7	82.0	83.4	—
3.5 years	per cent	62.8	64.4	66.5	64.9	—
<b>School education</b>						
<b>Students with acceptable levels of school attendance<sup>6</sup></b>						
Average rate of student attendance:						
Year 5	per cent	93	93	93	93	93
Year 6	per cent	93	93	93	93	93
Years 7–10	per cent	90	90	90	90	90
Years 11–12	per cent	92	92	92	92	92
<b>Students with a positive opinion of their teachers providing a stimulating learning environment<sup>6,7</sup></b>						
Proportion of students who agree or strongly agree that their school provides a stimulating learning environment:						
Years 5–6	per cent	59.2	60.9	62.7	63.4	63.5
Years 7–10	per cent	17.1	18.5	21.4	21.2	21.7
Years 11–12	per cent	16.5	17.5	20.3	21.1	20.0

1 Government-subsidised and TAFE fee-for-service reported course completions. Data rounded. Likely to be an undercount of actual completions between 2010 and 2014 due to variations in administrative practices by Victorian training organisations in identifying, recording and reporting qualification completion and variations in student intent and behaviour in completing qualifications. Source: Department of Education and Training internal administrative data.

2 Survey estimates, subject to statistical error. Source: ABS Survey of Education and Work (cat.no. 6227.0).

3 The methodology for this performance measure changed slightly in 2014 due to an improvement in available data and analysis methods. The method for identifying and excluding second-year enrolments has been improved and the participation rate is now based on a child count rather than an enrolment count.

4 Figures for the 2010–11 under 2010, for 2011–12 under 2011, for 2012–13 under 2012, and for 2013–14 under 2013. Results for 2014–15 were not available at the time of publication.

5 Participation rates will exceed 100 per cent when the number of children attending the Maternal & Child Health Centre throughout the year is greater than the number of children registered at the Centre on 30 June.

6 Victorian government schools.

7 Derived from multiple questions. Only students who responded 'agree' or 'strongly agree' on all relevant questions are included. Other students gave mixed or opposing views. Source: Department of Education and Training Attitudes to School Survey.

Indicators	Unit	2010	2011	2012	2013	2014
<b>Higher education and skills</b>						
<b>VET enrolments by age and gender<sup>1</sup></b>						
15–19 years	number	88,300	108,700	120,500	104,600	85,300
20–24 years	number	71,400	87,800	100,900	96,300	93,000
25–44 years	number	112,600	148,500	180,200	178,700	167,100
45–64 years	number	60,200	77,100	96,400	92,900	87,400
Under 15, over 64 and not stated	number	6,700	8,100	11,800	11,800	10,700
Female	number	161,600	208,500	251,900	226,600	208,100
Male	number	176,400	220,700	257,200	257,600	234,900
<b>VET enrolments by administrative region<sup>1,2</sup></b>						
South-western	number	139,400	202,900	267,800	253,300	232,800
North-western	number	84,700	101,500	124,400	116,400	106,000
North-eastern	number	84,800	100,900	110,400	115,000	86,800
South-eastern	number	104,300	128,100	157,100	152,100	132,000
<b>VET enrolments by courses in areas of skill demand<sup>3</sup></b>						
Government-subsidised enrolments in skill demand occupations	number	105,300	127,600	151,800	154,300	169,800
<b>VET enrolments by specialised category courses<sup>3</sup></b>						
Government-subsidised enrolments in specialist occupations	number	64,200	71,100	79,500	90,300	133,800
<b>VET participation by learners facing barriers<sup>3</sup></b>						
VET participation by unemployed learners	number	62,500	89,300	118,500	135,000	136,000

<sup>1</sup> Government-subsidised places. Data rounded. Source: Department of Education and Training internal administrative data.

<sup>2</sup> As some students are enrolled in more than one administrative region, enrolments by administrative region should not be summed as this will result in double counting.

<sup>3</sup> Data rounded. Source: Department of Education and Training 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.

Indicators	Unit	2010	2011	2012	2013	2014
<b>Early childhood development</b>						
<b>Proportion of infants fully or partly breastfed at 3 and 6 months<sup>1</sup></b>						
Infants fully breastfed at 3 months	per cent	51.8	51.7	51.0	50.6	—
Infants partly breastfed at 3 months	per cent	10.4	11.4	12.1	12.7	—
Infants fully breastfed at 6 months	per cent	35.7	34.8	33.8	33.9	—
Infants partly breastfed at 6 months	per cent	11.1	13.0	14.2	14.6	—
<b>Children who have no development or behavioural issues on entry into Prep<sup>2</sup></b>						
Proportion of children who have no behavioural issues on entry into Prep	per cent	88.3	87.9	87.3	86.5	86.1
Proportion of children who have no general developmental issues identified by parents on entry into Prep	per cent	n/a <sup>3</sup>	57.6	52.0	49.8	48.2
<b>Children developmentally 'on track' on the Australian Early Development Index social competence and emotional maturity domains<sup>4</sup></b>						
Social competence domain	per cent	—	—	78.6	—	—
Emotional maturity domain	per cent	—	—	79.3	—	—
<b>School education<sup>5</sup></b>						
<b>Students feeling connected to their school</b>						
Proportion of students who agree or strongly agree that they feel connected to their school:						
Years 5–6	per cent	62.9	64.9	66.1	66.6	66.6
Years 7–10	per cent	29.0	31.2	33.8	33.6	33.4
Years 11–12	per cent	23.9	24.8	27.2	27.8	26.0
<b>Students with a positive opinion about their school providing a safe and orderly environment for learning</b>						
Proportion of students who agree or strongly agree that their school is 'safe':						
Years 5–6	per cent	61.0	63.9	63.8	63.6	64.1
Years 7–10	per cent	55.3	58.1	59.1	58.8	60.0
Years 11–12	per cent	61.7	63.9	65.5	65.7	66.3
Proportion of students who agree or strongly agree that other students are disruptive in class:						
Years 5–6	per cent	15.0	13.5	14.2	14.4	14.1
Years 7–10	per cent	27.4	26.2	26.5	26.5	26.0
Years 11–12	per cent	20.3	18.8	18.7	18.0	17.0
<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>6</sup>	per cent	86.2	87.8	87.6	85.4	84.6

1 Figures for the 2010–11 financial year under 2010, for 2011–12 under 2011, for 2012–13 under 2012, and for 2013–14 under 2013. Results for 2014–15 were not available at the time of publication. Source: Maternal & Child Health Services Annual Report.

2 School Entrant Health Questionnaire (SEHQ), Department of Education and Training.

3 2010 a break in the series due to a change in the collection methodology of SEHQ, to align with international standards.

4 Source: Australian Early Development Index 2012. Data collection for the index is undertaken every three years.

5 Victorian government schools. Derived from multiple questions. Only students who responded 'agree' or 'strongly agree' on all relevant questions are included. Other students gave mixed or opposing views. Source: Department of Education and Training Attitudes to School Survey.

6 Survey estimates, subject to statistical error. Source: Student Outcomes Survey, National Centre for Vocational Education Research 2014, Table 5: Key findings for graduates, 2005-2014.

## Productivity

Increase the economic and social return on expenditure on the Department of Education and Training's services.

The following table reports progress against the *Productivity* indicators in the 2014–15 State Budget Paper No. 3 *Service Delivery*.

Indicators	Unit	2010	2011	2012	2013	2014
<b>Early childhood development<sup>1</sup></b>						
<b>Dollar per child aged 0 to 3 years receiving a maternal and child health service per financial year<sup>2</sup></b>						
Minimum funding available to every child (provides 6.75 hours of maternal and child health service for each child aged 0 to 3 years) <sup>3</sup>	\$ per child	543.2	560.3	605.9	618.0	630.4
<b>Dollar per kindergarten student per financial year in the year prior to school<sup>2,4</sup></b>						
Minimum funding available to the majority of children (approximately 96 per cent in 2014) who access a kindergarten program in the year prior to school <sup>5</sup>	\$ per child	1,826.0	1,883.0	2,001.0	2,061.0	2,112.0
<b>School Education—Primary</b>						
<b>Dollar per primary school student per financial year<sup>2,6</sup></b>						
Victorian government real recurrent expenditure (including User Cost of Capital) per FTE student in primary schools (2012–13 dollars)	\$ per FTE student	11,785.3	11,954.3	11,928.0	n/a <sup>7</sup>	n/a <sup>8</sup>
<b>School Education—Secondary</b>						
Victorian government real recurrent expenditure (including User Cost of Capital) per FTE student in secondary schools (2012–13 dollars)	\$ per FTE student	15,096.0	15,276.4	15,166.0	n/a <sup>7</sup>	n/a <sup>8</sup>
<b>Higher education and skills</b>						
<b>Dollar per VET student contact hour per calendar year<sup>9</sup></b>						
Victorian government real recurrent expenditure per annual hour (2013 dollars)	\$ per hour	11.7	11.4	10.9	9.4	n/a <sup>8</sup>

1 Reflects the Victorian Government expenditure on early childhood services available to all children (that is, universal expenditure) and does not include the significant resourcing provided to deliver a range of targeted services for specific cohorts of children.

2 Figures for the 2010–11 financial year under 2010, 2011–12 under 2011, 2012–13 under 2012, 2013–14 under 2013 and 2014–15 under 2014.

3 Additional loadings are also made available to children living in rural or low socioeconomic areas. Additional resourcing of the delivery of this service is provided through matched local government funding.

4 Reflects the State Government component of the standard per capita rate at the end of the relevant financial year.

5 A small proportion of children (approximately five per cent in 2014) who access a kindergarten program in a non-government school receive less (between \$516 and \$1,674 in 2014). Additional loadings are provided for children based on characteristics including living in a rural area, Aboriginal or Torres Strait Islander status, or being holders of health care or pension cards or refugee or humanitarian visas. Additional resourcing of the delivery of program is provided through parental fees and service fundraising.

6 Victorian government and non-government schools. Source: Productivity Commission Report on Government Services 2015, Table 4A.12

7 Figures for School Education—Primary and School Education—Secondary not available for 2013.

8 Reports on Government Services are published in January each year; 2014 results not available at time of publication.

9 Source: Productivity Commission Report on Government Services 2015, Table 5A.19

## Performance against output performance measures

This section reports on the Department's performance against the performance measures for each of its outputs.

One of the Department's outputs is Strategy, Review and Regulation; three represent life stages: Early Childhood Development, School Education, and Higher Education and Skills; and two support services: Support Services Development, and Support for Students with Disabilities.

These output measures refer to the financial year unless indicated.

### 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 intergovernmental 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	2014–15 Target	2014–15 Actual	% variation	Result
<b>Quality</b>					
Stakeholder satisfaction with the Victorian Registration and Qualifications Authority and its services	per cent	65	74	13.8	✓
<i>This performance measure relates to the 2014 calendar year. The 2014–15 Actual is higher than the 2014–15 Target due to successful VRQA business improvement initiatives.</i>					
Percentage of government schools where an enrolment audit is conducted	per cent	31	32.8	5.8	✓
<i>This performance measure relates to the 2014 calendar year. This is a new performance measure for 2014–15 to reflect government priorities regarding accurate monitoring of student numbers in government schools, to improve government's ability to deliver education services. The 2014–15 Actual is higher than the 2014–15 Target due to increased efficiency in the audit process.</i>					
<b>Quantity</b>					
Participants benefiting from initiatives to increase the supply of trained/qualified teachers	number	640	525	-18.0	✘
<i>A number of scholarship and incentive programs combine to provide these data. All these programs have ceased taking in new cohorts. However, payments by the Department to current recipients will continue according to the terms and conditions of each program. In most programs, payments are staged and are conditional on activity such as completing the relevant Information Technology Education course, securing a position in a Victorian Government school, or continuous employment in a Victorian government school for more than 12 months. These conditions vary depending on the program the recipient is benefiting from. The ongoing number of payments is steadily declining and is difficult to forecast. The 2014–15 Actual is lower than the 2014–15 Target due to a higher than anticipated number of attraction or retention payments being forfeited where recipients did not meet the requirements for conditional payments.</i>					
<b>Cost</b>					
Total output cost	\$ million	102.8	90.2	-12.3	✓
<i>The 2014-15 Actual is lower than the 2014-15 Target primarily due to the timing in delivery of programs such as IT systems including licensing and maintenance payments</i>					
Key: ✓ Target achieved or exceeded    ■ Target not achieved—less than 5% variance    ✘ Target not achieved—more than 5% variance					

## 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	2014–15 Target	2014–15 Actual	% variation	Result
<b>Quality</b>					
Families who are satisfied with the Early Childhood Intervention Services provided	per cent	90	91	1.1	✓
<i>The 2014–15 Actual was not available at the time of publication so the figure given is the Expected Outcome published in 2015–16 State Budget Paper No.3 Service Delivery.</i>					
Funded kindergarten services assessed under the National Quality Framework that have a quality assurance process	per cent	100	100	0.0	✓
<i>This performance measure relates to the 2014 calendar year.</i>					
<b>Quantity</b>					
Children funded to participate in kindergarten	number	71,250	74,627	4.7	✓
<i>This performance measure relates to the financial year and includes second-year participants.</i>					
Kindergarten participation rate	per cent	95	96.4	1.5	✓
<i>This performance measure relates to the 2014 calendar year and excludes second-year participants.</i>					
Maternal and child health clients with children aged 0–1 year receiving enhanced maternal and child health services	per cent	10	15	50	✓
<i>The 2014–15 Actual was not available at the time of publication so the figure given is the Expected Outcome published in 2015–16 State Budget Paper No.3 Service Delivery. The 2014–15 Actual is expected to be higher than the 2014–15 Target due to municipal councils providing services above the funded target cohort of 10 per cent of the population of families with a child from 0–1 years of age.</i>					
Number of early Childhood Intervention Service places and packages funded annually	number	11,258	10,722	-4.8	■
<i>This performance measure refers to Early Childhood Intervention Services places and Flexible Support Packages. The 2014–15 Actual is lower than the 2014–15 Target due to Early Childhood Intervention Services places and Flexible Support packages transferring to the National Disability Insurance Scheme on 1 July 2014. The transfer comprised 512 places and 24 flexible support packages.</i>					
Total number of Maternal and Child Health Service clients (aged 0–1 year)	number	73,000	73,000	0.0	✓
<i>The 2014–15 Actual was not available at the time of publication so the figure given is the Expected Outcome published in 2015–16 State Budget Paper No.3 Service Delivery.</i>					
Total number of children receiving Early Childhood Intervention Services	number	14,628	13,936	-4.7	■
<i>The 2014–15 Actual is lower than the 2014–15 Target due to Early Childhood Intervention Services clients transferring to the National Disability Insurance Scheme on 1 July 2014. The transfer comprised 512 places and 24 flexible support packages.</i>					
<b>Timeliness</b>					
Children aged 0–1 month enrolled at maternal and child health services from birth notifications	per cent	98.5	98.5	0.0	✓
<i>The 2014–15 Actual was not available at the time of publication so the figure given is the Expected Outcome published in 2015–16 State Budget Paper No.3 Service Delivery.</i>					
<b>Cost</b>					
Total output cost	\$ million	522.5	509.8	-2.4	✓
<i>The 2014–15 Actual is lower than the 2014–15 Target primarily due to the timing in delivery of programs such as Universal Access to Early Education because the funding was received from the Commonwealth late in the financial year.</i>					
<b>Key:</b> ✓ Target achieved or exceeded    ■ Target not achieved—less than 5% variance    ✖ Target not achieved—more than 5% variance					

## 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*.

### (i) 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.

Except where indicated, these performance measures relate to:

- the 2014 calendar year rather than the 2014–15 financial year
- government and non-government schools.

Performance measures	Unit of measure	2014–15 Target	2014–15 Actual	% variation	Result
<b>Quality</b>					
Parent satisfaction with primary schooling on a 100-point scale	100-point scale	83	83	0	✓
<i>This performance measure relates to government schools.</i>					
Percentage of Indigenous students meeting the national minimum standard for numeracy in Year 3 (National Assessment Program Literacy and Numeracy—NAPLAN testing)	per cent	90.7	88.5	-2.4	✓
<i>NAPLAN results are subject to measurement error and, when interpreting results, a 95 per cent confidence interval of <math>\pm 3</math> percentage points needs to be considered.</i>					
Percentage of Indigenous students meeting the national minimum standard for numeracy in Year 5 (NAPLAN testing)	per cent	84.9	84.8	-0.1	✓
<i>NAPLAN results are subject to measurement error and, when interpreting results, a 95 per cent confidence interval of <math>\pm 2.6</math> percentage points needs to be considered.</i>					
Percentage of Indigenous students meeting the national minimum standard for reading in Year 3 (NAPLAN testing)	per cent	89.0	85.3	-4.2	■
<i>This performance measure relates to the calendar year and to government and non-government schools. NAPLAN results are subject to measurement error and when interpreting results, a 95 per cent confidence interval of <math>\pm 2.7</math> percentage point needs to be considered. The 2014-15 Actual is lower than the 2014-15 Target and was partly due to the ongoing high exemption rate for Year 3 Indigenous students (5.7 per cent). The rate continues to be between two and three times higher than for non-Indigenous students. (Exempted students are deemed not to have met the national minimum standard.)</i>					
Percentage of Indigenous students meeting the national minimum standard for reading in Year 5 (NAPLAN testing)	per cent	88.7	82.9	-6.5	✘
<i>This performance measure relates to the calendar year and to government and non-government schools. The 2014–15 Target was set based on the previous year result for reading in Year 5. This result has since been revealed as an abnormal spike experienced by all jurisdictions. NAPLAN results are subject to measurement error and when interpreting results, a 95 per cent confidence interval of <math>\pm 2.9</math> percentage point needs to be considered. The 2014–15 Actual is lower than the 2014–15 Target partly due to the exemption rate (7.0 per cent) for Year 5 Indigenous students. This rate is higher than in 2012 and 2013, and continues to be between two and three times higher than for non-Indigenous students. (Exempted students are deemed not to have met the national minimum standard.)</i>					
Percentage of students meeting the national minimum standard for numeracy in Year 3 (NAPLAN testing)	per cent	95	95.5	0.5	✓
<i>NAPLAN results are subject to measurement error and, when interpreting results, a 95 per cent confidence interval of <math>\pm 0.4</math> percentage point needs to be considered.</i>					

Performance measures	Unit of measure	2014–15 Target	2014–15 Actual	% variation	Result
Percentage of students meeting the national minimum standard for numeracy in Year 5 (NAPLAN testing)	per cent	95	94.7	-0.3	✓
<i>NAPLAN results are subject to measurement error and, when interpreting results, a 95 per cent confidence interval of ±0.4 percentage point needs to be considered.</i>					
Percentage of students meeting the national minimum standard for reading in Year 3 (NAPLAN testing)	per cent	95	94.6	-0.4	✓
<i>NAPLAN results are subject to measurement error and, when interpreting results, a 95 per cent confidence interval of ±0.4 percentage point needs to be considered.</i>					
Percentage of students meeting the national minimum standard for reading in Year 5 (NAPLAN testing)	per cent	95	94.2	-0.8	■
<i>This performance measure relates to the calendar year and to government and non-government schools. NAPLAN results are subject to measurement error and, when interpreting results, a 95 per cent confidence interval of ± 0.5 percentage points needs to be considered. There is a 95 per cent chance that the true result lies somewhere between 93.7 per cent and 94.7 per cent. The result of 94.2 per cent is outside the target; the difference is minimal. Several factors impacted the result, including the exemption rate (3.1 per cent) for Year 5 students. (Exempted students are deemed not to have met the national minimum standard.)</i>					
Years 5–6 students' opinion of their connectedness with the school	5-point scale	4.4	4.4	0.0	✓
<i>This performance measure refers to government schools. Data is from the Attitudes to School Survey, where a higher score represents a higher level of connectedness.</i>					
<b>Quantity</b>					
Average Prep–Year 2 class size	number	21	20.9	-0.5	✓
<i>This performance measure relates to government schools. Class size data based on the February school census.</i>					
Average rate of student attendance at Year 5	per cent	94	93	-1.1	■
<i>This performance measure relates to government schools. The attendance rate covers all absences, including those due to illness and approved family holidays.</i>					
Average rate of student attendance at Year 6	per cent	94	93	-1.1	■
<i>This performance measure relates to government schools. The attendance rate covers all absences, including those due to illness and approved family holidays.</i>					
Investment in non-government schools (primary)	\$ million	323.1	326.1	0.9	✓
<i>This performance measure relates to the financial year.</i>					
Number of Assistant Principals, aspiring leaders and leadership teams participating in leadership development programs	number	900	1,783	98.1	✓
<i>This performance measure relates to government schools. The 2014–15 Actual is higher than the 2014–15 Target due to due to increased provision of professional development programs offered by the Bastow Institute of Educational Leadership, including in rural and regional areas.</i>					
Number of Principals participating in statewide, centrally funded leadership development programs	number	380	728	91.6	✓
<i>This performance measure relates to government schools. The 2014–15 Actual is higher than the 2014–15 Target due to increased provision of professional development programs offered by the Bastow Institute of Educational Leadership, including in rural and regional areas.</i>					
Statewide computer to student ratio: primary	ratio	1:2.5	1:1.55	38	✓
<i>This performance measure relates to government schools and the calendar year. The full-year Actual is better than the published Target due to the inclusion of Bring Your Own Device (BYOD) computers.</i>					
<b>Cost</b>					
Total output cost	\$ million	4,336.5	4,368.3	0.7	■
<i>This performance measure relates to the financial year.</i>					
<b>Key:</b> ✓ Target achieved or exceeded    ■ Target not achieved—less than 5% variance    ✖ Target not achieved—more than 5% variance					

**(ii) 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.

Except where indicated, these performance measures relate to:

- the 2014 calendar year rather than the 2014–15 financial year
- government and non-government schools.

Performance measures	Unit of measure	2014–15 Target	2014–15 Actual	% variation	Result
<b>Quality</b>					
Average rate of student attendance in Years 11 and 12	per cent	92	92	0	✓
<i>This performance measure relates to government schools.</i>					
Average rate of student attendance in Years 7–10	per cent	91	90	-1.1	■
<i>This performance measure relates to government schools. The attendance rate covers all absences, including those due to illness and approved family holidays.</i>					
Enrolments in units of accredited vocational programs in schools as a proportion of total VCE unit enrolments in schools	per cent	8.6	9.3	8.1	✓
<i>The 2014–15 Actual is higher than the 2014–15 Target due to increasing numbers of students enrolling in at least one unit of VET.</i>					
Median VCE study score	number	29	29	0	✓
<i>This performance measure relates to government schools.</i>					
Parent satisfaction with secondary schooling on a 100-point scale	100-point scale	75	76	1.3	✓
<i>This performance measure relates to government schools. Data is drawn from the Parent Opinion Survey, where a higher score represents a higher level of satisfaction.</i>					
Percentage of Victorian Certificates of Applied Learning satisfactorily completed by school students	per cent	75	78.6	4.8	✓
Percentage of school leavers completing a VCE VET certificate program in a school progressing to further education, training or work	per cent	92.0	95.7	4.0	✓
<i>This performance measure relates to the calendar year and to government and non-government schools.</i>					
Percentage of school leavers completing an Intermediate or Senior Victorian Certificate of Applied Learning in a school progressing to further education, training or work	per cent	80.0	85.1	6.4	✓
<i>This performance measure relates to the calendar year and to government and non-government schools. The 2014-15 Actual is higher than the 2014-15 Target due to an increasing proportion of students undertaking VCAL at Intermediate and Senior levels.</i>					
Percentage of students who remain at school from Year 7 to Year 12	per cent	86.2	89.1	3.4	✓
<i>Data based on the February school census. This performance measure relates to government schools. The statistic is the apparent retention rate (full-time equivalent enrolments of Year 12 students in 2014 divided by the full-time equivalent enrolments of Year 7 students in 2009).</i>					
Years 7–9 students' opinion of their connectedness with the school	5-point scale	3.7	3.7	0.0	✓
<i>This performance measure relates to government schools. Data is from the Attitudes to School Survey, where a higher score represents a higher level of connectedness.</i>					

Performance measures	Unit of measure	2014–15 Target	2014–15 Actual	% variation	Result
Percentage of Indigenous students meeting the national minimum standard for numeracy in Year 7 (NAPLAN testing)	per cent	87.5	83.6	-4.5	■
<i>This performance measure relates to the calendar year and to government and non-government schools. NAPLAN results are subject to measurement error and, when interpreting results, a 95 per cent confidence interval of <math>\pm 3.1</math> percentage point needs to be considered. The 2014–15 Actual is lower than the 2014–15 Target due to several factors including the high exemption rate (5.4 per cent) for Year 7 Indigenous students. (Exempted students are deemed not to have met the national minimum standard.)</i>					
Percentage of Indigenous students meeting the national minimum standard for numeracy in Year 9 (NAPLAN testing)	per cent	81	83.3	2.8	✓
<i>NAPLAN results are subject to measurement error and, when interpreting results, a 95 per cent confidence interval of <math>\pm 3.0</math> percentage points needs to be considered.</i>					
Percentage of Indigenous students meeting the national minimum standard for reading in Year 7 (NAPLAN testing)	per cent	87.5	84.3	-3.7	■
<i>This performance measure relates to the calendar year and to government and non-government schools. NAPLAN results are subject to measurement error and, when interpreting results, a 95 per cent confidence interval of <math>\pm 2.9</math> percentage points needs to be considered. There is a 95 per cent chance that the true result falls between 81.4 and 87.2 per cent. While the result of 84.3 per cent is outside the target, the difference is minimal. The 2014–15 Actual is lower than the 2014–15 Target due to several factors including the high exemption rate (5.4 per cent) for Year 7 Indigenous students. (Exempted students are deemed not to have met the national minimum standard.)</i>					
Percentage of Indigenous students meeting the national minimum standard for reading in Year 9 (NAPLAN testing)	per cent	82.7	81.8	-1.1	✓
<i>NAPLAN results are subject to measurement error and, when interpreting results, a 95 per cent confidence interval of <math>\pm 3.2</math> percentage points needs to be considered.</i>					
Percentage of Year 9 students reaching the top two bands (Bands 9 and 10) in NAPLAN numeracy	per cent	24	25.3	5.4	✓
<i>NAPLAN results are subject to measurement error and, when interpreting results, a 95 per cent confidence interval of up to <math>\pm 2.0</math> percentage point needs to be considered. The scale for each domain is divided into 10 bands to cover the full range of student achievement in the tests. The bands map the increasing complexity of the skills assessed by NAPLAN. Students in Year 9 are assessed between Bands 5 and 10.</i>					
Percentage of Year 9 students reaching the top two Bands (Bands 9 and 10) in NAPLAN reading	per cent	20.4	22.6	10.8	✓
<i>NAPLAN results are subject to measurement error and, when interpreting results, a 95 per cent confidence interval of up to <math>\pm 2.0</math> percentage points needs to be considered. The scale for each domain is divided into 10 bands to cover the full range of student achievement in the tests. The bands map the increasing complexity of the skills assessed by NAPLAN. Students in Year 9 are assessed between Bands 5 and 10.</i>					
Percentage of students meeting the national minimum standard for numeracy in Year 7 (NAPLAN testing)	per cent	95	95.5	0.5	✓
<i>NAPLAN results are subject to measurement error and, when interpreting results, a 95 per cent confidence interval of <math>\pm 0.5</math> percentage point needs to be considered.</i>					
Percentage of students meeting the national minimum standard for numeracy in Year 9 (NAPLAN testing)	per cent	94	94.8	0.9	✓
<i>NAPLAN results are subject to measurement error and, when interpreting results, a 95 per cent confidence interval of <math>\pm 0.6</math> percentage points needs to be considered.</i>					
Percentage of students meeting the national minimum standard for reading in Year 7 (NAPLAN testing)	per cent	95	95.6	0.6	✓
<i>NAPLAN results are subject to measurement error and, when interpreting results, a 95 per cent confidence interval of <math>\pm 0.5</math> percentage points needs to be considered.</i>					

Performance measures	Unit of measure	2014–15 Target	2014–15 Actual	% variation	Result
Percentage of students meeting the national minimum standard for reading in Year 9 (NAPLAN testing)	per cent	93	93.3	0.3	✓
<i>NAPLAN results are subject to measurement error and, when interpreting results, a 95 per cent confidence interval of ±0.6 percentage points needs to be considered.</i>					
<b>Quantity</b>					
Investment in non-government schools (secondary)	\$ million	338.2	339.4	0.4	■
<i>This performance measure relates to the financial year.</i>					
Number of certificate enrolments in accredited vocational programs in schools	number	55,000	57,017	3.7	✓
Number of school students enrolled in Victorian Certificate of Applied Learning	number	16,500	17,851	8.2	✓
<i>The 2014–15 Actual is higher than the 2014–15 Target due to higher than anticipated demand.</i>					
Number of school students participating in accredited vocational programs	number	43,000	45,860	6.7	✓
<i>The 2014–15 Actual is higher than the 2014–15 Target due to higher than anticipated demand.</i>					
Number of School students satisfactorily completing at least one Victorian Certificate of Applied Learning certificate	number	9,750	10,690	9.6	✓
<i>The 2014–15 Actual is higher than the 2014–15 Target due to higher than anticipated completion trends. An increasing number of students are undertaking VCAL at Intermediate and Senior levels as VCAL becomes more established as an alternative qualification to the VCE.</i>					
Number of school-based apprentices/trainees	number	3,200	3,801	18.8	✓
<i>The 2014–15 Actual is higher than the 2014–15 Target due to higher than anticipated demand.</i>					
Statewide computer to student ratio: secondary	ratio	1:1.5	1:0.94	37.3	✓
<i>This performance measure relates to government schools. The 2014–15 Actual is lower (better) than the 2014–15 Target due to the inclusion of Bring Your Own Device (BYOD) computers.</i>					
<b>Cost</b>					
Total output cost	\$ million	3,672.6	3,696.3	0.6	■
<i>This measure relates to the financial year</i>					
Key: ✓ Target achieved or exceeded    ■ Target not achieved—less than 5% variance    ✖ Target not achieved—more than 5% variance					

## 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 VET services. It also involves the development and implementation of effective strategies for accredited and pre-accredited VET 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*.

Except where indicated, these performance measures relate to the 2014 calendar year rather than the 2014–15 financial year.

Performance measures	Unit of measure	2014–15 Target	2014–15 Actual	% variation	Result
<b>Quality</b>					
Percentage of VET graduates who rate quality of training as four or more out of five	per cent	88.5	84.6	-4.4	■
<i>This performance measure relates to the calendar year. While the result is a modest reduction from a high base, the decline is consistent with the trend of recent years and the failure to meet the target may reflect quality issues for training provision. Such quality issues will be addressed through the Quality Review and the VET Funding Review.</i>					
Successful training completions as measured by module load completion rate	per cent	83.5	81.5	-2.4	■
<i>The 2014–15 Actual is lower than the 2014–15 Target due to changes to entitlement and subsidy levels which have had the effect of lowering overall demand.</i>					
VET graduates in employment six months following graduation	per cent	78.5	76.0	-3.2	■
<i>This performance measure relates to the calendar year. While the result is a modest reduction from a high base, the decline is consistent with the trend of recent years and the failure to meet the target may reflect quality issues for training provision. Such quality issues will be addressed through the Quality Review and the VET Funding Review.</i>					
<b>Quantity</b>					
Annual government-funded module enrolments	number (million)	5.6	5.3	-5.4	×
<i>The 2014–15 Actual is lower than the 2014–15 Target because of changes to entitlement and subsidy levels which have had the effect of lowering overall demand.</i>					
Government-funded student contact hours of training and further education provided	number (million)	183	181	-1.1	■
<i>The 2014–15 Actual is lower than the 2014–15 Target because of changes to entitlement and subsidy levels which have had the effect of lowering overall demand.</i>					
Number of apprenticeship/traineeship commencements by new employees	number	40,000	40,696	1.7	✓
<i>This performance measure relates to the financial year.</i>					
Apprentices/trainees who qualify for the completion bonus	number	7,000	2,872	-59.0	×
<i>This performance measure relates to the financial year. The 2014–15 Actual is lower than the 2014–5 Target as this initiative is discontinued and only applies to apprentices and trainees who commenced before July 2011.</i>					
Number of government-funded course enrolments in qualifications at diploma level or above	number	63,400	64,391	1.6	✓
Number of pre-accredited module enrolments government-funded through the Adult Community and Further Education (ACFE) Board—Adult Community Education organisations and Adult Education Institutes	number	42,000	46,242	10.1	✓
<i>The 2014–15 Actual is higher than the 2014–15 Target due to improved data quality and reporting by providers.</i>					

Performance measures	Unit of measure	2014–15 Target	2014–15 Actual	% variation	Result
Participation rate of 15–24-year-olds in training and further education in Victoria	per cent	33.2	32.8	-1.2	■
<i>In 2014–15 Budget Paper No.3 Service Delivery, this performance measure moved from quality to quantity to better reflect the nature of the measure. The 2014–15 Actual is lower than the 2014–15 Target because of changes to entitlement and subsidy levels which have had the effect of lowering overall demand.</i>					
Participation rate of 25–64-year-olds in training and further education in Victoria	per cent	12.3	13.0	5.7	✓
<i>In 2014–15 Budget Paper No.3 Service Delivery, this performance measure moved from quality to quantity to better reflect the nature of the measure. The 2014–15 Actual is higher than the 2014–15 Target because of increases in fee-for-service activity for this age group.</i>					
<b>Cost</b>					
Total output cost	\$ million	2,323.3	2,159.3	-7.1	✓
<i>This performance measure relates to the financial year. The 2014–15 Actual is lower than the 2014–15 Target primarily due to lower enrolments, fewer concessional enrolments and the timing of the delivery of programs such as the Victorian Training Guarantee.</i>					
Key: ✓ Target achieved or exceeded    ■ Target not achieved—less than 5% variance    ✕ Target not achieved—more than 5% variance					

## Support Services Delivery

The Support Services Delivery output group covers the Department's Regional Services Group (the former Regional Support Group) and provides student welfare and support, the 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*.

Except where indicated, these performance measures relate to the 2014 calendar year rather than the 2014–15 financial year.

Performance measures	Unit of measure	2014–15 Target	2014–15 Actual	% variation	Result
<b>Quality</b>					
School satisfaction with student support services	per cent	85	92.4	8.7	✓
<i>This performance measure relates to government schools. The 2013–14 Actual is higher than the 2013–14 Target due to a greater focus on ensuring a safe and caring environment.</i>					
<b>Quantity</b>					
Investment in student transport (excludes special need students)	\$ million	44.2	44.4	0.5	■
<i>This performance measure includes government and non-government school and relates to the financial year.</i>					
Investment in student welfare and support	\$ million	215.9	220.4	2.1	■
<i>This performance measure includes government and non-government school and relates to the financial year.</i>					
Prep-aged students assessed by school nurses	number	57,500	63,412	10.3	✓
<i>This performance measure includes government and non-government schools. The 2014–15 Actual is higher than the 2014–15 Target due to an increase in Prep enrolments, resulting in regions providing services above the funded target of the School Entrance Health Questionnaire.</i>					
Provision of Education Maintenance Allowance	\$ million	12.3	11.6	-5.7	✘
<i>This performance measure relates to the financial year. Payments of the Education Maintenance Allowance (EMA) ceased on 31 December 2014. The 2014-15 Actual is lower than the 2014-15 Target due to a lower than expected number of parents being eligible for the EMA. EMA eligibility is based on the number of parents who qualify for a Centrelink concession card. The 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.</i>					
School students (government) supported by conveyance allowance	number	10,500	9815	-6.5	✘
<i>The 2014–15 Actual is lower than 2014–15 Target due to the introduction of an online application system that has enabled greater accuracy for determining the number of eligible students.</i>					
School students (non-government) supported by conveyance allowance	number	31,700	30,286	-4.5	■
<i>The 2014–15 Actual is lower than the 2014–15 Target due to the introduction of an online application system that has enabled greater accuracy for determining the number of eligible students.</i>					
Schools allocated a nurse through the Secondary School Nursing Program	number	193	193	0	✓
<i>This performance measure relates to government schools.</i>					
Schools funded for primary welfare officers	number	804	806	0.2	✓
<i>This performance measure relates to government schools. This performance measure for 2014–15 relates to the 2015 calendar year. The target is based on an estimate of the number of schools eligible for funding for primary welfare officers.</i>					
<b>Cost</b>					
Total output cost	\$ million	272.4	276.4	1.5	■
<i>This performance measure relates to the financial year.</i>					
<b>Key:</b> ✓ Target achieved or exceeded   ■ Target not achieved—less than 5% variance   ✘ Target not achieved—more than 5% variance					

## Support for Students with Disabilities

The Support for Students with Disabilities output group covers the Program for Students with Disabilities, transport for special needs 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*.

Except where indicated, these performance measures relate to the 2014 calendar year rather than the 2014–15 financial year. These performance measures relate to government schools.

Performance measures	Unit of measure	2014–15 Target	2014–15 Actual	% variation	Result
<b>Quality</b>					
Parent satisfaction with special education on a 100-point scale	100-point scale	85	86	1.2	✓
<b>Quantity</b>					
Eligible special school students provided with appropriate travel	number	8,500	8,487	-0.2	■
<i>This performance measure relates to the calendar year and to government schools.</i>					
Students funded under the disabilities program in government schools as a proportion of the total student population	per cent	4.1	4.1	0.0	✓
<i>This performance measure relates to the calendar year and to government schools.</i>					
<b>Cost</b>					
Total output cost	\$ million	835.5	817.5	-2.2	✓
<i>The 2014-15 Actual is lower than the 2014-15 Target primarily due to the timing in delivery of programs such as 'More support for students with disabilities' because the funding was received from the Commonwealth late in the financial year.</i>					
Key: ✓ Target achieved or exceeded    ■ Target not achieved—less than 5% variance    ✖ Target not achieved—more than 5% variance					

## Five-year financial summary

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 Adult, Community and Further Education Board, Adult Multicultural Education Services, the Victorian Curriculum and Assessment Authority, the Victorian Institute of Teaching, the Victorian Registration and Qualifications Authority and TAFE institutes.

Table 2 provides information on the Department's financial result for the financial year just completed and comparative information for the preceding four financial years.

**Table 2—Five-year financial summary**

	2014–15	2013–14 <sup>1</sup>	2012–13 <sup>1</sup>	2011–12	2010–11 <sup>2</sup>
<b>Operating revenue</b>					
Revenue from State Government	10,683.5	10,517.1	10,382.3	10,216.9	8,877.6
Other revenue	777.2	749.9	734.8	676.3	671.9
<b>Total income from transactions</b>	<b>11,460.7</b>	<b>11,267.0</b>	<b>11,117.0</b>	<b>10,893.2</b>	<b>9,549.5</b>
<b>Total expenses from transactions</b>	<b>11,282.8</b>	<b>11,101.5</b>	<b>11,028.1</b>	<b>10,990.7</b>	<b>9,542.0</b>
<b>Net result from transactions</b>	<b>178.0</b>	<b>165.6</b>	<b>88.9</b>	<b>(97.4)</b>	<b>7.5</b>
<b>Total other economic flows</b>	<b>(19.2)</b>	<b>(1.2)</b>	<b>34.6</b>	<b>(77.7)</b>	<b>6.7</b>
<b>Net result for period</b>	<b>158.8</b>	<b>164.3</b>	<b>123.5</b>	<b>(175.1)</b>	<b>14.2</b>
<b>Net cash flow from operations</b>	<b>185.2</b>	<b>364.3</b>	<b>451.9</b>	<b>141.6</b>	<b>297.3</b>
<b>Total assets</b>	<b>19,608.5</b>	<b>18,516.8</b>	<b>18,392.4</b>	<b>15,839.1</b>	<b>16,197.9</b>
<b>Total liabilities</b>	<b>1,940.8</b>	<b>1,889.0</b>	<b>1,843.9</b>	<b>2,117.6</b>	<b>2,221.5</b>
<b>Net assets</b>	<b>17,667.7</b>	<b>16,627.9</b>	<b>16,548.5</b>	<b>13,721.6</b>	<b>13,976.4</b>

<sup>1</sup> Figures for 2013–14 and 2012–13 have been revised.

<sup>2</sup> Figures for 2010–11 include six months of the skills and adult, community and further education output.

## Current year financial review

### Financial performance

The Department's net result from transactions for 2015 is a surplus of \$178.0 million, compared with a surplus of \$165.6 million in 2014. With the inclusion of the other economic flows of \$19.2 million loss, the net result for the year is a surplus of \$158.8 million, compared to a surplus of \$164.3 million in 2014.

The Department's growth in revenue primarily reflects the increased funding in the State Budget for delivery of output initiatives on behalf of the Government, general inflation-related indexation, and an increase in schools' third-party revenue.

The Department's growth in expenditure mainly reflects increased payroll expenditure under the 2013 Enterprise Bargaining Agreement for teachers, offset by the decrease in grants to TAFE institutes for demand-driven training activities.

### Balance sheet

The Department's net asset base as at 30 June 2015 was \$17.7 billion, comprising total assets of \$19.6 billion and total liabilities of \$1.9 billion.

The major assets of the Department are schools property, plant and equipment; these assets represent 86 per cent (\$16.8 billion) of the total assets of the Department. In 2015, the value of the Department's property, plant and equipment increased by \$686.1 million, mainly due to a land managerial revaluation. As part of the fair value assessment of land for the year ended 30 June 2015, land indices were applied to land parcels and resulted in a material movement in the fair value of 12 per cent, resulting in a managerial revaluation.

Liabilities of the Department mainly consist of payables, borrowings and employee benefit provisions, totalling \$1.9 billion. The increase of \$51.8 million in liabilities in 2015 mainly reflects by an increase in employee benefit provision due to a change in the discount rates used for calculating the liability and the salary increase under the teachers' Enterprise Bargaining Agreement, offset by a decrease in operating accruals.

### Cash flows

The decrease in the net cash flows from operations is due mainly to changes in receivables, payables and provisions arising from the timing of cash payments and receipts against these items.

## Capital projects

The Department and its statutory authorities manage a number of capital projects. For information on recent capital projects for the Department and the broader Victorian public sector, see 2014–15 State Budget Paper No. 4: *State Capital Program* at <http://www.dtf.vic.gov.au/State-Budget/2014-15-State-Budget/State-Capital-Program>. This publication also contains information on the Department's and its statutory authorities' asset investment programs.

# Report of operations—governance and organisational structure

## Ministers

The Department supports three ministers: the Hon. James Merlino MP, Deputy Premier and Minister for Education; the Hon. Steve Herbert MP, Minister for Training and Skills, and the Hon. Jenny Mikakos MP, Minister for Families and Children.

### Deputy Premier and Minister for Education

#### The Hon. James Merlino MP

James Merlino MP is the Minister for Education and Deputy Premier of Victoria. As Minister for Education, he has responsibility for Victoria's schooling system, which educates almost 900,000 Victorian students in government, Catholic, and independent schools. This includes responsibilities for improving Victoria's educational outcomes in literacy, numeracy, science and the arts, as well as students' wellbeing and engagement, school infrastructure and capital funding, improvement support for developing the expertise of the teaching and education support workforces, school leadership, and support for Victoria's priority student cohorts.

Together with his ministerial colleagues, the Hon. Jenny Mikakos MP, and the Hon. Steve Herbert MP, Minister Merlino shares responsibility for improving Victoria's education, development and training system, from birth through to adulthood.

Minister Merlino is committed to establishing Victoria as the Education State, ensuring access to great schools for every community, excellent learning and teaching in every classroom and the promise of a bright future for every child, where success does not depend on background, circumstance, or postcode.

### Minister for Training and Skills

#### The Hon. Steve Herbert MP

The Hon. Steve Herbert MP has been Minister for Training and Skills since November 2014.

Minister Herbert is committed to ensuring all Victorians have access to quality training that equips them with the skills they need to get and keep a job, and that industry has the skills required to boost productivity and help grow the Victorian economy.

His responsibilities include ensuring a strong and stable vocational education and training system is in place which meets the needs of individuals, industry and employers, and ensuring that funding is directed to areas of skills shortage. Minister Herbert's portfolio also includes International Education.

### Minister for Families and Children

#### The Hon. Jenny Mikakos MP

Minister Mikakos is the Minister for Families and Children, and the Minister for Youth Affairs. The Minister has responsibility for early childhood education and development, including maternal and child health, parenting support services, supported playgroups, kindergarten programs, and early childhood services for children with disability or developmental delay.

The Minister's responsibilities in Families and Children, and Youth Affairs also include a range of services administered by the Department of Health and Human Services including child protection and family support services.

Minister Mikakos is committed to ensuring that all children, including the most vulnerable, have a strong start in life because children's health, education and care before they turn five set them up for the rest of their lives, shaping their happiness, wellbeing and success.

## Senior executives

The Department is led by the Secretary who reports to the Minister for Education, the Minister for Training and Skills, and the Minister for Families and Children.

### **Secretary** **Ms Gill Callister**

Gill commenced as Secretary of the Victorian Department of Education and Training on 1 January 2015.

Before joining the Department, Gill was Secretary of the Department of Human Services (2009 to 2014) and led policy, legislative and service delivery reform. In this role, Gill led an organisation of more than 11,000 staff with an annual budget of approximately \$4 billion. She was responsible for the delivery of child protection, disability, youth, housing and family violence services.

Gill began her career in the community sector serving disadvantaged Victorians. She then led child protection, family services and mental health units within the Department of Human Services and, in 2009, was Deputy Secretary at Skills Victoria.

Gill is President of the Institute of Public Administration Australia (Victoria). Her leadership in public policy was recognised in 2013 when she was named in the Australian Financial Review's 100 Women of Influence, and received a Sir James Wolfensohn Public Service Scholarship to attend Harvard University's Kennedy School of Government. In October 2014, Gill was awarded the IPAA National Fellowship award and a Monash University Fellowship.

Gill holds Bachelor degrees in Social Work (with Honours) and Arts.

*Richard Bolt was Secretary of the Department until December 2014. Richard has had a diverse career in public service, policy research, public advocacy and engineering. Richard was Secretary of the Department of Primary Industries (2006 to 2011) and is currently the Secretary of the Department of Economic Development, Jobs, Transport and Resources.*

## Executive Board

The Department is managed by an Executive Board chaired by the Secretary, comprising the head of each of the Department's six groups, and the Chief Executive Officer of the Victorian Curriculum and Assessment Authority. 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.

***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. Before his appointment, Jim acted as Executive Director for the Office of Resources and Infrastructure. In both roles, Jim has been responsible for managing the Departmental budget process and financial monitoring and reporting, and for 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, Postgraduate Diploma in Economics and a Master of Commerce.

***Deputy Secretary, Strategy and Review Group***  
***Mr Simon Kent***

Simon Kent joined the Department in April 2013 from the Department of Premier and Cabinet (DPC), where he was the Director, Social Policy Branch.

Simon has extensive experience in policymaking across the education, human services, health and justice portfolios. He has developed good public policy in complex and contested interdepartmental and intergovernmental contexts, and uses multi-disciplinary analysis to inform policy development.

Simon commenced his career in higher education advocacy and political advisory roles, then expanded to include schools policy while in the Federal Parliament before joining DPC where he worked for eight years, including work on reform of vocational education and early childhood development.

He holds a Bachelor of Arts and an Australia and New Zealand School of Government Executive Master of Public Administration from the University of Melbourne.

***Deputy Secretary, Early Childhood and School Education Group***  
***Dr Sonia Sharp***

Sonia Sharp joined the Department in August 2012 as Deputy Secretary, Early Childhood Development. The Deputy Secretary, Early Childhood and School Education Group, works collaboratively with the DET executive to design the early learning and education system with a focus on improved development, learning and wellbeing outcomes for young people from birth to 18 years.

Building on a career within education and children's services that spans 30 years, Sonia has worked in urban and rural regions of the UK. She has been instrumental in driving significant reform to build an integrated approach to education from birth to young adulthood, inclusive of social services, health, and youth services, in order to improve outcomes for children and young people.

Sonia's background is in teaching English and drama, in research and in educational psychology. She holds a Master degree and Doctorate in Education Psychology and the National Professional Qualification for Head Teachers in the UK.

*Penny Croser was Acting Deputy Secretary, Early Childhood and School Education Group, from January 2015 until June. Penny has worked in policy reform in a number of jurisdictions including the United Kingdom, the Commonwealth and South Australia. Penny holds a Bachelor of Law, a Bachelor of Science and a Master of Science in Public Policy from the London School of Economics.*

*David Clements was the Acting Deputy Secretary from June to September.*

**Deputy Secretary, Regional Services Group**  
**Mr Nicholas Pole**

Nicholas Pole commenced as Deputy Secretary, Regional Services Group, in April 2012 and held this role until June 2015. Nicholas has more than 28 years' experience across the education, welfare and public sectors, and a reputation for leading and implementing reform. Before joining the Department, he was Deputy Secretary, Special Education and Canterbury Earthquake Recovery, for the New Zealand Ministry of Education. Nicholas holds a Bachelor of Education, a Diploma in Teaching and a Master of Business Administration.

*Bruce Armstrong is currently Acting Deputy Secretary, Regional Services Group. In this role, he is responsible for the interface between the Department's regions and central office in the provision of early childhood development services and school education.*

*Bruce's career spans 30 years of active contribution to Victorian public education as a teacher, principal and system leader. Immediately before taking up his current role, Bruce was Executive Director of the Department's Leadership, Professional Practice and Accountability Division, which leads significant system-wide reform in leadership, school improvement and accountability, and workforce strategy. Bruce also served as the inaugural director of the Bastow Institute of Educational Leadership from 2009 to 2014 and was principal of Balwyn High School (2002–08).*

*Bruce holds a Master of Education, Bachelor of Arts, Bachelor of Theology and a Graduate Diploma of Education. He is a Fellow of the Australian Council for Educational Leaders and in 2015 was awarded a Public Service Medal for outstanding public service to educational improvement in Victoria.*

**Deputy Secretary, Higher Education and Skills Group**  
**Ms Kym Peake**

Kym Peake was Deputy Secretary, Higher Education and Skills Group (formerly Skills Victoria), from January 2010 to December 2014.

As Deputy Secretary, Kym oversaw 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 State and Commonwealth levels, leading complex policy, legislation and service delivery reforms. Before commencing at the Department, Kym worked at 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.

**Acting Deputy Secretary, Higher Education and Skills Group**  
**Mr Rob Wood**

Rob Wood was Acting Deputy Secretary, Higher Education and Skills Group, from December 2014 to May 2015. Rob took on this role after the 2014 State election and was instrumental in overseeing the group's transition to working with the new Government in a space that has undergone significant change.

Rob joined the Department in August 2014 as Executive Director, TAFE Transition Taskforce (now TAFE and Tertiary Education Support and Oversight Division), following his move from Canada where he was the Deputy Minister of Education in British Columbia.

Rob is the former Deputy Minister of Community Services in Nova Scotia where he was responsible for a wide range of social services. He has also held executive roles as Assistant Deputy Minister of Court Services and Executive Director of the Ministry of Housing and Social Development in British Columbia. Rob spent 10 years in private sector telecommunication where he held a variety of leadership and business development roles.

Rob holds a Bachelor of Arts in Political Science and a Master degree in Public Administration.

*From May to July 2015, Lee Watts, Executive Director, Training Market Operations, served as interim Acting Deputy Secretary until a permanent Deputy Secretary, Craig Robertson, was appointed.*

**Chief Executive Officer, Victorian Curriculum and Assessment Authority**  
**Mr John Firth**

John Firth has been CEO of the Victorian Curriculum and Assessment Authority (VCAA) since August 2005, having managed curriculum for the previous 12 years. John has been a curriculum leader for many years and was responsible for the development of the Victorian Essential Learning Standards as the curriculum for Victorian schools for the Prep to 10 years.

John has overseen the continuing development of the Victorian Certificate of Education (VCE) as a Year 12 credential of international status, the full recognition of VET within the VCE, and the implementation of the Victorian Certificate of Applied Learning as an additional vocational pathway for senior secondary students. Under his leadership, the VCAA has considerably expanded its international work, especially increasing the number of schools working with international partners to offer the VCE. The VCAA has also developed and supported the implementation of the first educational framework for pre-school children, the Victorian Early Years and Development Framework.

John has been a member of many state and national groups and speaks frequently at state and national forums. In 2008 he was appointed as a member of the Interim National Curriculum Board. In 2009 he was appointed to the board of the Australian Curriculum Assessment and Reporting Authority and made a Fellow of the Australian College of Educators.

John holds a Bachelor of Commerce and a Diploma of Education.

### ***Standing subcommittees***

During 2014–15, the Executive Board had four standing subcommittees:

#### *Budget and Infrastructure Committee*

The Budget and Infrastructure Committee is responsible for ensuring effective strategic development and coordination of Departmental finances, physical assets and information technology, and providing advice to the Executive Board on these matters.

The committee's focus includes the Department and the statewide statutory authorities primarily funded through the Department.

#### *Policy and Performance Standing Committee*

The Policy and Performance Standing Committee is responsible for ensuring effective development and coordination of Department-wide strategy and policy, research and evaluation. The committee ensures there are links between the Department's strategy and the resultant policy and evaluation. The committee's scope covers all Departmental portfolios, including statutory authorities.

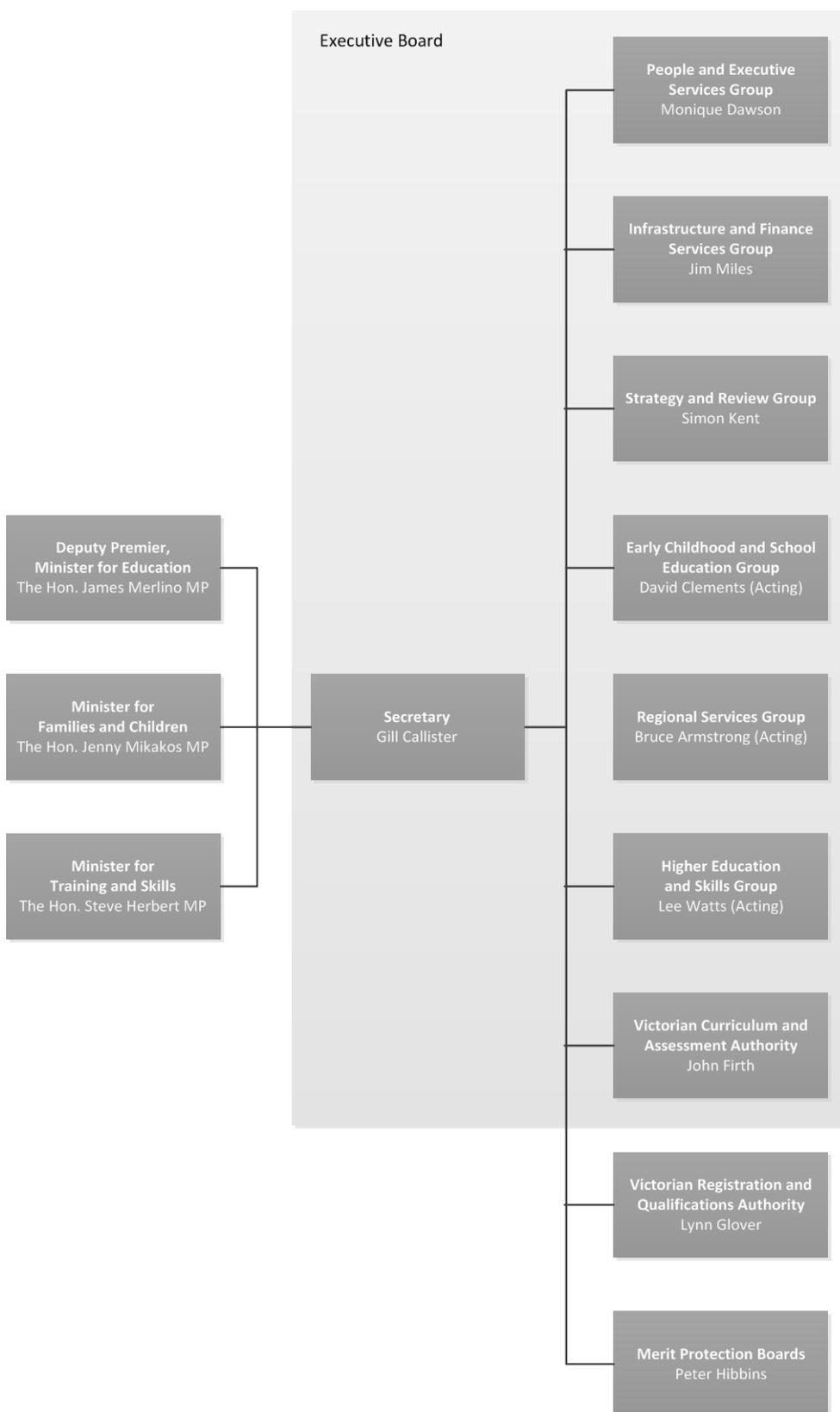
#### *People and Culture Standing Committee*

The People and Culture Standing Committee is responsible for the effective delivery of the People Strategy 2013–15, ensuring the implementation of outcomes meets identified success measures outlined in the strategy. The committee is responsible for the oversight of the annual review and refresh of the People Strategy as part of the review of the Department's overall strategy.

#### *Service Planning and Delivery Standing Committee*

The Service Planning and Delivery Standing Committee is responsible for providing advice to the Executive Board on the effective planning, coordination, integration and oversight of the delivery of early childhood development, school education, and higher education and skills services across the Department's regions from the perspective of the Department's customers and clients.

## Organisational structure at 30 June 2015



## People and Executive Services Group

The People and Executive Services Group provides critical strategic, assurance, operational and advisory functions that underpin and support the effectiveness of our organisation as a whole. The group is also responsible for leading the Department's people, information, and communications strategies, designed to strengthen our organisation and enable a high-performing workforce. This work plays an important role in supporting the delivery of quality, cost-effective learning and development outcomes for the people of Victoria.

## Infrastructure and Finance Services Group

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

## Strategy and Review Group

The Strategy and Review Group leads and collaborates on the development of cross-portfolio policy and strategy, and provides advice on emerging issues and government priorities. The group informs evidence-based decision-making, including by managing data on system performance and Departmental outcomes, and generating analytic insights. The group manages annual planning and reporting as part of the Department's Corporate Management Framework, as well as intergovernmental relations and key external partnership arrangements.

## Early Childhood and School Education Group

The Early Childhood and School Education Group focuses on the learning, development and wellbeing of children and young people from birth to 18 years. Its role is to design a learning and development system that delivers improved outcomes for all children, young people and their families. The group delivers education and support in government and non-government schools, maternal and child health, kindergarten and playgroup programs, early childhood intervention services, Aboriginal services, integrated children's services and school nursing, and licenses and monitors more than 4000 children's services.

## 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 monitored and reported on the VET market.

## Higher Education and Skills Group

The Higher Education and Skills Group facilitates participation and achievement in 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.

## Portfolio Audit and Risk Committee

The Portfolio Audit and Risk Committee was established to comply with the Standing Directions of the Minister for Finance under the *Financial Management Act 1994*. It is responsible to the Secretary. It oversees governance and provides advice on audit, risk management and business assurance activities across the education and training portfolios.

In fulfilling its responsibilities, the committee undertakes to advise the Secretary whether internal processes of the Department are operating within an acceptable level of risk and whether appropriate controls are in place to meet external regulatory and public accountability requirements.

The committee comprises four independent members and two internal members:

### ***Ms Fiona Bennett***

#### ***Chair, independent member***

Fiona Bennett is a director of a number of entities including Beach Energy Limited, Hills Limited and Boom Logistics Limited. She is also Chairperson of the Legal Services Board (Victoria).

Fiona is a chartered accountant with extensive experience in commercial and financial management, governance, risk management and auditing. She has held senior executive positions at BHP Billiton Ltd and Coles Group Ltd, and has been chief financial officer of several organisations in the health sector.

Fiona is a Fellow of the Institute of Chartered Accountants, the Australian Institute of Company Directors and the Australian Institute of Management.

### ***Ms Jan Begg***

#### ***Independent member***

Jan Begg is a non-executive director, Fellow of the Australian Institute of Company Directors, chair and independent member of audit committees and advisory boards, and Managing Director of Azulín, an independent practice providing business consulting, governance and systems architecture services. Jan previously had senior executive roles in Australia, UK and USA.

Jan is the chair and Australian Institute of Company Directors representative of the Standards Australia IT Governance Committee and represents Australia internationally. She has undertaken research and authored academic papers in the areas of strategy implementation and project governance.

### ***Ms Carol Pagnon***

#### ***Independent member***

Carol Pagnon has extensive senior executive experience in strategic oversight and planning, decision-making, and learning and development. She has specialist experience in accounting and assurance, governance, project and organisation risk management and compliance matters. This has been primarily within the Victorian public sector in her previous role as Director, Assurance Operations, Victorian Auditor-General's Office.

Carol provides facilitation and advisory services across public and not-for-profit sectors on governance, risk management, project management and change management.

She is a Fellow of CPA Australia and a graduate of the Australian Institute of Company Directors.

**Mr Stuart Gooley**

**Independent member, July 2009 to April 2015**

Stuart Gooley, a former partner with Arthur Andersen and consultant with Ernst and Young, has extensive audit experience in a wide range of industries with roles in the accounting and audit profession.

A board member of Trinity College at the University of Melbourne and a director of the Stem Cell Foundation of Australia and a private manufacturing company, Stuart has been involved in school council finance and audit committees.

Stuart is a Fellow of the Institute of Chartered Accountants and a Fellow of CPA Australia. He is a past President of CPA Victoria and represented the accountancy profession for a number of years on the International Audit Practice Committee.

Recruitment is underway to appoint an additional independent member.

**Ms Monique Dawson**

**Internal member**

Monique Dawson's biography is on page 32.

**Mr Greg Norton**

**Internal member**

Greg Norton joined the Department in 2013 as Executive Director, Intergovernmental Relations Division, Strategy and Review Group. Greg has responsibility for providing high-quality support to Ministers and senior officials to achieve positive outcomes for Victorians through negotiations with Commonwealth, State and Territory Governments.

## Statutory authorities

The Department works in conjunction with the following statutory authorities:

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

Reports of the Children's Services Coordination Board, Disciplinary Appeals Boards, Merit Protection Boards and Victorian Children's Council appear as Appendix 3 of this report.

The Adult, Community and Further Education Board, Victorian Curriculum and Assessment Authority, Victorian Institute of Teaching and Victorian Registration and Qualifications Authority make their own annual reports for a 1 July to 30 June financial year. The Adult Migrant English Service, the Council for Adult Education and TAFE institutes make their own annual reports for a 1 January to 31 December financial year.

# Report of operations—Workforce data

## Occupational health and safety

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 and workers' compensation performance and practices.

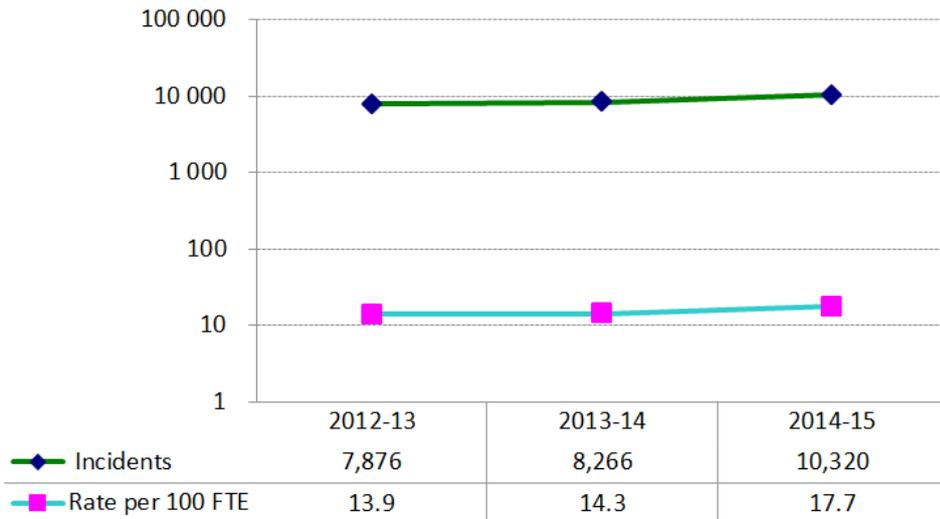
The main activities during 2014–15 were:

- implementation of an OHS Management System Monitoring and Improvement Pilot program
- provision of support and advice on implementation and maintenance of the OHS management system in Department schools and workplaces, including more than 4438 communications, of which 608 were site visits, including 328 OHS management system support and improvement program visits
- completion of all 198 scheduled AS4801 occupational health and safety audits in schools
- continued implementation of an online OHS Learning Management System hosting 14 OHS training modules. Completion rate for all DET employees of 67.7 per cent (excluding specialist modules) with 270,734 OHS eLearning modules completed
- establishment of ongoing Safety Management for School Leaders training program at Bastow Institute of Educational Leadership
- provided access to an online Health and Wellbeing portal, including individual self-driven health checks, to all DET employees
- conduct of mental health awareness workshops for senior DET executives
- 4132 hours of sessional Employee Assistance Program counselling, manager assist contacts, and critical incident responses accessed by DET employees
- 1179 hours of conflict resolution services accessed by DET workplaces including mediation, conflict coaching and team facilitations
- extensive OHS consultation with a range of stakeholders via various consultative forums including the statewide OHS Consultative Committee and the School Support Services Health and Safety Committee.

## Incident management

Incidents reported across the Department, including injuries and other hazard-related incidents, increased from 14.3 per 100 FTE in 2013–14 to 17.7 per 100 FTE in 2014–15 (Figure 1). This equates to an additional 2054 reported incidents, with 10,320 in 2014–15 compared with 8266 in 2013–14.

**Figure 1—Number of incidents and rate per 100 FTE**



## Workers' compensation

Workers' compensation initiatives delivered by the Department aimed to improve return-to-work outcomes for injured employees, reduce human and financial costs associated with workplace injuries, provide support and advisory services to workplace managers and injured workers, build the capability of the organisation to manage workers' compensation and return-to-work responsibilities effectively, and meet legislative compliance.

The main activities during 2014–15 were:

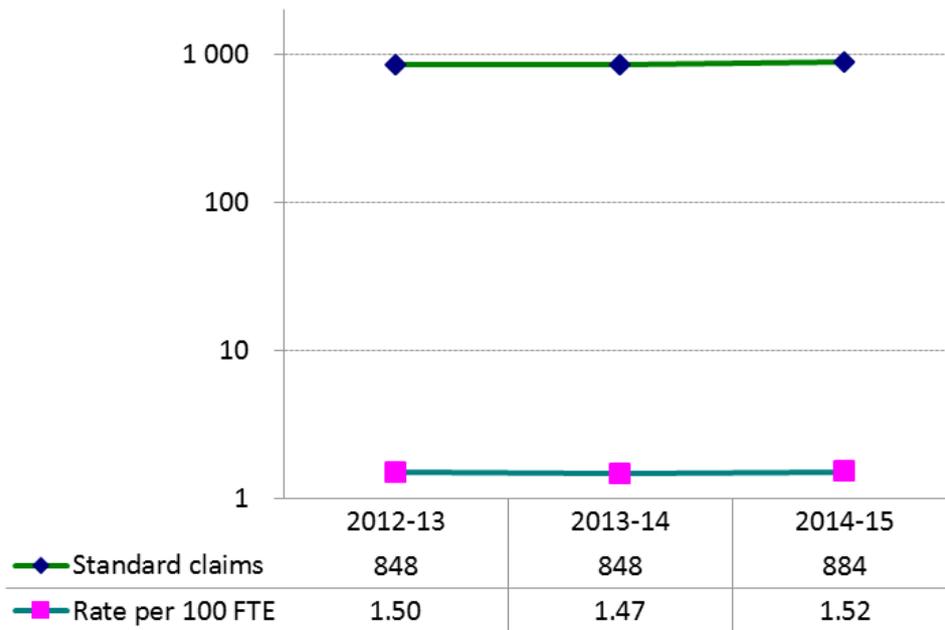
- ongoing improvement of the Department's workers' compensation management through employee and stakeholder consultation and analysis of workplace data
- review of existing workers' compensation claims and incident management systems, data and processes to identify opportunities for improvement
- provision of support and advice to Department workplaces and schools through the workers' compensation Advisory Service
- ongoing improvement in workers' compensation management through initiatives to promote early intervention and improve claims performance
- implementation of a new panel of rehabilitation providers and early referral to rehabilitation services to support the return to work of injured workers
- continued implementation of online learning workers' compensation training.

Workers' compensation initiatives for 2014–15 resulted in:

- 51.1 per cent improvement in return to work of injured workers
- 24.3 per cent reduction in minor claims converting to standard claims
- 25.6 per cent reduction in mental health claims converting from minor to standard claims
- 62.3 per cent of injured workers returning to work within 13 weeks.

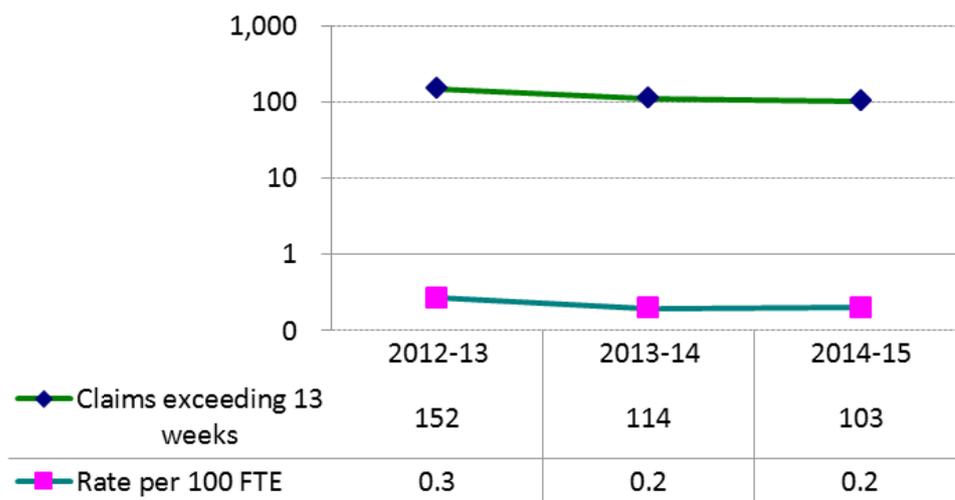
There were 884 standard workers' compensation claims in 2014–15, compared with 848 in 2013–14, while the rate per 100 staff increased from 1.47 per 100 in 2013–14 to 1.52 in 2014–15 (Figure 2).

**Figure 2—Number of standard claims and rate per 100 FTE**



The number of claims exceeding 13 weeks decreased to 103 in 2014–15 compared with 114 in 2013–14 (Figure 3).

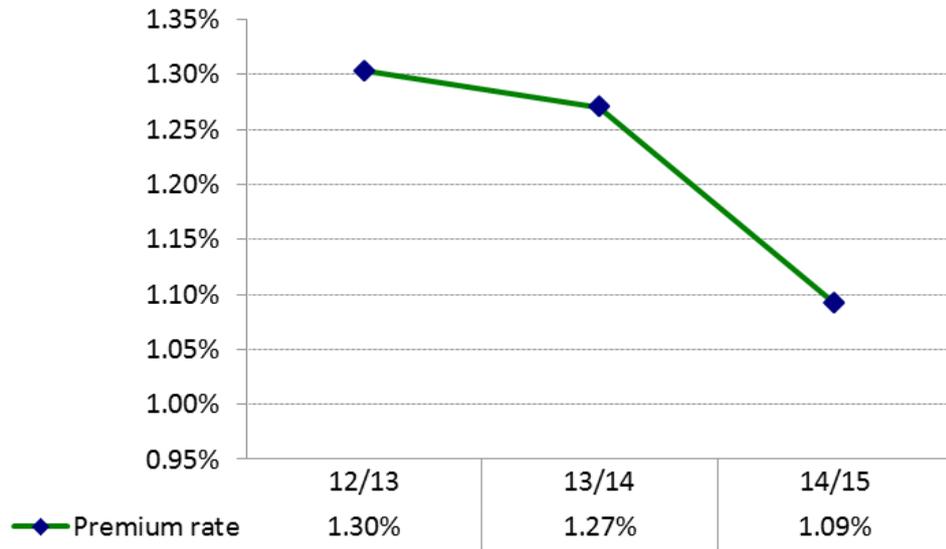
**Figure 3—Claims exceeding 13 weeks and rate per 100 FTE**



The Department's initial workers' compensation premium decreased from \$59.62 million (excluding GST) in 2013–14 to \$53.85 million in 2014–15 despite a rise in staff remuneration. The Department's workers' compensation premium rate decreased in 2014–15 (Figure 4). The decrease in premium and rate is due to improved workers' compensation claims management processes and initiatives. The

average cost per standard claim decreased from \$42,603 in 2013–14 to \$40,047 in 2014–15.

**Figure 4—Premium rate 2012–13 to 2014–15**



## Performance against occupational health and safety and workers' compensation management measures

Measure	Key performance indicator	2012–13	2013–14	2014–15
Incidents	Number of incidents	7,876	8,266	10,320
	Rate per 100 FTE	13.93	14.29	17.7
Claims	Number of standard claims <sup>1</sup>	848	848	884
	Rate per 100 FTE	1.50	1.47	1.52
	Number of lost time claims <sup>1</sup>	323	326	321
	Rate per 100 FTE	0.552	0.563	0.551
	Number of claims exceeding 13 weeks <sup>1</sup>	152	114	103
	Rate per 100 FTE	0.268	0.197	0.200
Fatalities	Fatality claims	0	1 <sup>2</sup>	1 <sup>2</sup>
Claim costs	Average cost per standard claim (\$) <sup>1</sup>	49,639	42,603	40,047
Management commitment	Evidence of occupational health & safety policy statement, objectives, regular reporting to senior management & plans (signed by CEO or equivalent)	Complete	Complete	Complete
	Evidence of occupational health & safety criteria in purchasing guidelines (including goods, services & personnel)	Complete	Complete	Complete
Consultation & participation	Evidence of agreed structure of designated workgroups, health & safety representatives, & issue resolution procedures	Complete	Complete	Complete
	Compliance with agreed structure of above	Complete	Complete	Complete
Risk management	Percentage of internal audits/inspections conducted as planned	100	100	100
	Percentage of issues identified actioned arising from internal audits, health & safety representatives, provisional improvement notices & WorkSafe notices	100	100	100
Training	Percentage of managers & staff that have received OH&S training (induction, management training, & contractors, temps & visitors) (%)	>11	60	66
	Percentage of HSRs trained (acceptance of role, re-training/refresher, & reporting of incidents & injuries) (%)	100	60	77

<sup>1</sup> Data sourced from Victorian WorkCover Authority (VWA). Standard claims include those that the VWA accepts and rejects.

<sup>2</sup> A fatality claim was lodged with the Victorian WorkCover Authority but liability was rejected on the grounds that it was not work-related.

## Public administration values and employment principles

The Department complies with the requirements of the *Public Administration Act 2004* with respect to upholding public sector values, conduct and employment principles, managing and valuing diversity, managing underperformance, and reviewing personal grievances.

Departmental employment processes ensure that employment decisions are based on merit, employees are treated fairly and reasonably, equal employment opportunity is provided, human rights as set out in the *Charter of Human Rights and Responsibilities Act 2006* are upheld, public sector employees have a reasonable avenue of redress against unfair or unreasonable treatment, and a career public service is fostered.

Employees have been correctly classified in workforce data collections.

## Comparative workforce data

**Table 3—Full-time equivalent staffing (FTE) trends from 2011 to 2015<sup>1,2,3</sup>**

	2011	2012	2013	2014	2015
Victorian Public Service	2,975.4	2,831.1	2,326.3	2,349.9	2,332.2
Government Teaching Service	53,272.2	53,677.1	54,365.6	55,499.4	56,349.2
<b>Total</b>	<b>56,247.6</b>	<b>56,508.2</b>	<b>56,691.9</b>	<b>57,849.3</b>	<b>58,681.4</b>

<sup>1</sup> Figures are for staff on pay during the last full pay period in June of each year and exclude those on leave without pay or absent on secondment, external contractors and consultants, temporary staff employed by employment agencies, and a small number of people who are not employees but appointees of a statutory office as defined in the *Public Administration Act 2004*.

<sup>2</sup> Victorian Public Service comprises Executive Officers, VPSG-classified staff, allied health staff, nurses, senior medical advisers and ministerial transport officers. Figures include employees of the Victorian Curriculum and Assessment Authority and the Victorian Registration and Qualifications Authority who are also reported in those authorities' annual reports.

<sup>3</sup> Government Teaching Service comprises Executive Class, Principal Class, Teacher Class and Education Support Class.

**Table 4—Summary of employment levels in June 2014 and 2015<sup>1,2,3</sup>**

	Ongoing employees			FTE	Fixed-term & casual employees FTE
	Employees (headcount)	Full time (headcount)	Part time (headcount)		
<b>June 2014</b>					
Victorian Public Service	2,474	1,768	706	2,215.8	134.1
Government Teaching Service	47,753	32,712	15,041	42,405.7	13,093.7
<b>Total</b>	<b>50,227</b>	<b>34,480</b>	<b>15,747</b>	<b>44,621.5</b>	<b>13,227.8</b>
<b>June 2015</b>					
Victorian Public Service	2,432	1,713	719	2,168.9	163.3
Government Teaching Service	47,546	32,352	15,194	42,083.0	14,266.2
<b>Total</b>	<b>49,978</b>	<b>34,065</b>	<b>15,913</b>	<b>44,251.9</b>	<b>14,429.5</b>

<sup>1</sup> Figures are for staff on pay during the last full pay period in June of each year and exclude those on leave without pay or absent on secondment, external contractors and consultants, temporary staff employed by employment agencies, and a small number of people who are not employees but appointees of a statutory office as defined in the *Public Administration Act 2004*.

<sup>2</sup> Victorian Public Service comprises Executive Officers, VPSG-classified staff, allied health staff, nurses, senior medical advisers and ministerial transport officers. Figures include employees of the Victorian Curriculum and Assessment Authority and the Victorian Registration and Qualifications Authority who are also reported in those authorities' annual reports.

<sup>3</sup> Government Teaching Service comprises Executive Class, Principal Class, Teacher Class and Education Support Class.

**Table 5—Victorian Public Service staff employment levels, June 2014 and 2015<sup>1,2</sup>**

	2014			2015		
	Ongoing employees Employees (headcount)	FTE	Fixed-term & casual employees FTE	Ongoing employees Employees (headcount)	FTE	Fixed-term & casual employees FTE
<b>Gender</b>						
Male	612	598.3	23.9	595	581.4	36.3
Female	1,862	1,617.5	110.2	1,837	1,587.5	127.0
<b>Total</b>	<b>2,474</b>	<b>2,215.8</b>	<b>134.1</b>	<b>2,432</b>	<b>2,168.9</b>	<b>163.3</b>
<b>Age</b>						
Under 25	24	24.0	12.6	21	20.9	10.2
25–34	440	401.8	57.8	398	361.1	73.6
35–44	594	512.2	23.5	610	525.6	42.1
45–54	714	643.8	20.1	670	602.0	23.4
55–64	634	579.3	15.3	659	598.3	11.0
Over 64	68	54.9	4.8	74	61.0	3.0
<b>Total</b>	<b>2,474</b>	<b>2,215.8</b>	<b>134.1</b>	<b>2,432</b>	<b>2,168.9</b>	<b>163.3</b>
<b>Classification</b>						
VPSG1	4	3.8	—	4	3.8	0.5
VPSG2	107	96.9	14.6	107	97.1	18.7
VPSG3	270	250.2	17.3	272	253.4	15.6
VPSG4	329	312.2	31.0	329	309.7	40.1
VPSG5	611	577.0	34.9	617	579.3	32.4
VPSG6	298	292.7	7.5	308	300.1	13.7
STS	12	12.0	1.0	14	14.0	0.8
Executive Officers	81	80.3	—	75	74.3	—
Allied Health	518	410.4	12.4	462	363.6	19.3
Nurse	240	177.4	15.5	242	172.8	22.2
Other <sup>3</sup>	4	3.0	—	2	0.9	—
<b>Total</b>	<b>2,474</b>	<b>2,215.8</b>	<b>134.1</b>	<b>2,432</b>	<b>2,168.9</b>	<b>163.3</b>

<sup>1</sup> Figures are for staff on pay during the last full pay period in June of each year and exclude those on leave without pay or absent on secondment, external contractors and consultants, temporary staff employed by employment agencies, and a small number of people who are not employees but appointees of a statutory office as defined in the *Public Administration Act 2004*.

<sup>2</sup> Victorian Public Service comprises Executive Officers, VPSG-classified staff, allied health staff, nurses, senior medical advisers and ministerial transport officers. Figures include employees of the Victorian Curriculum and Assessment Authority and the Victorian Registration and Qualifications Authority who are also reported in those authorities' annual reports.

<sup>3</sup> For 2015, comprises senior medical advisers.

**Table 6—Government Teaching Service staff employment levels in June 2014 and 2015<sup>1,2</sup>**

	2014			2015		
	Ongoing Employees (headcount)	FTE	Fixed term & casual employees FTE	Ongoing Employees (headcount)	FTE	Fixed term & casual employees FTE
<b>Gender</b>						
Male	11,732	11,180.7	2,749.8	11,668	11,121.5	3,032.5
Female	36,021	31,225.0	10,343.9	35,878	30,961.4	11,233.7
<b>Total</b>	<b>47,753</b>	<b>42,405.7</b>	<b>13,093.7</b>	<b>47,546</b>	<b>42,083.0</b>	<b>14,266.2</b>
<b>Age</b>						
Under 25	611	588.2	1,911.2	493	475.0	2,074.6
25–34	10,660	9,990.5	4,608.6	10,537	9,840.6	5,220.6
35–44	9,576	8,348.1	2,656.6	10,070	8,724.7	2,830.5
45–54	13,622	12,048.3	2,581.1	12,951	11,442.7	2,783.4
55–64	12,109	10,523.9	1,222.4	12,182	10,584.0	1,243.5
Over 64	1,175	906.6	113.7	1,313	1,016.0	113.6
<b>Total</b>	<b>47,753</b>	<b>42,405.7</b>	<b>13,093.7</b>	<b>47,546</b>	<b>42,083.0</b>	<b>14,266.2</b>
<b>Classification</b>						
Executive Class	71	70.5	1.5	72	71.5	1.5
Principal Class <sup>3</sup>	3,028	3,005.5	—	3,032	3,010.4	—
Teacher Class <sup>4</sup>	34,112	30,812.9	7,829.6	33,836	30,411.7	8,661.9
Education Support Class	10,542	8,516.7	5,262.6	10,606	8,589.4	5,602.8
<b>Total</b>	<b>47,753</b>	<b>42,405.7</b>	<b>13,093.7</b>	<b>47,546</b>	<b>42,803.0</b>	<b>14,266.2</b>

<sup>1</sup> Figures are for staff on pay during the last full pay period in June of each year and exclude those on leave without pay or absent on secondment, external contractors and consultants, temporary staff employed by employment agencies, and a small number of people who are not employees but appointees of a statutory office as defined in the *Public Administration Act 2004*.

<sup>2</sup> Government Teaching Service comprises Executive Class, Principal Class, Teacher Class and Education Support Class.

<sup>3</sup> Comprises Principals, Assistant Principals and Liaison Principals.

<sup>4</sup> Comprises Classroom Teachers and Paraprofessionals.

## Workforce inclusion

The Department is committed to supporting and developing a diverse workforce. In addition to its adherence to the principles of access, equity and equal opportunity, the Department's policies and practices encourage people of all backgrounds to pursue challenging and rewarding public sector careers at all levels of seniority.

During the year considerable work was done in refreshing the Department's Aboriginal Inclusion Plan 2012–14. The new plan, *Wirralung Ganai*—'Our People': Aboriginal Inclusion Plan 2015–17, sets out the actions the Department will take to provide better support to Aboriginal people working within the Department and ensure inclusive practice is embedded into business as usual.

The plan aligns with broader state-level strategies, including the Victorian Economic Strategy 2013–20, the Victorian Aboriginal Inclusion Framework and *Kareeta Yirramboi*—the Aboriginal Public Sector Employment and Career Development Action Plan 2010–15. The Department's progress in becoming an employer of choice for Aboriginal people will be outlined in future annual reports.

## Industrial relations

All Departmental employees are covered by industrial agreements providing that no industrial action will be taken on matters within the agreements during the term of the agreements.

The *Victorian Government Schools Agreement 2013*, covering Government Teaching Service employees, has a nominal expiry date of 31 October 2016. The Victorian Public Service Workplace Determination 2012 and the Nurses (Department of Education and Early Childhood Development) Agreement 2012 both expire on 31 December 2015.

No time was lost due to industrial action during 2014–15.

## Executive officers

**Table 7—Number of Executive Officer positions excluding statutory authorities**

Class	All		Ongoing		Special projects	
	Number	Variance	Number	Variance	Number	Variance
Secretary	1	–	1	–	–	–
EO-1	3	–	3	–	–	–
EO-2	40	–	40	–	–	–
EO-3	32	–	32	–	–	–
<b>Total</b>	<b>76</b>	<b>–</b>	<b>76</b>	<b>–</b>	<b>–</b>	<b>–</b>

**Table 8—Breakdown of Executive Officers by gender excluding statutory authorities**

Class	Ongoing					Special projects				
	Male		Female		Vacancies Number	Male		Female		Vacancies Number
	No.	Var.	No.	Var.		No.	Var.	No.	Var.	
Secretary	–	(-1)	1	+1	–	–	–	–	–	–
EO-1	1	–	1	(-1)	1	–	–	–	–	–
EO-2	20	–	18	–	2	–	–	–	–	–
EO-3	10	(-4)	16	(-1)	6	–	–	–	–	–
<b>Total</b>	<b>31</b>	<b>(-5)</b>	<b>36</b>	<b>(-1)</b>	<b>9</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>

**Table 9—Reconciliation of Executive Officer numbers**

		2014	2015
	Executives with total remuneration over \$100,000 (see Note 20)	78	78
Add	Vacancies (Table 9)	3	9
	Executives employed with total remuneration less than \$100,000	14	13
	Accountable Officer (Secretary)	1	1
Less	Separations	(11)	(17)
Less	Portfolio entity executives included in Note 20	(9)	(8)
	<b>Total executive numbers at 30 June</b>	<b>76</b>	<b>76</b>

Note: The total of 76 executives shown here differs from the total shown in the table accompanying Note 20 in the financial statements as a result of executive officer movements throughout the year. The total remuneration of executive officers who exit includes base remuneration plus any accrued long service leave, accrued annual leave and any other legal entitlements.

**Table 10—Number of Executive Officers for the Department's portfolio agencies**

Portfolio agencies	Total		Vacancies Number	Male		Female	
	Number	Variance		Number	Variance	Number	Variance
VCAA	6	–	0	4	–	2	–
VRQA	2	–	1	1	–	1	–
<b>Total</b>	<b>8</b>	<b>–</b>	<b>1</b>	<b>5</b>	<b>–</b>	<b>3</b>	<b>–</b>

**Table 11—Number of Executive Officers for the Department’s portfolio entities as at 30 June 2015**

Portfolio agency	2014			2015			Change		
	Female	Male	Total	Female	Male	Total	Female	Male	Total
Adult Multicultural Education Services	3	5	8	3	4	7	0	-1	-1
Bendigo Kangan Institute	4	8	12	5	6	11	1	-2	-1
Box Hill Institute	7	3	10	6	6	12	-1	3	2
Centre for Adult Education	0	0	0	0	0	0	0	0	0
Chisholm Institute	3	4	7	5	5	10	2	1	3
Federation Training Institute	3	4	7	2	2	4	-1	-2	-3
Gordon Institute of TAFE	1	1	2	1	2	3	0	1	1
Goulburn Ovens Institute of TAFE	0	3	3	1	3	4	1	0	1
Holmesglen Institute	9	8	17	9	10	19	0	2	2
International Fibre Centre	0	1	1	0	1	1	0	0	0
Melbourne Polytechnic	8	13	21	8	11	19	0	-2	-2
South West Institute of TAFE	2	3	5	2	2	4	0	-1	-1
Sunraysia Institute of TAFE	3	2	5	3	2	5	0	0	0
VET Development Centre	1	0	1	1	0	1	0	0	0
Victorian Institute of Teaching	1	0	1	1	0	1	0	0	0
William Angliss Institute of TAFE	0	4	4	0	5	5	0	1	1
Wodonga Institute of TAFE	1	3	4	1	3	4	0	0	0
<b>Total</b>	<b>46</b>	<b>62</b>	<b>108</b>	<b>48</b>	<b>62</b>	<b>110</b>	<b>2</b>	<b>0</b>	<b>2</b>

## Pecuniary interests

Declarations of pecuniary interests have been duly completed by all relevant officers.

## Shares held by senior officers

No senior officer holds shares as a nominee or beneficiary in a statutory authority or subsidiary.

## Report of operations—other disclosures

### Victorian Industry Participation Policy

The *Victorian Industry Participation Policy Act 2003* requires departments and public sector bodies to report on the implementation of the Victorian Industry Participation Policy. Departments and public sector bodies are required to apply the policy in all procurement activities valued at \$3 million or more in metropolitan Melbourne and for statewide projects, or \$1 million or more for procurement activities in regional Victoria.

During 2014–15, the Department commenced and completed contracts under both the State Capital Works Program and the Commonwealth Government's Building the Education Revolution Program.

Under the State Capital Works Program, the Department commenced 35 contracts to which the Victorian Industry Participation Policy applied, totalling \$224.65 million. The contracts included 23 metropolitan contracts totalling \$160.80 million and 12 regional contracts totalling \$63.85 million.

The commitments under the policy included:

- an average level of local content of 88 per cent across the contracts
- 1399 continuing and new full-time equivalent jobs and 275 continuing and new full-time equivalent apprenticeships or 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 occupational health and safety and various trade areas.

### Government advertising expenditure

**Table 12—Campaigns with media spend of \$150,000 or greater 2014–15 (\$ excluding GST)**

Campaign	Summary	Start/End	Advertising (media)	Creative & campaign dev'tment	Research & evaluation	Print & collateral	Other	Total
Bully Stoppers	To encourage parents and students to speak up about cyberbullying and inform them on how to deal with cyberbullying by providing information and resources via the Bully Stoppers website	Sept–Oct 2014	352,384	92,494	0	0	1,408	446,286

Campaign	Summary	Start/End	Advertising (media)	Creative & campaign dev'tment	Research & evaluation	Print & collateral	Other	Total
Education campaign	To raise awareness of, and build confidence in, Victoria's education system and modern-day schooling. Support parents to play an active role in their child's learning.	Aug–Oct 2014	614,169	308,218	54,500	2,469	31,588	1,010,945
Skills Week	To celebrate Skills Week by featuring local case studies from across the state	August 2014	283,410	3,425	0	457	8,298	295,591
No kids in hot cars	To raise awareness of the dangers of leaving children unattended in cars on hot days and the speed at which the temperature doubles inside a parked car. Provide tips for parents and carers to help them avoid unintentionally leaving a child in a car on a hot day. Campaign in partnership with KidSafe.	Nov 2014–March 2015	271,925	41,800	11,000	0	20,191	344,916
SchoolMate	To launch the SchoolMate app and drive downloads. SchoolMate is an app aimed at Victorian parents to help them better understand the key components of the Victorian curriculum so that they can be more involved with their children's education.	May 2015–June 2015	144,958	60,013	0	0	0	204,971

## Consultancy expenditure

### Details of consultancies valued at 10,000 or greater

In 2014–15, there were 100 consultancies where the total fees payable to the consultants were \$10,000 or greater. The total expenditure incurred during 2014–15 in relation to these consultancies was \$5.6 million (excluding GST). A complete list of these consultancies is published in the *Department of Education and Training Annual Report 2014–15 Additional Information* available at [www.education.vic.gov.au](http://www.education.vic.gov.au).

### Details of consultancies valued at less than 10,000

In 2014–15, there were two consultancies where the total fees payable to the consultants were less than \$10,000. The total expenditure incurred during 2014–15 in relation to these consultancies was \$10,091 (excluding GST).

## Disclosure of major contracts

The Department has disclosed all contracts greater than \$10 million in value that it entered into during 2014–15. They can be viewed on the Victorian Government contracts publishing system at [www.contracts.vic.gov.au](http://www.contracts.vic.gov.au).

## Freedom of Information

The *Freedom of Information Act 1982* allows the public a right of access to documents held by the Department. During 2014–15, the Department received 304 applications. Of these, 10 were requests from members of Parliament, 32 from media and 26 from members of the public seeking access to policy-related documents. The remaining requests were categorised as requests from individuals seeking access to personal records.

In most instances full or partial access was provided; 16 decisions were reviewed by the Freedom of Information Commissioner and four were reviewed by the Victorian Civil & Administrative Tribunal (VCAT). The FOI Commissioner also investigated three complaints where the Department could not locate documents.

The information required to be published pursuant to Section 7 of the Freedom of Information Act is contained elsewhere in this report or at <http://www.education.vic.gov.au/about/contact/Pages/foi.aspx>.

### Making a request

Access to documents may be obtained through written request to the relevant Freedom of Information officer as detailed in Section 17 of the Freedom of Information Act. In summary, a request must:

- be in writing
- identify as clearly as possible which document is being requested
- be accompanied by the appropriate application fee (the fee may be waived in certain circumstances).

Requests for documents should be addressed to the relevant agency.

**Table 13—Freedom of Information contacts**

Agency	Postal address	Email	Telephone
Department of Education and Training	Manager, Information Management Department of Education and Training GPO Box 4367 Melbourne 3001	foi@edumail.vic.gov.au	(03) 9637 2670
Merit Protection Boards	Freedom of Information officer Merit Protection Boards Level 4, Casselden Place 2 Lonsdale Street Melbourne 3000	meritboards@edumail.vic.gov.au	(03) 9032 1701
Disciplinary Appeals Boards	Freedom of Information officer Disciplinary Appeals Boards Level 4, Casselden Place 2 Lonsdale Street Melbourne 3000	dab@edumail.vic.gov.au	(03) 9032 1701

Requests can also be lodged online at [www.foi.vic.gov.au](http://www.foi.vic.gov.au).

Access charges may apply once documents have been processed and a decision on access is made; for example, photocopying and search and retrieval charges.

Further information regarding Freedom of Information can be found at [www.foi.vic.gov.au](http://www.foi.vic.gov.au)

## Compliance with DataVic Access Policy

Consistent with the DataVic Access Policy issued by the Victorian Government in 2012, the data included in this report is available at [www.data.vic.gov.au](http://www.data.vic.gov.au) in an open format for public use.

In 2014–15, the Department released a total of 81 datasets to DataVic. These datasets represent a cross-section of the Department's information assets, including:

- Victorian Child and Adolescent Monitoring System indicators, which report against health, wellbeing, safety, learning and development outcomes
- government school enrolment, attendance, and completion data
- training market data from the higher education and skills portfolio
- maternal and child health data
- On Track post-school destination data
- annual report data.

The Department of Education and Training was one of three departments or statutory authorities to release annual report data for 2013–14 and has embedded the practice in the annual report process for the 2014–15 cycle.

## Compliance with the *Building Act 1993*

Mechanisms to ensure that buildings conform with the building standards

The Department conforms with the requirements of the Building Act and other statutory obligations with respect to the construction and modernisation of educational facilities. The school modernisation program and building compliance program progressively ensure that existing buildings comply with relevant legislative requirements.

Major works projects (greater than \$50,000)

For details of all such projects, see 2014–15 Budget Paper No. 4 *State Capital Program*.

During 2014–15, major works (greater than \$50,000) not subject to certification of plans, mandatory inspections of the works and issue of occupancy permits or certificate of final inspection were undertaken at the following schools:

**Table 14—Location of major works (greater than \$50,000) not subject to certification of plans, mandatory inspections of the works and issue of occupancy permits or certificate of final inspection**

Albion Primary School	North Geelong Secondary College
Altona P–9 College	Newcomb Secondary College
Armadale Primary School	Northern Bay P–12 College
Baimbridge College	Osborne Primary School
Brentwood Secondary College	Pascoe Vale Girls Secondary College
Burwood East Special Development School	Surfside Primary School
Ceres Primary School	Swan Hill Primary School
Cheltenham Secondary College	Tallangatta Secondary College
Cranbourne Secondary College	Tate Street Primary School, Geelong
Doncaster Secondary College	Teesdale Primary School
Epping Secondary College	Traralgon (Kosciuszko Street) Primary School
Fyans Park Primary School	Wantirna Primary School
Geelong East Primary School	Wantirna South Primary School
Grovedale College	Wattle Park Primary School
Heatherwood School	Westall Secondary College
Kangaroo Ground Primary School	Wheeler Hill Secondary College
Kurunjang Primary School	Whittlesea Primary School
Lara Lake Primary School	Willmott Park Primary School (Craigieburn)
Lara Primary School	Wilmot Road Primary School (Shepparton)
McGuire College	Yinnar Primary School

Mechanisms for inspection, reporting, scheduling and carrying out of rectification and maintenance works on existing buildings

The Department undertakes regular audits of all buildings in every Victorian government school to determine their general condition. The program includes a methodology and an assessment approach that includes assigning buildings a numerical rating equivalent to ‘poor’ through to ‘excellent’.

The Department also engages the program managers of compliance programs to carry out inspections, reporting, scheduling, and rectification works designed to bring existing buildings into compliance with current building regulations. The compliance programs

cover areas such as asbestos removal, fire service upgrade, integration (disability access), environmental (such as the removal of underground petroleum storage systems) and works aimed at preventing falls. The Department also operates an emergency maintenance program to respond to any health and safety issues that arise.

#### Number of buildings conforming with building standards

In 2011–12, to supplement the above frameworks, a condition assessment was undertaken of the 27,000 buildings in all government schools. The government established a condition threshold for these facilities and is progressively repairing or replacing the 3100 buildings identified as being below the threshold.

#### Number of buildings that have been brought into conformity during the reporting period

The 2011–12 condition assessment identified the need for a \$420 million maintenance program to raise the condition of all Victorian government school buildings above the threshold. As at 30 June 2015, the condition of almost 1500 of the 3100 buildings identified as being below the threshold (48 per cent) has been raised above the threshold.

### National Competition Policy

Under the National Competition Policy, the guiding legislative principle is that legislation, including future legislative proposals, should not restrict competition unless it can be demonstrated that:

- the benefits of the restriction to the community as a whole outweigh the costs
- the objectives of the legislation can only be achieved by restricting competition.

Competitive neutrality requires government businesses to ensure, where services compete or potentially compete with the private sector, any advantage arising solely from their government ownership be removed if it is not in the public interest. Government businesses are required to cost and price these services as if they were privately owned and thus be fully cost-reflective. The National Competition Policy provides government businesses with a tool to enhance decisions on resource allocation. It does not override other policy objectives of government and focuses on efficiency in the provision of services.

The Department continues to comply with the requirements of the National Competition Policy.

#### Assessment of new legislation and regulations

All new legislation and regulations enacted within the portfolio during 2013–14 were subject to an assessment against National Competition Policy requirements to ensure continued compliance with the policy.

### Compliance with the *Protected Disclosure Act 2012* (formerly *Whistleblowers Protection Act 2001*)

The *Protected Disclosure Act 2012* encourages and assists people in making disclosures of improper conduct by public officers and public bodies. It provides protection to people who make disclosures in accordance with it and establishes a system for the matters disclosed to be investigated and rectifying action to be taken.

The Department does not tolerate improper conduct by employees, or the taking of reprisals against those who come forward to disclose such conduct. It is committed to

ensuring transparency and accountability in its administrative and management practices, and supports the making of disclosures that reveal corrupt conduct, conduct involving a substantial mismanagement of public resources, or conduct involving a substantial risk to public health and safety or the environment.

The Department will take all reasonable steps to protect people who make such disclosures from any detrimental action in reprisal for making the disclosure. It will also afford natural justice to the person who is the subject of the disclosure to the extent it is legally possible.

In 2014–15, the Department received 50 disclosures, three of which are matters referred by the Independent Broad-based Anti-corruption Commission (IBAC) to the Department pursuant to Section 73 of the *Independent Broad-based Anti-corruption Commission Act 2011*. Thirty-eight were deemed not to be protected disclosures. Nine were referred to IBAC, of which two were referred by IBAC to the Ombudsman for investigation.

### Making a disclosure

Disclosures of improper conduct or detrimental action by the Department or any of its employees may be made to:

Ms Melissa Dwyer  
Protected Disclosure Coordinator  
Director, Audit and Risk  
Department of Education and Training

Street address:  
2 Treasury Place  
East Melbourne Victoria 3002

Document Exchange address:  
DX 210083

Postal address:  
GPO Box 4367  
Melbourne VIC 3001

Telephone: 03 9651 3650  
Email: [dwyer.melissa.j@edumail.vic.gov.au](mailto:dwyer.melissa.j@edumail.vic.gov.au)

or one of the following officers of the Department:

- a manager or supervisor of a person from the Department who chooses to make a disclosure
- a manager or supervisor of a person from the Department about whom a disclosure has been made
- the Secretary of the Department.

or:

Independent Broad-based Anti-corruption Commission

Street address:  
Level 1, North Tower  
459 Collins Street  
Melbourne Vic 3000

Postal address:  
GPO Box 24234  
Melbourne Victoria 3001

Telephone: 1300 735 135  
Internet: [www.ibac.vic.gov.au](http://www.ibac.vic.gov.au)

### ***Further information***

The Department has published guidelines regarding the procedures it has instituted to comply with the Protected Disclosures Act:  
<http://www.education.vic.gov.au/about/contact/Pages/protecteddisclosure.aspx>

## **Compliance with the *Carers Recognition Act 2012***

The Department is committed to ensuring that the rights and interests articulated in the Carers Recognition Act are considered in the delivery of its services to clients who are in a care relationship and has taken all practical measures to comply with its obligations under the Act.

## **Compliance with the *Disability Act 2006***

In 2013, the Minister for Education launched the 2013–16 Department of Education and Early Childhood Development Disability Action Plan, which sets out the Department's commitments and actions within the Victorian State Disability Action Plan.

## **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, paper and water consumption, waste generation, transportation, greenhouse gas emissions, and sustainable procurement for all non-school office sites with at least 10 FTE staff.

The EMS objectives include:

- reducing the amount of waste and maximising the amount reused and recycled
- separating office waste into reusable, recyclable, compost and true waste
- minimising energy, paper and water 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.

Unlike energy companies, water retailers and waste collection companies are not on a State Purchasing Contract, which means detailed and accurate data is not always available.

Unless otherwise stated, all consumption data is for 1 April 2014 to 31 March 2015.

## Energy

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.

Indicator	2013–14			2014–15		
	Electricity	Natural gas	Green power	Electricity	Natural gas	Green power
Total energy usage segmented by primary source, measured in megajoules (MJ)	20,891,924 (20,579,589)	6,860,789 (6,853,140)	0	19,682,232	5,195,820	0
Greenhouse gas emissions (t CO <sub>2</sub> e)	7,660	380 (379)		7,271	287	
Units of energy used per FTE (MJ/FTE)	14,874 (14,703)			12,053		
Percentage of electricity purchased as green power		0		0		
Units of energy used per unit of office area (MJ/m <sup>2</sup> )		751 (742)		664		

Note: Bracketed figures were published in the 2013–14 Annual Report. They have been revised to incorporate more accurate data which has since become available.

### **Actions undertaken**

- solar panels have been installed at one regional office
- lighting sensors and times restored where necessary across all central and some regional offices
- the lease on four premises at one energy-intensive regional office was not extended; staff were relocated to an existing office
- significant improvements conducted to the HVAC gas system of the centrally based offices
- the Department participated in the national Earth Hour event.

### **Target**

Reduce energy consumption per square metre by 15 per cent of 2013–14 levels by 31 March 2024, averaging an incremental reduction of 1.5 per cent each year for 10 years.

### **Explanatory notes**

Reductions in both electricity and gas (six per cent and 24 per cent respectively) saw the overall energy consumption (MJ) decline by 10 per cent.

The Department's previous target to "Reduce energy use per FTE by two per cent compared with 2013–14 by 31 March 2015" was exceeded. The result was a 19 per cent reduction per FTE.

All central and some regional offices share energy meters with other non-Departmental buildings. The data presented is based on a percentage of the net lettable area held by the Department.

## Waste

The Department continues to address waste generation through a variety of re-use and recycling methods. The data below is based on collections at four central offices, which comprise 57 per cent of the total reportable net lettable area and 53 per cent of FTE.

The landfill, co-mingled recycling and compost data was collected through four five-day waste audits at the sites and extrapolated pro-rata for the year. Data for shredded paper and 'Other' represents all waste of that variety disposed of for the year. 'Other' includes collection of toner cartridges, polystyrene, steel, reusable plastics and batteries.

Indicator	2013–2014				2014–15					
	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)	14,456	6,941	8,870	47,421	581	15,198	9,225	10,103	36,507	2,138
Units of waste disposed of per FTE by destination (kg/FTE)	14	6	8	44	0.6	14	8	9	33	2
Recycling rate (% of total waste)			82					79		

## Target

Increase recycling rate to a minimum of 85 per cent by 31 March 2016.

## Explanatory notes

Total waste consumption declined by five per cent compared to the previous year, caused by the significant reduction in shredded paper waste.

Inconsistencies with the waste guidelines were identified with the waste collection company and waste auditors, leading to updated guidelines being distributed to all stakeholders in January 2015. The confusion of guidelines had contributed to the variances noted in waste streams in recent years.

Successful educational campaigns in central offices have resulted in a four per cent increase in the proportion of comingled recycling and compost being diverted from landfill.

Office movements in late 2014 contributed to a significant increase in 'Other' waste.

## Paper

The data presented below was collected through stationery suppliers and represents 100 per cent of sites and 100 per cent of FTE staff.

Indicator	2013–14	2014–15
Reams units of copy paper used	29,879	27,967
Reams of copy paper used per FTE	16	13
Percentage of 75–100% recycled content copy paper purchased	52	79
Percentage of 50–74% recycled content copy paper purchased	31	11
Percentage of 0–49% recycled content copy paper purchased	17	9
Total reams of A4-equivalent paper used in publications	39,952	39,326

### Target

Reduce paper consumption to 12 A4 reams per FTE by 31 March 2016.

### Explanatory notes

Consistent with recent years, the Department has decreased its paper use in corporate offices and publications.

Achieving a six per cent reduction in copy paper consumption, the Department surpassed its target to “Reduce paper consumption to 14 A4 reams per FTE by 31 March 2015”, with a result of 13 reams.

The additional target to “Increase the amount of copy paper purchased with 75–100 per cent recycled content to minimum of 65 per cent by 31 March 2015” was exceeded, with 79 per cent of purchases fitting that category—the highest proportion in the Department’s reporting history.

By moving to more online publications, the need for printed copies has decreased, resulting in a record low for the total units of A4 equivalent paper used in publications.

## Water

The data presented below is based on water meter readings at 82 per cent of office sites covering 86 per cent of FTE staff.

Indicator	2013–14	2014–15
Total units of metered water consumed by usage types (kL)	17,056 (18,198) <sup>1</sup>	17,723
Units of metered water consumed in offices per FTE (kL/FTE)	9.94 (10.61) <sup>1</sup>	9.96
Units of metered water consumed in offices per unit of office area (kL/m <sup>2</sup> )	0.51 (0.49) <sup>2</sup>	0.51

Note: Bracketed figures were published in the 2013–14 Annual Report.

<sup>1</sup> Data was previously based on estimates. Actual data has since been received.

<sup>2</sup> Incorrect m<sup>2</sup> was used in calculations.

### Target

Reduce water consumed per FTE by 15 per cent of 2013–14 levels by 31 March 2024, averaging an incremental reduction of 1.5 per cent each year for 10 years.

***Explanatory notes***

All central and some regional offices share a water meter with other non-Departmental buildings. The data presented is based on the percentage of the net lettable area held by the Department's buildings. The central region—consistently the Department's highest consumer for each utility—recorded a seven per cent increase in consumption. Due to the shared meter, it is not possible to ascertain if the increase was caused by the Department's consumption or that of non-Departmental buildings.

Due to difficulties in obtaining water data in a timely manner, leaks are often not identified for some months.

Water consumption data at some regional offices is unavailable due to the offices being shared facilities.

## Transport

The Department-owned operational fleet comprises 263 vehicles. Of these, 53 per cent are hybrid electric vehicles, 31 per cent are petrol-fuelled, 10 per cent are diesel-fuelled and six per cent are LPG-fuelled.

The data presented below measures the kilometres, energy consumption and associated emissions for work-related travel by corporate employees, segmented by transport type (excluding public transport).

Operational vehicles	2013–14				2014–15			
	Hybrid	LPG	Petrol	Diesel	Hybrid	LPG	Petrol	Diesel
Total energy consumption by vehicles (MJ)	4,559,783	2,862,828 (2,872,801)	4,757,544 (4,884,050)	846,970 (848,455)	4,680,322	1,387,730	4,532,459	1,149,078
Total vehicle travel associated with entity operations (km)	2,302,276	883,041 (885,685)	1,844,737 (1,900,942)	326,495 (327,069)	2,509,970	437,410	1,635,819	434,770
Total greenhouse gas emissions from vehicle fleet (t CO <sub>2</sub> e)	329	187	343 (353)	64	338	90	327	86
Greenhouse gas emissions from vehicle fleet per 1000 km travelled (t CO <sub>2</sub> e)	0.14	0.21	0.19	0.19 (0.20)	0.13	0.21	0.20	0.20

Note: Bracketed figures were published in the 2013–14 Annual Report. They have since been revised as it was identified that use by statutory authorities had been included when they should have been omitted.

Air travel	2013–14			2014–15		
	Short <500 km	Medium 500–3,700 km	Long >3,700 km	Short <500 km	Medium 500–3,700 km	Long >3,700 km
Total distance travelled by aeroplane (km)	254,595	537,746	487,684	234,744	660,031	1,197,003

Sustainable commuting	2013–14		2014–15	
	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 workplace locality type	80	17	70	4

### **Target**

Reduce total kilometres travelled by operational vehicles by five per cent of 2014–15 levels by 31 March 2016.

### **Explanatory notes**

Operational fleet data comprises that for Department-owned vehicles and vehicles used by the Department from the Victorian Government fleet and, in accordance with Financial Reporting Direction 24C, excludes executive vehicles.

Total kilometres travelled by the operational vehicle fleet fell by six per cent against the previous year, resulting in the reduction target of five per cent being achieved. Hybrid-fuelled vehicles were the most used vehicle and contributed to a 10 per cent fall in total energy consumption against last year. These factors clearly led to the nine per cent reduction in total emissions.

Total distance of air travel rose by 811,752 km, representing an overall 63 per cent increase from 2013–14. The majority of this upturn was due to the rise in long-distance flights, increasing by 709,319 km. Note that 2013–14 figures for long-distance flights were the lowest they had been in the past five years.

Sustainable commuting figures are obtained by a staff survey and are dependent on response rates.

### **Greenhouse gas emissions**

Total emissions by activity type are presented below to show the Department's greenhouse gas footprint.

t CO <sub>2</sub> e associated with activity	2013–14	2014–15
Energy use	8,040 (8,419)	7,559
Waste production	17	18
Paper purchases	108	103
Water consumption	43	24
Vehicle fleet	923 (933)	842
Air travel	334	477
<b>Total t CO<sub>2</sub> e emissions created by the Department</b>	<b>9,464 (9,474)</b>	<b>9,023</b>

Note: Bracketed figures were published in the 2013–14 Annual Report. They have been updated as more accurate data has become available.

### **Target**

Reduce the Department's office-based greenhouse gas emissions by 15 per cent of 2013–14 levels by 31 March 2024, averaging an incremental reduction of 1.5 per cent each year for 10 years.

***Explanatory notes***

The Department reduced its greenhouse gas emissions across four of the six indicators, achieving a five per cent reduction overall. This achievement exceeds the incremental 1.5 per cent reduction target required each year.

**Procurement**

Last year a target was set to increase the percentage of EarthSaver stationery items purchased. This currently cannot be measured; however the Department continues to promote the purchase of environmentally friendly products, and specifically in the stationery/office products category. This is achieved by incorporating more environmentally friendly items listed as 'preferred product options'. Business Units are also encouraged to visit the Department's 'Swap Shop'—a stationery reuse system—before purchasing new stationery items.

The Department continues to work with the print management provider Finsbury Green to ensure all publications printed externally are completed in the most sustainable manner by, for example, using vegetable dyes and minimal packaging.

The Procurement Division encourages procurement evaluation panels to factor in and weight environmental policies/commitments into the Invitation to Supply template. This template is made available to all business units on request.

Infrastructure project tenders are evaluated against the criterion of their ability to satisfy environmental protection requirements.

## Additional departmental information available on request

Standing Directions of the Minister for Finance require details in respect of certain items to be retained by the Department and made available on request subject to the provisions of the *Freedom of Information Act 1982*.

Of these, details of the following are published in this report:

- a statement that declarations of pecuniary interests have been duly completed by all relevant officers
- details of shares held by a senior officer as nominee or held beneficially in a statutory authority or subsidiary
- details of publications produced by the entity about itself, and how these can be obtained
- details of changes in prices, fees, charges, rates and levies charged by the entity
- details of assessments and measures undertaken to improve the occupational health and safety of employees.
- a general statement on industrial relations within the entity and details of time lost through industrial accidents and disputes
- details of all consultancies including:
  - consultants engaged
  - services provided
  - expenditure committed to for each engagement

Details of the following are published in the *Department of Education and Training Annual Report 2014–15 Additional Information* and are available at [www.education.vic.gov.au](http://www.education.vic.gov.au):

- details of changes in prices, fees, charges, rates and levies charged by the entity
- details of any major external reviews carried out on the entity
- details of major research and development activities undertaken by the entity
- 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 entity to develop community awareness of the entity and its services
- a list of major committees sponsored by the entity, the purposes of each committee and the extent to which the purposes have been achieved
- details of all contractors including:
  - contractors engaged
  - services provided
  - expenditure committed to for each engagement.

## Attestation for compliance with the Australian/New Zealand Risk Management Standard

### RISK ATTESTATION WORDING FOR ANNUAL REPORT 2014/15

I, Gill Callister, certify that the Department of Education and Training has partially complied with Ministerial Standing Direction 4.5.5. - Risk.

Risk management processes consistent with AS/NZS ISO 31000:2009 are in place. The risk profile of the Department has been critically reviewed within the last 12 months, but recent investigations by the Independent Broad-based Anti-corruption Commission (IBAC) have revealed weaknesses in the risk management system. This indicates only partial compliance to the requirement of having an internal control system in place that enables the executive to understand, manage and satisfactorily control risk exposures.

The Department will adopt a preventative approach to managing risk, underpinned by clear accountabilities and a strong integrity culture, to effectively mitigate non-compliance. A new 'three lines of defence' risk management model will be developed to meet this goal.

The Department's Portfolio Audit and Risk Committee verifies this partial assurance and will oversee activities that will be undertaken to review the department's risk management practices and implement improvements over the course of the next 12 months.



Gill Callister  
Secretary  
7 September 2015

## Attestation for compliance with the Ministerial Standing Direction 4.5.5—Insurance

### INSURANCE ATTESTATION FOR ANNUAL REPORT

#### Other Disclosures and Attestations

#### Insurance

I, Gill Callister, certify that the Department of Education and Training has complied with Ministerial Direction 4.5.5 – 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.



Gill Callister  
Secretary  
27 September 2015



# Financial statements

These financial statements cover the Department of Education and Training as an individual entity.

The Department of Education and Training 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.

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## Accountable Officer's and Chief Finance Officer's declaration

The attached financial statements for the Department of Education and Training have been prepared in all material respects accordance with Standings Direction 4.2 of the *Financial Management Act 1994*, applicable Financial Reporting Directions, Australian Accounting Standings 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 in all material respects the financial transactions during the year ended 30 June 2015 and financial position of the Department at 30 June 2015.

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 15 October 2015.

G. Callister  
Secretary  
Department of Education and Training



Melbourne  
15 October 2015

A. Cresswell  
Chief Finance Officer  
Department of Education and Training



Melbourne  
15 October 2015

# Auditor-General's Independent Auditor's Report

**VAGO**

Victorian Auditor-General's Office

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## INDEPENDENT AUDITOR'S REPORT

### To the Secretary, Department of Education and Training

#### *The Financial Report*

My responsibility is to audit the accompanying financial report for the year ended 30 June 2015 of the Department of Education and Training 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.

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

The Secretary of the Department of Education and Training 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. Because of the matters described in the Basis for Disclaimer of Opinion, however, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

#### *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.

#### *Basis for Disclaimer of Opinion*

The Department of Education and Training's property, plant and equipment is carried at \$16 830.2 million on the Department's balance sheet. This balance represents 86% of total assets and 95% of net assets of the Department as at 30 June 2015. The Department has not maintained proper accounts and records to support its property, plant and equipment balance as well as related financial statement line items, which is a breach of the *Financial Management Act 1994*.

*Auditing in the Public Interest*

### Independent Auditor's Report (continued)

Consequently this has prevented me from obtaining sufficient appropriate audit evidence. As a result, I am unable to determine whether any adjustments may have been necessary to the following financial statement line items:

- Property, plant and equipment (\$16 830.2 million)
- Physical asset revaluation surplus (\$7 382.3 million)
- Changes in physical asset revaluation surplus (\$815.5 million)
- Depreciation (\$296.4 million)
- Non-financial physical assets classified as held for sale (\$107.9 million)
- Net gain/(loss) on non-financial assets (\$22.8 million).

In addition, the Department of Education and Training's financial report incorporates the transactions and balances of 1 569 government schools. The Department has been unable to provide, and consequently I have been unable to obtain, sufficient appropriate audit evidence in relation to these transactions and balances. As a result, I am unable to determine whether any adjustments may have been necessary to the following financial statement line items:

- Supplies and services expenditure (\$1 107.1 million of a total of \$2 690.4 million)
- Other income (\$510.1 million of a total \$523.3 million)
- Employee expenses (\$247.3 million of a total of \$5 477.5 million)
- Sales of goods and services revenue (\$160.9 million of a total of \$214.4 million)
- Other operating expenses (\$50.9 million of a total of \$122.6 million)
- Interest income (\$19.9 million of a total of \$19.9 million).

Furthermore I am unable to obtain sufficient appropriate audit evidence in relation to the completeness and classification of the following financial statement line items:

- Cash and deposits (\$557.8 million of a total \$715.3 million)
- Other financial assets (\$132.5 million of a total \$132.5 million).

The inability to obtain sufficient appropriate audit evidence for these property, plant and equipment and school transactions and balances also means I am unable to determine whether any other adjustments to the statement of comprehensive income, balance sheet, statement of changes in equity and the cash flow statement were necessary.

#### *Disclaimer of Opinion*

Because of the significance of the matters described in the Basis for Disclaimer of Opinion, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, I do not express an opinion on the financial report.

MELBOURNE  
29 October 2015



Dr Peter Frost  
Acting Auditor-General

## Comprehensive operating statement for the financial year ended 30 June 2015

	Note	2015 \$m	Restated 2014 <sup>1</sup> \$m
<b>Income from transactions</b>			
Output appropriations	6(a)	10,683.3	10,516.9
Special appropriations	6(b)	0.2	0.2
Interest income		19.9	19.9
Grants	4(a)	19.7	17.6
Sales of goods and services	4(b)	214.4	204.7
Other income	4(c)	523.3	507.6
<b>Total income from transactions</b>		<b>11,460.7</b>	<b>11,267.0</b>
<b>Expenses from transactions</b>			
Employee expenses	4(d)	(5,477.5)	(5,169.9)
Depreciation and amortisation	4(e)	(316.7)	(340.9)
Interest expense		(14.2)	(14.2)
Grants and other expense transfers	4(f)	(1,374.2)	(1,515.5)
Capital asset charge		(1,287.1)	(1,266.3)
Supplies and services	4(g)	(2,690.4)	(2,681.9)
Other operating expenses	4(h)	(122.6)	(112.7)
<b>Total expenses from transactions</b>		<b>(11,282.8)</b>	<b>(11,101.5)</b>
<b>Net result from transactions (net operating balance)</b>		<b>178.0</b>	<b>165.6</b>
<b>Other economic flows included in net result</b>			
Net gain/(loss) on non-financial assets	5(a)	22.8	10.1
Net gain/(loss) on financial instruments	5(b)	(7.7)	(1.4)
Other gains/(losses) from other economic flows	5(c)	(34.2)	(9.9)
<b>Total other economic flows included in net result</b>		<b>(19.2)</b>	<b>(1.2)</b>
<b>Net result</b>		<b>158.8</b>	<b>164.3</b>
<b>Other economic flows—other comprehensive income that will not be classified to net result</b>			
Changes in physical asset revaluation surplus	16	815.5	17.8
<b>Total other economic flows—other comprehensive income</b>		<b>815.5</b>	<b>17.8</b>
<b>Comprehensive result</b>		<b>974.3</b>	<b>182.1</b>

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

<sup>1</sup> See Note 1(v)(w)(x)(aa) for details about restatements.

## Balance sheet as at 30 June 2015

	Note	2015 \$m	Restated <sup>1</sup> 2014 \$m	Restated <sup>1</sup> 2013 \$m
<b>Assets</b>				
<b>Financial assets</b>				
Cash and deposits	7	715.3	718.3	593.5
Receivables	8	1,725.9	1,355.0	1,204.0
Other financial assets	7	132.5	127.1	174.1
<b>Total financial assets</b>		<b>2,573.7</b>	<b>2,200.4</b>	<b>1,971.7</b>
<b>Non-financial assets</b>				
Non-financial physical assets classified as held for sale or distribution	9	107.9	90.5	125.5
Intangible assets	10	65.7	63.5	59.7
Property, plant and equipment	11	16,830.2	16,144.0	16,221.1
Prepayments		20.1	18.4	14.5
Other non-financial assets		11.0	–	–
<b>Total non-financial assets</b>		<b>17,034.9</b>	<b>16,316.5</b>	<b>16,420.8</b>
<b>Total assets</b>		<b>19,608.5</b>	<b>18,516.8</b>	<b>18,392.4</b>
<b>Liabilities</b>				
Payables	12	342.4	386.1	438.1
Borrowings	13	255.1	253.8	194.8
Provisions	14	1,332.4	1,235.4	1,201.3
Unearned income		11.0	13.7	9.7
<b>Total liabilities</b>		<b>1,940.8</b>	<b>1,889.0</b>	<b>1,843.9</b>
<b>Net assets</b>		<b>17,667.7</b>	<b>16,627.9</b>	<b>16,548.5</b>
<b>Equity</b>				
Accumulated surplus/(deficit)		1,478.6	1,319.8	1,155.5
Physical asset revaluation surplus	16	7,382.3	6,566.9	6,549.0
Contributed capital		8,806.8	8,741.2	8,844.0
<b>Net worth</b>		<b>17,667.7</b>	<b>16,627.9</b>	<b>16,548.5</b>
Contingent assets and contingent liabilities	21			
Commitments for expenditure	22			

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

<sup>1</sup> See Note 1(v)(w)(x)(y)(z) for details about restatements.

## Statement of changes in equity for the financial year ended 30 June 2015

	Note	Physical asset revaluation surplus \$m	Accumulated surplus/ (deficit) \$m	Contributed capital \$m	Total \$m
<b>Balance at 1 July 2013</b>		<b>4,232.6</b>	<b>1,209.6</b>	<b>8,840.9</b>	<b>14,283.1</b>
Correction of prior year error	1(v)	–	211.5	3.1	214.7
Changes in accounting policy	1(x)	2,316.5	(265.7)	–	2,050.8
<b>Restated total equity at 1 July 2013</b>		<b>6,549.0</b>	<b>1,155.5</b>	<b>8,844.0</b>	<b>16,548.5</b>
Restated net result for the year	1(v)(x)	–	164.3	–	164.3
Restated other comprehensive income for the year	1(v)(x)	17.8	–	–	17.8
Capital appropriations		–	–	78.0	78.0
Contributed capital transfers in		–	–	0.2	0.2
Contributed capital transfers (out)		–	–	(181.0)	(181.0)
<b>Restated balance at 30 June 2014</b>		<b>6,566.9</b>	<b>1,319.8</b>	<b>8,741.2</b>	<b>16,627.9</b>
Net result for the year		–	158.8	–	158.8
Other comprehensive income for the year		815.5	–	–	815.5
Capital appropriations		–	–	155.8	155.8
Contributed capital transfers in		–	–	276.1	276.1
Contributed capital transfers (out)		–	–	(366.3)	(366.3)
<b>Balance at 30 June 2015</b>		<b>7,382.3</b>	<b>1,478.6</b>	<b>8,806.8</b>	<b>17,667.7</b>

The above statement of changes in equity should be read in conjunction with the accompanying notes.

## Cash flow statement for the financial year ended 30 June 2015

	Note	2015 \$m	Restated <sup>1</sup> 2014 \$m
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Receipts from Government		10,316.4	10,357.3
Receipts from other entities		794.4	741.3
Goods and Services Tax recovered from the ATO		306.0	321.4
Interest received		19.9	19.9
<b>Total receipts</b>		<b>11,436.7</b>	<b>11,439.9</b>
<b>Payments</b>			
Payments of grants and other transfers		(1,395.0)	(1,540.5)
Payments to suppliers and employees		(8,532.0)	(8,239.8)
Goods and Services Tax paid to the ATO		(23.2)	(14.7)
Capital asset charge		(1,287.1)	(1,266.3)
Interest and other costs of finance paid		(14.2)	(14.2)
<b>Total payments</b>		<b>(11,251.5)</b>	<b>(11,075.6)</b>
<b>Net cash flows from/(used in) operating activities</b>	23	<b>185.2</b>	<b>364.3</b>
<b>Cash flows from investing activities</b>			
Purchases of non-financial assets		(300.5)	(387.9)
Purchase of Other financial assets		(11.0)	–
Net Proceeds from investments	1(d)	–	45.2
Net Payments for investments	1(d)	(5.4)	–
Sales of plant and equipment		4.1	3.8
Proceeds from Loan and advances		5.9	0.4
Payment of Loan and advances		(34.1)	(2.8)
<b>Net cash flows from/(used in) investing activities</b>		<b>(340.9)</b>	<b>(341.4)</b>
<b>Cash flows from financing activities</b>			
Owner contributions received		155.8	78.2
Proceeds from Borrowings		11.2	31.9
Repayment of Borrowings and finance leases		(14.4)	(8.4)
<b>Net cash flows from/(used in) financing activities</b>		<b>152.7</b>	<b>101.8</b>
<b>Net increase/(decrease) in cash and deposits</b>		<b>(3.0)</b>	<b>124.7</b>
Cash and deposits at the beginning of the financial year		718.3	593.5
<b>Cash and deposits at the end of the financial year</b>	7	<b>715.3</b>	<b>718.3</b>

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

<sup>1</sup> See Note 1(v)(w)(x) for details about restatements.

# 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 Training (the Department) for the year ended 30 June 2015. 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 Australian Accounting Standards 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.

To gain a better understanding of the terminology used in this report, a glossary of terms and style conventions can be found in Note 27 Glossary of terms and style conventions.

These annual financial statements were authorised for issue by the Secretary of the Department on 15 October 2015.

### (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.

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.

Revisions to accounting estimates are recognised in the period in which the estimate is revised and also in future periods that are affected by the revision. Judgements and assumptions made by management in the application of Australian Accounting Standards that have significant effects on the financial statements and estimates relate to:

- the fair value of land, buildings, plant and equipment, (see Note 1(l))
- depreciation and amortisation expense, (see Note 1(g))
- assumptions for employee benefit provisions based on likely tenure of existing staff, patterns of leave claims, future salary movements and future discount rates (see Note 1(m)).

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

- non-financial physical assets which, subsequent to acquisition, are measured at a revalued amount being their fair value (see Note 1(l)). Revaluations are made with sufficient regularity to ensure that the carrying amounts do not materially differ from their fair value
- certain liabilities, most notably employee entitlements.

Consistent with AASB 13 *Fair Value Measurement*, the Department determines the policies and procedures for both recurring fair value measurements such as property, plant and equipment, and financial instruments and for non-recurring fair value

measurements such as non-financial physical assets held for sale, in accordance with the requirements of AASB 13, AASB 5 *Assets Held for Sale and Discontinued Operations* and relevant Financial Reporting Directions (FRDs).

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1—Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2—Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3—Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For the purpose of fair value disclosures, the Department has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

In addition, the Department determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Valuer-General Victoria (VGV) is the Department's independent valuation agency.

The Department, in conjunction with the VGV, monitors changes in the fair value of each asset and liability through relevant data sources to determine whether revaluations are required. The recurring fair value measurements of non-financial physical assets such as land and school buildings are based on level 3 unobservable inputs due to the nature and characteristics of the school assets. School assets are specialised assets where there is little or no observable market evidence of the market-selling price. See Note 1(l).

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 under Administered Items below) are also not controlled and not consolidated. In the process of preparing consolidated financial statements for the Department, all material transactions and balances between consolidated entities are eliminated.

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 incomes include fees 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. Disclosures related to administered items can be found in Note 3.

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 Administered 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.

### **(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 Training  
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.

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 these schools have been eliminated as required by Australian Accounting Standards. Transactions with non-government schools are not eliminated.

### ***Objectives and funding***

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 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 Education, Minister for Training and Skills, and the Minister for Families and Children, 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.

### ***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) Scope and presentation of financial statements**

### ***Comprehensive operating statement***

The comprehensive operating statement comprises three components, being:

- Net Result from Transactions (also termed Net Operating Balance)
- Other Economic Flows Included in Net Result
- Other Economic Flows—Other Comprehensive Income.

The sum of the former two represents the net result; which is equivalent to profit or loss derived in accordance with AAS.

'Other economic flows' are changes arising from market re-measurements. They include:

- gains and losses from disposals of non-financial assets
- revaluations and impairments of non-financial physical and intangible assets
- assets reinstated
- fair value changes of financial instruments
- gain and losses from revaluation of long service leave liability.

This classification is consistent with the whole-of-government reporting format and is allowed under AASB 101 *Presentation of Financial Statements*.

### ***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 (non-current being those assets and liabilities expected to be recovered or settled beyond 12 months after the reporting period) 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 Comprehensive Income 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*.

Proceeds from/payments for investments represent movement of schools' term deposits with a maturity of three months or more. The Department does not have information available from each school to determine these gross cash flows; therefore investment movement has been disclosed on a net basis.

### ***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. Please refer to the end of Note 27 for a style convention for explanations of minor discrepancies resulting from rounding.

## **(e) Changes in accounting policies**

Subsequent to the 2013–14 reporting period, the following new and revised Standards have been adopted in the current period with their financial impact detailed as below.

### **AASB 10 Consolidated Financial Statements**

AASB 10 provides a new approach to determine whether an entity has control over another entity, and therefore must present consolidated financial statements. The new approach requires the satisfaction of all three criteria for control to exist over an entity for financial reporting purposes:

- the investor has power over the investee
- the investor has exposure, or rights to variable returns from its involvement with the investee
- the investor has the ability to use its power over the investee to affect the amount of the investor's returns.

Based on the new criteria prescribed in AASB 10, the Department has reviewed the existing arrangements and concluded that no additional entities meet the criteria of control by the Department.

### **AASB 11 Joint Arrangements**

In accordance with AASB 11, there are two types of joint arrangements, i.e. joint operations and joint ventures. Joint operations arise where the investors have rights to the assets and obligations for the liabilities of an arrangement. A joint operator accounts for its share of the assets, liabilities, revenue and expenses. Joint ventures arise where the investors have rights to the net assets of the arrangement; joint ventures are accounted for under the equity method. Proportionate consolidation of joint ventures is no longer permitted.

The Department has reviewed its existing contractual arrangements with other entities to ensure they are aligned with the new classifications under AASB 11. It has concluded that the Department has no joint arrangements with other entities.

### **AASB 12 Disclosure of Interests in Other Entities**

AASB 12 *Disclosure of Interests in Other Entities* prescribes the disclosure requirements for an entity's interests in subsidiaries, associates and joint arrangements and extends to the entity's association with unconsolidated structured entities.

The Department has concluded that it has no control over additional entities under AASB 10, and it has not identified any joint arrangements with other entities under AASB 11. Therefore, AASB 12 disclosure is not required.

The Department has also reviewed its current contractual arrangements to determine if there are any unconsolidated structured entities that the Department has involvement with. It has not identified any unconsolidated structured entities during the assessment.

### **AASB 2015-7 Amendments to Australian Accounting Standards—Fair Value Disclosure of Not-for-Profit Public Sector Entities**

The Minister for Finance has approved the early adoption of AASB 2015-7. This enables Victorian not-for-profit public sector entities to benefit from some limited scope exemptions in relation to the fair value disclosure for the 2014–15 reporting period. The Department has chosen to apply this early adoption. For fair value measurements that have been categorised within Level 3 of the fair value hierarchy, the Department is no longer required to provide quantitative information about the 'significant unobservable inputs' used in determining the fair value measurement (Note 11).

## **(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 Section 29 of the *Financial Management Act 1994* (FMA) to have certain income annotated to the annual appropriation. The income which

forms part of a Section 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, Section 29 provides for an equivalent amount to be added to the annual appropriation. Examples of receipts which can form part of a Section 29 agreement are Commonwealth specific 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.

#### ***Interest***

Interest includes interest received on bank term deposits and other investments. The Department does not accrue for interest. Interest revenue is recognised upon receipt.

#### ***Grants***

Income from grants (other than contributions 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 (see Note 1(b) and Note 11(l)). For reciprocal grants (that is, 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, inclusive of regulatory fees, is recognised when:

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

#### ***Income from sale of goods***

Sales of goods and services income derived from schools includes sales of classroom materials, before and after school care, and other trading operations.

Other income relates mainly to income derived from schools including parents' voluntary contributions and other locally raised funds.

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

- the Department (or school) no longer has any of the significant risks and rewards of ownership of the goods transferred to the buyer
- the Department (or school) no longer has continuing 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 Department.

Cash received in schools is processed in accordance with controls established by the School's Council.

## **(g) Expenses from transactions**

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

### ***Employee expenses***

See Note 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, in its Annual Financial Statements, discloses 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. See the Department of Treasury and Finance's Annual Financial Statements for more detailed disclosures in relation to these plans.

### ***Depreciation and amortisation***

All buildings, heritage buildings, plant and equipment and other non-financial physical assets (excluding items under operating leases and assets held for sale or 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:

<b>Asset Class</b>	<b>Useful life Years</b>	<b>2015 %</b>	<b>2014 %</b>
Buildings	10–60	1.7–10	1.7–10
Heritage buildings	40–60	1.7–2.5	1.7–2.5
Leasehold buildings	3–60	1.7–33	1.7–33
Plant and equipment (including vehicles leased assets)	3–10	10–33	10–33
Software	3–10	10–33	10–33

Land is considered to have an indefinite life and is 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 10 and 60 years.

Intangible produced assets with finite useful lives, i.e. capitalised software development costs (software), 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.

#### ***Interest expense***

Interest expense represents costs incurred in connection with borrowings. It includes interest on advances, loans, interest components of finance lease repayments, and amortisation of discounts or premiums in relation to borrowings.

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 contributions 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.

#### ***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.

#### ***Other operating expenses***

Other operating expenses generally represent the day-to-day running costs incurred in normal operations, and include:

##### ***Bad and doubtful debts***

Bad and doubtful debts are assessed on a regular basis. Those bad debts written off by mutual consent are classified as a transaction expense. Those written off unilaterally (not by mutual agreement between debtor and creditor) are classified as other economic flows.

##### ***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*

See Note 1(l).

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

Any gain or loss on the disposal of non-financial assets is recognised at the date of disposal and is determined after deducting the proceeds from the carrying value of the asset at the 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 non-financial physical assets held for sale (refer Note 1(l)).

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

If there is an indication that there has been a reversal in the estimate of an asset's recoverable amount since the last impairment loss was recognised, the carrying amount shall be increased to its recoverable amount. The impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised in prior years.

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.

See Note 1(l) in relation to the recognition and measurement of non-financial assets.

#### *Assets reinstated*

Where it is found that a previously recognised asset has been omitted from the financial records, it is reinstated through other economic flows.

### ***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*

See Note 1(j).

### ***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
- transfer of amounts from the reserves to accumulated surplus or net result due to disposal or de-recognition or reclassification.

## **(i) Administered income**

### ***Regulatory fees***

The Department does not gain control over assets arising from 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 on-passing grants 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.

The loans and receivables category includes cash and deposits (See Note 1(k)), term deposits with maturity greater than three months, trade receivables, loans and other receivables; but not statutory receivables.

Fair value is determined in the manner described in Note 17.

## **(k) Financial assets**

### ***Cash and deposits***

Cash and deposits recognised on the balance sheet 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 readily convertible to known amounts of cash with an insignificant risk of changes in value.

Due to limitation of available information, the value of investments with 0–3 month maturity has been apportioned to *Cash and Deposits*, from *Other Financial Assets*, based on an estimate.

### ***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
- contractual receivables, which include mainly debtors in relation to goods and services, loans to third parties, accrued investment income, and finance lease receivables (See Note 1(n)).

Contractual receivables are classified as financial instruments (refer to Note 1(j) Financial Instruments for recognition and measurement). Statutory receivables, are recognised and measured similarly to contractual receivables (except for impairment), but are not classified as financial instruments because they do not arise from a contract.

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. Due to limitation of available information, the value of investments with 0-3 month maturity has been apportioned to *Cash and Deposits*, from *Other Financial Assets*, based on an estimate.

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.

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 written off not by mutual consent and the allowance for doubtful receivables are classified as Other Economic Flows—Other Comprehensive Income 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 in accordance with AASB 136 *Impairment of Assets*.

## **(I) Non-financial assets**

### ***Non-financial assets classified as held for sale or distribution***

Non-financial assets are treated as current and classified as held for sale or distribution 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 12 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 disposal, and are not subject to depreciation or 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 acquired 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.

The initial cost for non-financial physical assets under a finance lease (refer to Note 1(n)) 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.

Non-financial physical assets such as Crown land and heritage buildings 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.

Land and buildings of the Department are considered as specialised land and buildings.

Specialised land has no feasible alternative use because it is restricted to only provide education services to the community group. There is also little or no observable market evidence of the market-selling price.

Specialised buildings are buildings designed for a specific limited purpose. In the State Government sector, these buildings include school sites and heritage/historic properties owned by the Department.

### ***Leasehold improvements***

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

### ***Restrictive nature of heritage buildings, Crown land and infrastructure assets***

During the reporting period, the Department also held heritage buildings, and other non-financial physical assets (including Crown land and infrastructure assets) that the Department intends to preserve because of their unique historical, cultural or environmental attributes.

In general, the fair value of those assets is measured at the depreciated replacement cost. However, the cost of some heritage and iconic assets may be the reproduction cost rather than the replacement cost if those assets' service potential could only be replaced by reproducing them with the same materials. In addition, as there are limitations and restrictions imposed on those assets use and/or disposal, they may impact the fair value of those assets, and should be taken into account when the fair value is determined.

## **Land and building revaluation**

### *Revaluations of non-financial physical assets*

Non-financial physical assets are measured at fair value on a cyclical basis, in accordance with Financial Reporting Direction (FRD) 103F *Non-financial physical assets* issued by the Minister for Finance. A full revaluation normally occurs every five years, with the last formal revaluation completed in 2013, based on the asset's government purpose classification. The Department conducts fair value assessments based upon the cumulative indices supplied by the VGV since the last formal revaluation. Where fair value assessments indicate that the changes in valuations are greater than 10 per cent, a management valuation would be undertaken, and these indices are applied. As at 30 June 2015, a managerial revaluation was required as indices indicated assets values had moved 12 per cent. Independent valuers are used to conduct the scheduled revaluations and any interim revaluations are determined in accordance with the requirements of FRD103F.

See the Land and Building sections of this note and Note 11 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 comprehensive income' 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 comprehensive income' 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 comprehensive income' 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.

### *Land*

Land is measured initially at cost and subsequently revalued at fair value by the VGV by physical inspection of the property every five years and takes highest and best use into consideration (the last being in June 2013). The value is based on an Active and Liquid Market value (at least three recent comparable sales are considered by the VGV) and is further adjusted for community service obligations to reflect the specialised nature of the land being valued. It also takes into account the underlying zone (residential, commercial or industrial) and heritage issues in considering the highest and best use of land. In a non-revaluation year, land is measured at each reporting date by applying industry indices to the values to ensure there has been no material movement. Where there has been a material movement (more than 10 per cent), the fair value is adjusted accordingly.

The community service obligations adjustment is considered a significant unobservable input in nature; therefore specialised land is classified as Level 3 assets.

### *Buildings*

Building assets are measured initially at cost and subsequently revalued at fair value by the VGV by physical inspection of the property every five years and taking its highest and best use into consideration (the last being in June 2013). The valuations are undertaken by the VGV in accordance with the Department's policies. School buildings are specialised assets that are restricted to primarily providing education services, with

some ancillary community services also provided. As such, there is generally little or no observable market-based evidence for determining the fair value of such assets. Accordingly, school buildings and other improvements are valued under the Depreciated Replacement Cost (DRC) method which represents the highest and best use under AASB 13 *Fair Value Measurement*.

DRC 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. Depreciation adjustments are considered as significant and unobservable inputs in nature, therefore these specialised buildings are classified as level 3 fair value measurements.

Current replacement cost is derived based on the physical inspection of the school buildings by VGV every five years and adjusted for physical deterioration and functional obsolescence which may exist. The Department provides school data to VGV with a building description, size and age. The VGV inspects all the building assets and each component of the school site is broken down by individual structure and valued accordingly. However, AASB 13 does not provide definitive guidance as to how economic obsolescence should be determined, particularly in the context of public sector assets. Diverse views are noted by the Department regarding the application of the concept of economic obsolescence in the public sector, with the assessment of economic obsolescence therefore remaining a matter of individual judgement.

Assets acquired within 12 months of the relevant scheduled revaluation are exempt from revaluation as the value is deemed to be current. The cost of assets acquired within 12 months of each reporting date is deemed to be fair value. The exception to this is if industry data indices show a significant change in the value of these assets. Where there has been a material movement (greater than 10 per cent), the fair value is updated accordingly.

#### ***Other assets***

Plant and equipment assets are measured at fair value (equating to cost) less accumulated depreciation and impairment.

The fair value of plant and equipment is normally determined by reference to the asset's depreciated replacement cost. Existing depreciated historical cost is generally a reasonable approximation for depreciated replacement cost because of the short lives of the assets concerned.

For the accounting policy on impairment of non-financial physical assets, see Impairment of non-financial assets under Net gain/(loss) on disposal of non-financial assets in Note 1(h).

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

The initial cost for non-financial physical assets under a finance lease (see Note 1(n)) 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.

Certain assets are acquired under finance leases, which may form part of a service concession arrangement. See Note 1(n) and Note 1(p) in relation to such assets and arrangements.

#### ***Non-financial 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.

#### ***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.

See Note 1(g) and Note 1(h).

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:

- the technical feasibility of completing the intangible asset so that it will be available for use or distribution
- an intention to complete the intangible asset and use or distribute 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 distribute the intangible asset
- 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 which 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. Contractual payables are classified as financial instruments and categorised as financial liabilities at amortised cost
- Statutory payables, such as GST and fringe benefits tax payables. 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 (see Note 1(n)).

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.

### **Provisions**

Provisions are recognised when the Department has a present obligation, for future sacrifice of economic benefits which are 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.

#### *Wages and salaries, and annual leave*

Liabilities for wages and salaries, including non-monetary benefits annual leave, are recognised in the provision for employee benefits as 'current liabilities', because the Department does not have an unconditional right to defer settlements of these liabilities.

Based upon the expectation of the timing of settlement, liabilities for annual leave are measured at present value, as the Department does not expect to wholly settle within 12 months.

#### *Long service leave*

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

Unconditional long service leave 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 does 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 long service leave liability are measured at present value, as the Department does not expect to wholly settle within 12 months.

Conditional long service leave 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 long service leave liability is measured at present value.

Any gain or loss following revaluation of the present value of long service leave liability measured at present value 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. See Note 1(h).

#### *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
- 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.

#### *Employee benefits on-costs*

Employee benefits on-costs (payroll tax, workers compensation, and superannuation) are recognised separately from provision for employee benefits.

The measurement of employee benefits on-costs mirror the employee benefit provisions to which they relate, and therefore they are measured at present value as the Department does not expect to wholly settle within 12 months.

## **(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. For service concession arrangements (see Note 1(r)), the commencement of the lease term is deemed to be the date the asset is commissioned. 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 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***

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.

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. Transfers of net liabilities arising from administrative restructurings are treated as distributions to owners.

## **(p) Commitments**

Commitments for future expenditure include operating and capital commitments arising from contracts. These commitments are disclosed by way of note (see Note 22) 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 (see Note 21) 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 with private sector participants, 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 or service concession arrangements.

These service concession arrangements usually take one of two main forms. The Department's service concession arrangements pay 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)). The remaining components are accounted for as commitments for operating costs (see Note 1(p)) 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 operating and maintenance commitments (see Note 22(a)).

### **(s) Accounting for goods and services tax**

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 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.

See Note 1(p) and (q) for commitments; and contingent assets and liabilities respectively.

### **(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.

### **(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) Correction of prior year error**

#### ***(i) Advance from Public Account***

Prior to June 2013, the Public Account advances to TAFEs were treated as contributed capital. The prior year accounting treatment has been reviewed and it has been determined that these advances had been incorrectly recorded as contributed capital.

In addition, the repayment by one TAFE in 2014 was incorrectly recorded as a reduction of grants expenses to one TAFE, rather than a reduction of loan receivables.

The advances previously recognised as contributed capital have been restated to receivables.

The opening position at 1 July 2013 has been restated:

- increase to receivables of \$3.1 million (assets)
- increase to contributed capital of \$3.1 million (equity).

The following 2014 comparative balances have been restated by:

- decrease to receivables of \$0.2 million (assets)
- decrease to accumulated surplus/(deficit) of \$0.2 million (equity)
- decrease to contributed capital of \$0.2 million (equity)
- increase to grants and other expense transfers of \$0.2 million (expense).

#### ***(ii) Write-back of balances carried over from former Victorian Skills Commission (VSC)***

The Victorian Skills Commission (VSC) was de-commissioned in December 2012 and the net assets of the commission were transferred to the Department in 2012–13. A review was completed at 30 June 2015 and identified receivables and payables that did

not represent assets or liabilities of the VSC or the Department. These were transferred in error and have been adjusted through accumulated surplus.

The opening position at 1 July 2013 has been restated:

- decrease to payables of \$17.1 million (liabilities)
- decrease to receivables of \$1.2 million (assets)
- increase to accumulated surplus/(deficit) of \$15.9 million (equity).

***(iii) Accrued grants to non-government schools***

The Department has reviewed the treatment of grants payable to non-government schools and it has been determined that the Department had previously been recognising the expense of extending grants to non-government schools in the wrong reporting period resulting in a non-compliance with accounting standards. The grants paid to non-government schools should be recognised at the time the cash payment is made, as opposed to being accrued for at balance date. This has resulted in a restatement of relevant comparative information presented in the financial statements.

The opening position at 1 July 2013 has been restated:

- decrease to payables of \$166.7 million (liabilities)
- increase to accumulated surplus/ (deficit) of \$166.7 million (equity).

The following 2014 comparative balances have been restated:

- decrease to payables of \$25 million (liabilities)
- increase to accumulated surplus/(deficit) of \$25 million (equity)
- decrease to grants and other expense transfer of \$25 million (expenses).

These amounts are disclosed as other expenditure commitments (Note 22).

***(iv) Over-capitalisation of building costs***

Upon departmental review, it was identified that an over-capitalisation of buildings costs resulted in negative work in progress balances in error. These related to schools that formed part of 2013 revaluation and the over-capitalisation was adjusted to the revaluation reserve.

The following 2014 comparative balances have been restated:

- increase to property, plant and equipment of \$13.2 million (assets)
- increase to asset revaluation reserve of \$13.2 million (equity)
- increase to changes in physical asset revaluation surplus of \$13.2 million (other comprehensive income).

***(v) Write-back of accumulated depreciation***

During the year the Department discovered that for a series of building assets the opening accumulated depreciation was inadvertently written off and needs to be re-instated.

The following 2014 comparative balances have been restated:

- decrease to property, plant and equipment of \$9.4 million (assets)
- decrease to asset revaluation reserve of \$9.4 million (equity)
- decrease to changes in physical asset revaluation surplus of \$9.4 million (other comprehensive income).

***(vi) Make-good provision***

Due to an inadvertent human error, the make-good provision was over-stated in 2014. This has resulted in a restatement of relevant comparative information presented in the financial statements.

The following 2014 comparative balances have been restated:

- decrease to property, plant and equipment of \$1.1 million (assets)
- decrease to provisions of \$1.1 million (liabilities)

***(vii) Long service leave and annual leave provision***

The Department reviewed the long service and annual leave provisions, and it has been determined that these provisions were over-stated when compared to the requirements of AASB 119 *Employee Benefits*. This has resulted in a restatement of relevant comparative information presented in the financial statements.

The opening position at 1 July 2013 has been restated:

- decrease to provisions of \$28.9 million (liabilities)
- increase to accumulated surplus/(deficit) of \$28.9 million (equity).

The following 2014 comparative balances have been restated:

- decrease to provisions of \$7.9 million (liabilities)
- decrease to employee expense of \$7.9 million (expenses)
- increase to accumulated surplus/(deficit) of \$7.9 million (equity).

***(viii) School building capitalisation***

During the year the Department recognised that completed assets managed by schools were inadvertently recognised in work in progress as at 30 June 2014. A review of the transactions resulted in the capitalisation of buildings and associated depreciation expense.

The following 2014 comparative balances have been restated:

- increase to property, plant and equipment net of depreciation—buildings of \$46.8 million (assets)
- decrease to property, plant and equipment—work in progress of \$47.3 million (assets)
- increase to depreciation and amortisation of \$0.5 million (expenses)
- decrease to accumulated surplus/(deficit) of \$0.5 million (equity).

***(ix) Land held for sale***

The prior year accounting treatment of land held for sale has been reviewed and it has been determined that the valuations used in the assessment of lower of carrying amount and fair value less costs to disposal was not representative of current fair valuation. This has resulted in a restatement of comparative information presented in the financial statements.

The following 2014 comparative balances have been restated:

- increase to property, plant and equipment of \$15.4 million (assets)
- increase to non-financial physical assets classified as held for sale of \$6.8 million (assets)
- increase to net gain/(loss) on non-financial assets of \$5.2 million (other economic flows included in net results)
- increase to accumulated surplus/(deficit) of \$5.2 million (equity)
- increase to physical asset revaluation surplus of \$17.0 million (equity)
- increase to changes in physical asset revaluation surplus of \$17.0 million (other comprehensive income).

***(x) Overseas student fees***

The Department has reviewed the treatment of unpaid invoices issued to overseas students for educational fees related to the next financial year, and it has been determined that recognising the unpaid invoices as receivables and unearned income was not appropriately recognised in accordance with accounting standards. This has resulted in a restatement of relevant comparative information presented in the financial statements.

The opening position at 1 July 2013 has been restated:

- decrease to receivables of \$8.5 million (assets)
- decrease to unearned income of \$8.5 million (liabilities).

The following 2014 comparative balances have been restated:

- decrease to receivables of \$1.6 million (assets)
- decrease to unearned income of \$1.6 million (liabilities).

#### **(w) Reclassification of financial information**

The Department has elected to reclassify items in the financial statements for the year ended 30 June 2015. The reason for the reclassification is to appropriately reflect the nature of transactions and has resulted in impacting on the comparative information presented in the financial statements. The reclassifications of current and comparative financial information are as follows:

(i) the Department has reclassified the schools cooperative loans from cash and deposits to borrowings during the year. These loans were previously offset against cash and deposits.

The following 2014 comparative balances have been restated:

- increase to borrowings of \$12.9 million (liabilities)
- increase to cash and deposits of \$14.7 million (assets)
- decrease to non-financial assets of \$1.8 million (assets).

(ii) the Department has reclassified the intangibles work in progress from property, plant and equipment work in progress during the year.

The opening position at 1 July 2013 has been restated:

- decrease to property, plant and equipment \$16.1 million (assets)
- increase to intangibles \$16.1 million (assets)

The following 2014 comparative balances have been restated:

- decrease to property, plant and equipment \$18.6 million (assets)
- increase to intangibles \$18.6 million (assets)

(iii) the Department has reclassified some expenditure during the year to better reflect the nature of the transactions.

The following 2014 comparative balances have been restated:

- increase to other operating expenses of \$40.2 million (expenses)
- decrease to supplies and services of \$40.2 million (expenses).

(iv) the Department reclassified the Advance from Public Account from Payables to Borrowings during the year to better reflect the nature of the loan payables.

The following 2014 comparative balances have been restated:

- increase to borrowings of \$49.3 million (liabilities)
- decrease to payables of \$49.3 million (liabilities).

(v) the Department reclassified heritage buildings and leasehold buildings as distinct asset classes separate from buildings in the disclosure in Note 11 in accordance with AASB 101 *Presentation of Financial Statements*. The reclassification has no impact on the overall balance of property, plant and equipment.

The following 2014 comparative balances have been restated:

- decrease to property, plant and equipment—buildings \$255.5 million (assets)
- increase to property, plant and equipment—heritage buildings \$60.6 million (assets)
- increase to property, plant and equipment—leasehold buildings \$194.9 million (assets).

(vi) the Department reclassified supplies and services as a separate expense class from other operating expenses in Note 4. The reclassification has no impact on the overall balance of expenses.

The following 2014 comparative balances have been restated:

- increase to supplies and services of \$2,722.1 million (expenses)
- decrease to other operating expenses of \$2,722.1 million (expenses).

(vii) the Department reclassified part of other financial assets held by schools to cash and deposits in Note 7 due to better available data in the current financial year.

The following 2014 comparative balances have been restated:

- increase to cash and deposits of \$81.3 million (assets)
- decrease to other financial assets of \$81.3 million (assets).

(viii) the Department reallocated current and non-current public-private partnership (PPP) related finance lease liabilities in current financial year.

The following 2014 comparative balances have been restated:

- increase to current borrowings finance lease liabilities of \$10.8 million (liabilities)
- decrease to non-current borrowings finance lease liabilities of \$10.8 million (liabilities).

In addition, the ageing of the present value of the minimum PPP future lease payments for disclosure purpose was also adjusted.

The following 2014 comparative balances have been restated:

- increase to not longer than one year of \$10.9 million (liabilities)
- increase to longer than one year but not longer than five years of \$32.8 million (liabilities)
- decrease to longer than five years of \$43.7 million (liabilities).

## **(x) Change in accounting policy**

(i) During the financial year, the Department has made a change in its accounting policy 'Fair Value of Fixed Assets'.

The change in policy specifically relates to the fair value measurement of school building assets where an adjustment for economic obsolescence is no longer made in measuring the fair value of school assets that are still in use.

Consistent with the previous policy, building assets are measured initially at cost and subsequently revalued at fair value by the VGV by physical inspection of the property every five years and are valued under the DRC method.

The guidance material in AASB 13 *Fair Value Measurement* specifies an adjustment for economic obsolescence must be considered but it does not provide guidance in how it should be determined. The absence of definitive guidance on how the concept of economic obsolescence should be applied in the context of public sector assets is further complicated by the underlying market based approach and principles expressed in the standard. Diverse views are noted by the Department on this matter, with the assessment of economic obsolescence therefore remaining a matter of individual judgement.

Noting the lack of definitive guidance within the Accounting Standard as to the application of AASB 13 in the context of measuring public sector assets, the Department no longer includes an adjustment for economic obsolescence in measuring the fair value of the school assets that are still in use. School building assets are now recorded at depreciated replacement cost.

The opening position at 1 July 2013 has been restated:

- increase to property, plant and equipment \$2,050.8 million (assets)
- decrease to accumulated surplus/(deficit) \$265.7 million (equity)
- increase to physical asset revaluation surplus \$2,316.5 million (equity)
- decrease to changes in physical asset revaluation surplus \$82.3 million (other comprehensive income).

The following 2014 comparative balances have been restated:

- decrease to property, plant and equipment \$594.4 million (assets)
- decrease to accumulated surplus/(deficit) \$42.6 million (equity)
- decrease to physical asset revaluation surplus \$551.8 million (equity)
- increase to depreciation and amortisation \$42.6 million (expenses)
- decrease to changes in physical asset revaluation surplus \$551.8 million (other comprehensive income).

Had the Department not changed this policy, it would have recognised an additional \$45.5 million in depreciation expenses for the year ended 30 June 2015.

(ii) During the year, the Department has made a change in its accounting policy to the fair value measurement of closed school buildings. AASB 116 *Property, Plant and Equipment* specifies assets to be measured at fair value with reference to their highest and best use. For closed school buildings on surplus land, the highest and best use is to demolish the buildings and sell the land as a vacant site. On this basis, the Department has revalued closed school buildings to zero as there are no future economic benefits associated with the buildings. As a result the buildings disclosed in held for sale has been restated to zero.

The following 2014 comparative balances have been restated:

- decrease to non-financial physical assets classified as held for sale \$28.3 million (assets)
- increase to property, plant and equipment \$6.9 million (assets)
- decrease to accumulated surplus/(deficit) \$2.2 million (equity)
- decrease to physical asset revaluation surplus \$19.2 million (equity)
- decrease to net gain/(loss) on non-financial assets \$2.2 million (other economic flows included in net results)
- decrease to changes in physical asset revaluation surplus \$19.2 million (other comprehensive income).

The following tables summarise the impact of this change in accounting policy only. For a summary of all other adjustments, including prior period errors, reclassifications and changes in accounting policies, see Note 1(y) and (z).

***Restated balance sheet as at year ending 30 June 2013 for effect of fair value of fixed assets accounting policy change***

	As reported 1 July 2013 \$m	Fair value adjustment \$m	Restated 1 July 2013 balance <sup>1</sup> \$m
<b>Non-financial physical assets classified as held for sale or distribution</b>			
Property plant and equipment	14,186.4	2,050.8	16,221.1
<b>Total non-financial assets</b>	<b>14,370.0</b>	<b>2,050.8</b>	<b>16,420.8</b>
<b>Total assets</b>	<b>16,348.2</b>	<b>2,050.8</b>	<b>18,392.4</b>
<b>Net assets</b>	<b>14,283.1</b>	<b>2,050.8</b>	<b>16,548.5</b>
Accumulated surplus/(deficit)	1,209.6	(265.7)	1,155.5
Total Physical asset revaluation surplus	4,232.6	2,316.5	6,549.0
<b>Net worth</b>	<b>14,283.1</b>	<b>2,050.8</b>	<b>16,548.5</b>

<sup>1</sup> Restated 1 July 2013 balance includes adjustments from Note 1(v)(w) and (x).

**Restated balance sheet as at year ending 30 June 2014**

	As reported in 2014 \$m	Total adjustments for change in accounting policy \$m	Restated 2014 balance <sup>1</sup> \$m
Non-financial physical assets classified as held for sale or distribution	112.0	(28.3)	90.5
<b>Total Property plant and equipment</b>	<b>14,697.7</b>	<b>1,463.3</b>	<b>16,144.0</b>
<b>Total non-financial assets</b>	<b>14,856.9</b>	<b>1,435.0</b>	<b>16,316.5</b>
<b>Total assets</b>	<b>17,053.0</b>	<b>1,435.0</b>	<b>18,516.8</b>
<b>Net assets</b>	<b>14,920.1</b>	<b>1,435.0</b>	<b>16,627.9</b>
Accumulated surplus/(deficit)	1,381.3	(310.5)	1,319.8
Total Physical asset revaluation surplus	4,800.5	1,745.5	6,566.9
<b>Net worth</b>	<b>14,920.1</b>	<b>1,435.0</b>	<b>16,627.9</b>

**Restated comprehensive operating statement for the year ending 30 June 2014**

	Published \$m	Total adjustments for change in accounting policy \$m	Restated <sup>1</sup> \$m
Depreciation and amortisation	(297.8)	(42.6)	(340.9)
<b>Total expenses from transactions</b>	<b>(11,091.1)</b>	<b>(42.6)</b>	<b>(11,101.5)</b>
<b>Net result from transactions (net operating balance)</b>	<b>176.0</b>	<b>(42.6)</b>	<b>165.6</b>
<b>Other economic flows included in net result</b>			
Net gain/(loss) on non-financial assets	7.1	(2.2)	10.1
<b>Total other economic flows included in net result</b>	<b>(4.2)</b>	<b>(2.2)</b>	<b>(1.2)</b>
<b>Net results</b>	<b>171.7</b>	<b>(44.8)</b>	<b>164.3</b>
Changes in physical asset revaluation surplus	567.9	(571.0)	17.8
<b>Total other economic flows— other comprehensive income</b>	<b>567.9</b>	<b>(571.0)</b>	<b>17.8</b>
<b>Comprehensive result</b>	<b>739.6</b>	<b>(615.8)</b>	<b>182.1</b>

<sup>1</sup> Restated 30 June 2014 balance includes adjustments from Note 1(v)(w) and (x).

**(y) Summary of adjustments to 1 July 2013 opening position**

	Reference to Note 1	As reported 1 July 2013 \$m	Correction of prior year error Note 1(v)	Reclassification of financial information Note 1(w)	Change in accounting policy Note 1(x)	Restated 1 July 2013 balance \$m
<b>Assets</b>						
<b>Financial assets</b>						
Cash and deposits		593.5	–	–	–	593.5
Receivables	1(v)(i), 1(v)(ii), 1(v)(x)	1,210.6	(6.6)	–	–	1,204.0
Other financial assets		174.1	–	–	–	174.1
<b>Total financial assets</b>		<b>1,978.3</b>	<b>(6.6)</b>	<b>–</b>	<b>–</b>	<b>1,971.7</b>
<b>Non-financial assets</b>						
Non-financial physical assets classified as held for sale or distribution		125.5	–	–	–	125.5
Intangible assets	1(w)(ii)	43.6	–	16.1	–	59.7
Property, plant and equipment	1(w)(ii), 1(x)(i)	14,186.4	–	(16.1)	2050.8	16,221.1
Prepayments		14.5	–	–	–	14.5
<b>Total non-financial assets</b>		<b>14,370.0</b>	<b>–</b>	<b>–</b>	<b>2050.8</b>	<b>16,420.8</b>
<b>Total assets</b>		<b>16,348.2</b>	<b>(6.6)</b>	<b>–</b>	<b>2050.8</b>	<b>18,392.4</b>
<b>Liabilities</b>						
Payables	1(v)(ii), 1(v)(iii)	621.9	(183.8)	–	–	438.1
Borrowings		194.8	–	–	–	194.8
Provisions	1(v)(vii)	1,230.2	(28.9)	–	–	1,201.3
Unearned income	1(v)(x)	18.3	(8.5)	–	–	9.7
<b>Total liabilities</b>		<b>2,065.1</b>	<b>(221.3)</b>	<b>–</b>	<b>–</b>	<b>1,843.9</b>
<b>Net assets</b>		<b>14,283.1</b>	<b>214.7</b>	<b>–</b>	<b>2050.8</b>	<b>16,548.5</b>
<b>Equity</b>						
Accumulated surplus/(deficit)	1(v)(ii), 1(v)(iii), 1(v)(vii), 1(x)(i)	1,209.6	211.5	–	(265.7)	1,155.5
Physical asset revaluation surplus	1(x)(i)	4,232.6	–	–	2316.5	6,549.0
Contributed capital	1(v)(i)	8,840.9	3.1	–	–	8,844.0
<b>Net worth</b>		<b>14,283.1</b>	<b>214.7</b>	<b>–</b>	<b>2050.8</b>	<b>16,548.5</b>

## (z) Summary of adjustments to balance sheet as at 30 June 2014

	Reference to Note 1	As reported in 2014 \$m	Correction of prior year error Note 1(v)	Reclassification of financial information Note 1(w)	Change in accounting policy Note 1(x)	Restated 2014 balance \$m
<b>Assets</b>						
<b>Financial assets</b>						
Cash and deposits	1(w)(i), 1(w)(vii)	622.3	–	96.0	–	718.3
Receivables	1(v)(i), 1(v)(ii), 1(v)(x)	1,363.5	(8.6)	–	–	1,355.0
Other financial assets	1(w)(vii), 1(w)(i)	210.2	–	(83.1)	–	127.1
<b>Total financial assets</b>		<b>2,196.0</b>	<b>(8.6)</b>	<b>12.9</b>	<b>–</b>	<b>2,200.4</b>
<b>Non-financial assets</b>						
Non-financial physical assets classified as held for sale or distribution	1(v)(ix), 1(x)(ii)	112.0	6.8	–	(28.3)	90.5
Intangible assets	1(w)(ii)	28.8	–	34.7	–	63.5
Property, plant and equipment	1(v)(iv), 1(v)(v), 1(v)(vi), 1(v)(viii), 1(v)(ix), 1(w)(ii), 1(x)(i), 1(x)(ii)	14,697.7	17.7	(34.7)	1463.3	16,144.0
Prepayments		18.4	–	–	–	18.4
<b>Total non-financial assets</b>		<b>14,856.9</b>	<b>24.5</b>	<b>–</b>	<b>1435.0</b>	<b>16,316.5</b>
<b>Total assets</b>		<b>17,053.0</b>	<b>15.9</b>	<b>12.9</b>	<b>1435.0</b>	<b>18,516.8</b>
<b>Liabilities</b>						
Payables	1(v)(ii), 1(v)(iii), 1(w)(iv)	644.2	(208.8)	(49.3)	–	386.1
Borrowings	1(w)(i), 1(w)(iv)	191.6	–	62.2	–	253.8
Provisions	1(v)(vi), 1(v)(vii)	1,273.2	(37.8)	–	–	1,235.4
Unearned income	1(v)(x)	23.8	(10.1)	–	–	13.7
<b>Total liabilities</b>		<b>2,132.8</b>	<b>(256.8)</b>	<b>12.9</b>	<b>–</b>	<b>1,889.0</b>
<b>Net assets</b>		<b>14,920.1</b>	<b>272.7</b>	<b>–</b>	<b>1435.0</b>	<b>16,627.9</b>
<b>Equity</b>						
Accumulated surplus/(deficit)	1(v)(i), 1(v)(ii), 1(v)(iii), 1(v)(vii), 1(v)(viii), 1(v)(ix), 1(x)(ii), 1(x)(i)	1,381.3	249.0	–	(310.5)	1,319.8
Physical asset revaluation surplus	1(v)(iv), 1(v)(v), 1(v)(ix), 1(x)(ii), 1(x)(i)	4,800.5	20.9	–	1745.5	6,566.9
Contributed capital	1(v)(i)	8,738.4	2.9	–	–	8,741.2
<b>Net worth</b>		<b>14,920.1</b>	<b>272.7</b>	<b>–</b>	<b>1435.0</b>	<b>16,627.9</b>

**(aa) Summary of adjustments to comprehensive operating statement  
for the year ending 30 June 2014**

	Reference to Note 1	As reported in 2014 \$m	Correction of prior year error Note 1(v)	Reclassification of financial information Note 1(w)	Change in accounting policy Note 1(x)	Restated 2014 \$m
<b>Income from transactions</b>						
Output appropriations		10,516.9	–	–	–	10,516.9
Special appropriations		0.2	–	–	–	0.2
Interest income		19.9	–	–	–	19.9
Grants		17.6	–	–	–	17.6
Sales of goods and services		204.7	–	–	–	204.7
Other income		507.6	–	–	–	507.6
<b>Total income from transactions</b>		<b>11,267.0</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>11,267.0</b>
<b>Expenses from transactions</b>						
Employee expenses	1(v)(vii)	(5,177.8)	7.9	–	–	(5,169.9)
Depreciation and amortisation	1(x)(i), 1(v)(viii)	(297.8)	(0.5)	–	(42.6)	(340.9)
Interest expense		(14.2)	–	–	–	(14.2)
Grants and other expense transfers	1(v)(i), 1(v)(iii)	(1,540.4)	24.8	–	–	(1,515.5)
Capital asset charge		(1,266.3)	–	–	–	(1,266.3)
Supplies and services	1(w)(iii), 1(w)(vi)	–	–	(2681.9)	–	(2,681.9)
Other operating expenses	1(w)(iii), 1(w)(vi)	(2,794.6)	–	2681.9	–	(112.7)
<b>Total expenses from transactions</b>		<b>(11,091.1)</b>	<b>32.2</b>	<b>–</b>	<b>(42.6)</b>	<b>(11,101.5)</b>
<b>Net result from transactions (net operating balance)</b>		<b>176.0</b>	<b>32.2</b>	<b>–</b>	<b>(42.6)</b>	<b>165.6</b>
<b>Other economic flows included in net result</b>						
Net gain/(loss) on non-financial assets	1(v)(ix), 1(x)(ii)	7.1	5.2	–	(2.2)	10.1
Net gain/(loss) on financial instruments		(1.4)	–	–	–	(1.4)
Other gains/(losses) from other economic flows		(9.9)	–	–	–	(9.9)
<b>Total other economic flows included in net result</b>		<b>(4.2)</b>	<b>5.2</b>	<b>–</b>	<b>(2.2)</b>	<b>(1.2)</b>
<b>Net result</b>		<b>171.7</b>	<b>37.4</b>	<b>–</b>	<b>(44.8)</b>	<b>164.3</b>

	Reference to Note 1	As reported in 2014 \$m	Correction of prior year error Note 1(v)	Reclassification of financial information Note 1(w)	Change in accounting policy Note 1(x)	Restated 2014 \$m
<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	1(v)(iv), 1(v)(v), 1(v)(ix), 1(x)(i), 1(x)(ii)	567.9	20.9	–	(571.0)	17.8
Total other economic flows—other comprehensive income		567.9	20.9	–	(571.0)	17.8
Comprehensive result		739.6	58.3	–	(615.8)	182.1

### **(bb) Australian accounting standards and interpretations issued that are not yet effective**

Certain new Australian Accounting Standards and interpretations have been published that are not mandatory for the 30 June 2015 reporting period. The Department of Treasury and Finance assesses the impact of these new standards and advises the Department of their applicability and early adoption where applicable.

As at 30 June 2015, the following Australian Accounting Standards have been issued by the AASB, but are not mandatory for financial year ending 30 June 2015. The Department has not adopted, and does not intend to adopt, these standards early.

Standard/ Interpretation	Summary	Applicable for annual reporting periods beginning on	Impact on public sector entity financial statements
<b>AASB 9 Financial Instruments</b>	The key changes include the simplified requirements for the classification and measurement of financial assets, a new hedging accounting model and a revised impairment loss model to recognise impairment losses earlier, as opposed to the current approach that recognises impairment only when incurred.	1 Jan 2018	The assessment has identified that the financial impact of available for sale (AFS) assets will now be reported through other comprehensive income (OCI) and no longer recycled to the profit and loss.  While the preliminary assessment has not identified any material impact arising from AASB 9, it will continue to be monitored and assessed.

Standard/ Interpretation	Summary	Applicable for annual reporting periods beginning on	Impact on public sector entity financial statements
<b>AASB 15 Revenue from Contracts with Customers</b>	The core principle of AASB 15 requires an entity to recognise revenue when the entity satisfies a performance obligation by transferring a promised good or service to a customer.	1 Jan 2017  (Exposure Draft 263—potential deferral to 1 Jan 2018)	The changes in revenue recognition requirements in AASB 15 may result in changes to the timing and amount of revenue recorded in the financial statements. The standard will also require additional disclosures on service revenue and contract modifications.  A potential impact will be the upfront recognition of revenue from licenses that cover multiple reporting periods. Revenue that was deferred and amortised over a period may now need to be recognised immediately as a transitional adjustment against the opening returned earnings if there are no former performance obligations outstanding.
<b>AASB 2014-1 Amendments to Australian Accounting Standards</b> [Part E Financial Instruments]	Amends various AASs to reflect the AASB's decision to defer the mandatory application date of AASB 9 to annual reporting periods beginning on or after 1 January 2018 as a consequence of Chapter 6 Hedge Accounting, and to amend reduced disclosure requirements.	1 Jan 2018	This amending standard will defer the application period of AASB 9 to the 2018-19 reporting period in accordance with the transition requirements.
<b>AASB 2014-4 Amendments to Australian Accounting Standards—Clarification of Acceptable Methods of Depreciation and Amortisation</b> [AASB 116 & AASB 138]	Amends AASB 116 <i>Property, Plant and Equipment</i> and AASB 138 <i>Intangible Assets</i> to: <ul style="list-style-type: none"> <li>establish the principle for the basis of depreciation and amortisation as being the expected pattern of consumption of the future economic benefits of an asset;</li> <li>prohibit the use of revenue-based methods to calculate the depreciation or amortisation of an asset, tangible or intangible, because revenue generally reflects the pattern of economic benefits that are generated from operating the business, rather than the consumption through the use of the asset.</li> </ul>	1 Jan 2016	The assessment has indicated that there is no expected impact as the revenue-based method is not used for depreciation and amortisation.
<b>AASB 2014-9 Amendments to Australian Accounting Standards—Equity Method in Separate Financial Statements</b> [AASB 1, 127 & 128]	Amends AASB 127 <i>Separate Financial Statements</i> to allow entities to use the equity method of accounting for investments in subsidiaries, joint ventures and associates in their separate financial statements.	1 Jan 2016	The assessment indicates that there is no expected impact as the entity will continue to account for the investments in subsidiaries, joint ventures and associates using the cost method as mandated if separate financial statements are presented in accordance with FRD 113A.

Standard/ Interpretation	Summary	Applicable for annual reporting periods beginning on	Impact on public sector entity financial statements
<b>AASB 2014-10 Amendments to Australian Accounting Standards—Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</b> [AASB 10 & AASB 128]	AASB 2014-10 amends AASB 10 <i>Consolidated Financial Statements</i> and AASB 128 <i>Investments in Associates</i> to ensure consistent treatment in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require that: <ul style="list-style-type: none"> <li>• a full gain or loss be recognised by the investor when a transaction involves a business (whether it is housed in a subsidiary or not); and</li> <li>• a partial gain or loss be recognised by the parent when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.</li> </ul>	1 Jan 2016	The assessment has indicated that there is limited impact, as the revisions to AASB 10 and AASB 128 are guidance in nature.
<b>AASB 2015-6 Amendments to Australian Accounting Standards—Extending Related Party Disclosures to Not-for-Profit Public Sector Entities</b> [AASB 10, AASB 124 & AASB 1049]	The Amendments extend the scope of AASB 124 <i>Related Party Disclosures</i> to not-for-profit public sector entities. A guidance has been included to assist the application of the standard by not-for-profit public sector entities.	1 Jan 2016	The amending standard will result in extended disclosures on the entity's key management personnel (KMP), and the related party transactions.

In addition to the new standards and amendments above, the AASB has issued a list of other amending standards that are not effective for the 2014-15 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.

- AASB 2010-7 *Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)*
- AASB 2013-9 *Amendments to Australian Accounting Standards—Conceptual Framework, Materiality and Financial Instruments*
- AASB 2014-1 *Amendments to Australian Accounting Standards [PART D—Consequential Amendments arising from AASB 14 Regulatory Deferral Accounts only]*<sup>1</sup>
- AASB 2014-3 *Amendments to Australian Accounting Standards—Accounting for Acquisitions of Interests in Joint Operations* [AASB 1 & AASB 11]
- AASB 2014-5 *Amendments to Australian Accounting Standards arising from AASB 15*
- AASB 2014-6 *Amendments to Australian Accounting Standards—Agriculture: Bearer Plants* [AASB 101, AASB 116, AASB 117, AASB 123, AASB 136, AASB 140 & AASB 141]
- AASB 2014-7 *Amendments to Australian Accounting Standards arising from AASB 9 (December 2014)*

<sup>1</sup> This standard or amendment may not be relevant to Victorian not-for-profit entities when operative.

- AASB 2014-8 *Amendments to Australian Accounting Standards arising from AASB 9* (December 2014)—Application of AASB 9 (December 2009) and AASB 9 (December 2010) [AASB 9 (2009 & 2010)]
- AASB 2015-2 *Amendments to Australian Accounting Standards—Disclosure Initiative: Amendments to AASB 101* [AASB 7, AASB 101, AASB 134 & AASB 1049]
- AASB 2015-3 *Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality*
- AASB 2015-4 *Amendments to Australian Accounting Standards – Financial Reporting Requirements for Australian Groups with a Foreign Parent* [AASB 127, AASB 128]<sup>1</sup>
- AASB 2015-5 *Amendments to Australian Accounting Standards—Investment Entities: Applying the Consolidation Exception* [AASB 10, AASB 12, AASB 128]<sup>1</sup>

## Note 2 Departmental (controlled) outputs

A description of departmental outputs performed during the year ended 30 June 2015, and the objectives of these outputs, are summarised below.

### (a) 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.

### (b) 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.

### (c) 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.

#### **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.

#### **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

<sup>1</sup> This standard or amendment may not be relevant to Victorian not-for-profit entities when operative.

government and non-government schools. It also covers the provision of cross sectoral services to improve the transition to further education, training and employment.

**(d) Higher Education and Skills**

The higher education and skills output supports Victorians to gain the skills and capabilities essential for a rewarding life and helps create a globally competitive workforce. This output includes the functions of system design, market facilitation, consumer information, 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.

**(e) 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.

**(f) 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.

**Table 15—Departmental outputs schedule—controlled income and expenses for the year ended 30 June 2015**

	Strategy, Review and Regulation	Early Childhood Development	School Education	Higher Education and Skills	Support Services Delivery	Support for Students with Disabilities	Departmental total
	\$m	\$m	\$m	\$m	\$m	\$m	\$m
<b>Income from transactions</b>							
Output appropriations	83.5	509.4	7,340.3	1,659.7	273.7	816.7	10,683.3
Special appropriations	–	–	0.2	–	–	–	0.2
Interest	–	–	19.9	–	–	–	19.9
Grants	0.4	0.3	18.4	0.6	–	–	19.7
Sales of goods and services	1.6	0.1	211.6	0.3	–	0.7	214.4
Other income	0.9	–	519.4	0.1	2.7	0.1	523.3
<b>Total income from transactions</b>	<b>86.4</b>	<b>509.8</b>	<b>8,109.8</b>	<b>1,660.7</b>	<b>276.4</b>	<b>817.5</b>	<b>11,460.7</b>
<b>Expenses from transactions</b>							
Employee expenses	(41.3)	(45.6)	(4,540.5)	(34.0)	(175.2)	(641.0)	(5,477.5)
Depreciation and amortisation	(4.6)	(4.0)	(290.1)	(3.1)	(1.3)	(13.5)	(316.7)
Interest expenses	–	–	(14.2)	–	–	–	(14.2)
Grants and other payments	(15.5)	(8.8)	(769.3)	(525.5)	(48.9)	(6.3)	(1,374.2)
Capital asset charge	(0.4)	(2.4)	(1,021.7)	(216.5)	(0.1)	(46.0)	(1,287.1)
Supplies and services	(24.3)	(448.4)	(1,286.5)	(793.7)	(42.7)	(94.7)	(2,690.4)
Other operating expenses	(0.2)	(0.6)	(94.5)	(3.7)	(8.0)	(15.6)	(122.6)
<b>Total expenses from transactions</b>	<b>(86.3)</b>	<b>(509.8)</b>	<b>(8,016.8)</b>	<b>(1,576.6)</b>	<b>(276.2)</b>	<b>(817.1)</b>	<b>(11,282.8)</b>
<b>Net result from transactions (net operating balance)</b>	<b>0.1</b>	<b>0.0</b>	<b>93.0</b>	<b>84.1</b>	<b>0.2</b>	<b>0.4</b>	<b>178.0</b>
<b>Other economic flows included in net result</b>							
Net gain/(loss) on non-financial assets	0.0	0.1	20.5	0.0	0.2	2.0	22.8
Net gain/(loss) on financial instruments	–	–	(7.7)	–	–	–	(7.7)
Other gains/(losses) from other economic flows	(0.3)	(0.3)	(28.4)	(0.2)	(1.1)	(4.0)	(34.2)
<b>Total other economic flows included in net result</b>	<b>(0.2)</b>	<b>(0.2)</b>	<b>(15.6)</b>	<b>(0.2)</b>	<b>(0.9)</b>	<b>(2.0)</b>	<b>(19.2)</b>
<b>Net result</b>	<b>(0.1)</b>	<b>(0.1)</b>	<b>77.3</b>	<b>83.9</b>	<b>(0.7)</b>	<b>(1.6)</b>	<b>158.8</b>
<b>Other economic flows—other comprehensive income</b>							
Changes in physical asset revaluation surplus	–	–	578.0	–	3.4	234.1	815.5
<b>Total other economic flows—other comprehensive income</b>	<b>–</b>	<b>–</b>	<b>578.0</b>	<b>–</b>	<b>3.4</b>	<b>234.1</b>	<b>815.5</b>
<b>Comprehensive result</b>	<b>(0.1)</b>	<b>(0.1)</b>	<b>655.3</b>	<b>83.9</b>	<b>2.7</b>	<b>232.5</b>	<b>974.3</b>

**Table 16—Departmental outputs schedule—controlled assets and liabilities as at 30 June 2015**

Assets and Liabilities	Strategy, Review and Regulation	Early Childhood Development	School Education	Higher Education and Skills	Support Services Delivery	Support for Students with Disabilities	Departmental total
	\$m	\$m	\$m	\$m	\$m	\$m	\$m
<b>Assets</b>							
Financial assets	15.9	69.7	2,034.8	167.1	72.9	213.3	2,573.7
Non-financial assets	11.2	76.9	15,295.5	5.0	124.6	1,521.5	17,034.9
<b>Total assets</b>	<b>27.1</b>	<b>146.5</b>	<b>17,330.4</b>	<b>172.1</b>	<b>197.6</b>	<b>1,734.8</b>	<b>19,608.5</b>
<b>Liabilities</b>							
Liabilities	13.4	24.1	1,621.0	1.2	63.0	218.1	1,940.8
<b>Total liabilities</b>	<b>13.4</b>	<b>24.1</b>	<b>1,621.0</b>	<b>1.2</b>	<b>63.0</b>	<b>218.1</b>	<b>1,940.8</b>
<b>Net assets/(liabilities)</b>	<b>13.7</b>	<b>122.4</b>	<b>15,709.4</b>	<b>170.9</b>	<b>134.6</b>	<b>1,516.7</b>	<b>17,667.7</b>

**Table 17—Departmental outputs schedule—controlled income and expenses for the year ended 30 June 2014 (Restated)<sup>1</sup>**

	Strategy, Review and Regulation	Early Childhood Development	School Education	Higher Education and Skills	Support Services Delivery	Support for Students with Disabilities	Departmental total
	\$m	\$m	\$m	\$m	\$m	\$m	\$m
<b>Income from transactions</b>							
Output appropriations	81.4	513.4	7,033.3	1,826.4	286.0	776.4	10,516.9
Special appropriations	–	–	0.2	–	–	–	0.2
Interest income	–	–	19.9	–	–	–	19.9
Grants	0.7	0.4	15.4	1.1	–	–	17.6
Sales of goods and services	2.1	0.1	201.3	0.3	–	0.9	204.7
Other income	1.8	–	497.0	2.1	6.7	–	507.6
<b>Total income from transactions</b>	<b>86.0</b>	<b>513.9</b>	<b>7,767.1</b>	<b>1,829.9</b>	<b>292.7</b>	<b>777.3</b>	<b>11,267.0</b>
<b>Expenses from transactions</b>							
Employee expenses	(41.7)	(51.5)	(4,269.5)	(36.4)	(165.9)	(604.9)	(5,169.9)
Depreciation and amortisation	(3.9)	(4.1)	(317.9)	(2.9)	(1.1)	(11.0)	(340.9)
Interest expense	–	–	(14.2)	–	–	–	(14.2)
Grants and other expense transfers	(17.9)	(21.9)	(719.3)	(674.0)	(76.4)	(6.0)	(1,515.5)
Capital asset charge	(0.4)	(2.4)	(1,005.9)	(215.6)	(0.1)	(41.9)	(1,266.3)
Supplies and services	(21.9)	(433.7)	(1,221.0)	(850.9)	(41.5)	(112.9)	(2,681.9)
Other operating expenses	(0.2)	(0.2)	(101.9)	(2.1)	(7.7)	(0.6)	(112.7)
<b>Total expenses from transactions</b>	<b>(86.0)</b>	<b>(513.8)</b>	<b>(7,649.7)</b>	<b>(1,781.9)</b>	<b>(292.7)</b>	<b>(777.3)</b>	<b>(11,101.5)</b>
<b>Net result from transactions (net operating balance)</b>	<b>0.0</b>	<b>0.1</b>	<b>117.4</b>	<b>48.0</b>	<b>(0.0)</b>	<b>(0.0)</b>	<b>165.6</b>
<b>Other economic flows included in net result</b>							
Net gain/(loss) on non-financial assets	–	0.2	6.3	–	0.3	3.3	10.1
Net gain/(loss) on financial instruments	–	–	(1.4)	–	–	–	(1.4)
Other gains/(losses) from other economic flows	(0.1)	(0.1)	(8.2)	(0.1)	(0.3)	(1.2)	(9.9)
<b>Total other economic flows included in net result</b>	<b>(0.1)</b>	<b>0.1</b>	<b>(3.3)</b>	<b>(0.1)</b>	<b>–</b>	<b>2.1</b>	<b>(1.2)</b>
<b>Net result</b>	<b>(0.1)</b>	<b>0.2</b>	<b>114.1</b>	<b>47.9</b>	<b>(0.0)</b>	<b>2.1</b>	<b>164.3</b>
<b>Other economic flows—other comprehensive income</b>							
Changes in physical asset revaluation surplus	–	0.4	16.4	–	0.1	1.0	17.8
<b>Total other economic flows—other comprehensive income</b>	<b>–</b>	<b>0.4</b>	<b>16.4</b>	<b>–</b>	<b>0.1</b>	<b>1.0</b>	<b>17.8</b>
<b>Comprehensive result</b>	<b>(0.1)</b>	<b>0.6</b>	<b>130.5</b>	<b>47.9</b>	<b>0.0</b>	<b>3.1</b>	<b>182.1</b>

<sup>1</sup> See Note 1(v)(w)(x) changes in accounting policy for details about restatements.

**Table 18—Departmental outputs schedule—controlled assets and liabilities as at 30 June 2014 (Restated)<sup>1</sup>**

	Strategy, Review and Regulation	Early Childhood Development	School Education	Higher Education and Skills	Support Services Delivery	Support for Students with Disabilities	Departmental total
Assets and Liabilities	\$m	\$m	\$m	\$m	\$m	\$m	\$m
<b>Assets</b>							
Financial assets	13.0	53.6	1,695.9	182.9	70.4	184.6	2,200.4
Non-financial assets	7.6	83.0	14,782.1	4.8	121.5	1,317.5	16,316.5
<b>Total assets</b>	<b>20.6</b>	<b>136.6</b>	<b>16,477.9</b>	<b>187.7</b>	<b>191.9</b>	<b>1,502.1</b>	<b>18,516.8</b>
<b>Liabilities</b>							
Liabilities	13.6	27.2	1,528.5	40.2	65.1	214.4	1,889.0
<b>Total liabilities</b>	<b>13.6</b>	<b>27.2</b>	<b>1,528.5</b>	<b>40.2</b>	<b>65.1</b>	<b>214.4</b>	<b>1,889.0</b>
<b>Net assets/(liabilities)</b>	<b>7.0</b>	<b>109.4</b>	<b>14,949.5</b>	<b>147.5</b>	<b>126.8</b>	<b>1,287.7</b>	<b>16,627.9</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 other activities on behalf of the State. All the Department's administered activities relate to school education output. The transactions relating to these activities are reported as administered items (see Note 1(b) and Note 1(i)).

<sup>1</sup> See Note 1(v) (w) (x) changes in accounting policy for details about restatements.

	Departmental total	
	2015 \$m	2014 \$m
<b>Administered income from transactions</b>		
<i><b>Commonwealth on-passing to non-government schools</b></i>		
General recurrent grants	2,632.7	2,356.6
Other	49.7	88.2
Prizes and scholarships	0.3	1.5
Other income	4.1	7.9
<b>Total administered income from transactions</b>	<b>2,686.8</b>	<b>2,454.2</b>
<b>Administered expenses from transactions</b>		
<i><b>Commonwealth on-passing to non-government schools</b></i>		
General recurrent grants	(2,632.7)	(2,356.6)
Other	(49.7)	(88.0)
Prizes and scholarships	(0.9)	(1.6)
Amounts paid to Consolidated Fund	(52.3)	12.5
Other	(0.8)	(0.9)
<b>Total administered expenses from transactions</b>	<b>(2,736.5)</b>	<b>(2,434.6)</b>
<b>Total administered net result from transactions (net operating balance)</b>	<b>(49.7)</b>	<b>19.6</b>
<b>Administered other economic flows included in the administered net result</b>		
Net gain/(loss) on non-financial assets	54.3	(18.4)
<b>Total administered other economic flows</b>	<b>54.3</b>	<b>(18.4)</b>
<b>Administered net result</b>	<b>4.7</b>	<b>1.2</b>
<b>Administered other economic flows—other comprehensive income</b>		
Items that will not be classified to net result		
<b>Total administered other economic flows—other comprehensive income</b>	<b>—</b>	<b>—</b>
<b>Total administered comprehensive result</b>	<b>4.7</b>	<b>1.2</b>
<b>Administered financial assets</b>		
Receivables	10.5	5.0
Investments	1.5	2.3
<b>Total administered financial assets</b>	<b>12.0</b>	<b>7.3</b>
<b>Administered non-financial assets</b>		
Property, plant and equipment	8.3	8.3
<b>Total administered non-financial assets</b>	<b>8.3</b>	<b>8.3</b>
<b>Total administered assets</b>	<b>20.3</b>	<b>15.6</b>
<b>Administered liabilities</b>		
<b>Total administered liabilities</b>	<b>—</b>	<b>—</b>
<b>Total administered net assets</b>	<b>20.3</b>	<b>15.6</b>

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

	2015 \$m	Restated <sup>1</sup> 2014 \$m
<b>Income from transactions</b>		
<b>(a) Grants</b>		
Commonwealth	15.7	11.0
Other public bodies	4.1	6.6
<b>Total grants</b>	<b>19.7</b>	<b>17.6</b>
<b>(b) Sales of goods and services</b>		
Schools revenue <sup>2</sup>	160.9	157.1
Provision of services	53.4	47.7
<b>Total sales of goods and services</b>	<b>214.4</b>	<b>204.7</b>
<b>(c) Other income</b>		
Schools revenue <sup>3</sup>	510.1	489.8
Other revenue	13.2	17.8
<b>Total other income</b>	<b>523.3</b>	<b>507.6</b>
<b>Expenses from transactions</b>		
<b>(d) Employee expenses</b>		
Salaries and wages—Departmental employees	4,226.0	3,967.3
Salaries and wages—staff employed by school councils	226.2	216.7
Superannuation	451.9	426.8
Annual leave and long service leave expense	276.3	264.4
Other on-costs (fringe benefits tax, payroll tax and WorkCover levy)	297.1	294.9
<b>Total employee expenses</b>	<b>5,477.5</b>	<b>5,169.9</b>
<b>(e) Depreciation and amortisation</b>		
<b>Depreciation</b>		
Buildings	238.2	253.9
Heritage buildings	2.5	2.5
Leasehold buildings	3.4	3.5
Plant and equipment	52.3	62.8
	<b>296.4</b>	<b>322.7</b>
<b>Amortisation</b>		
Software	20.3	18.2
	<b>20.3</b>	<b>18.2</b>
<b>Total depreciation and amortisation</b>	<b>316.7</b>	<b>340.9</b>

<sup>1</sup> See Note 1(x) for details about restatements.

<sup>2</sup> including non-profit trading operations.

<sup>3</sup> including parents' voluntary contribution and other locally raised funds.

	2015 \$m	Restated <sup>1</sup> 2014 \$m
<b>(f) Grants and other expense transfers</b>		
Grants to Victorian Curriculum and Assessment Authority	47.3	43.2
Grants to Victorian Registration and Qualifications Authority	9.1	12.2
Grants to Technical and Further Education	495.7	625.4
Grants to Adult, Community and Further Education Board	25.4	24.5
Grants to non-government schools	669.3	632.4
Grants to external organisations	95.0	119.0
Conveyance and Education Maintenance Allowance payments	32.4	58.9
<b>Total grants and other expense transfers</b>	<b>1,374.2</b>	<b>1,515.5</b>
<b>(g) Supplies and services</b>		
Administration	245.9	233.4
Maintenance	240.2	238.7
School requisites	886.2	878.5
Service agreement payments	1,186.2	1,205.9
Student transport	67.4	63.6
Rental expense relating to operating leases—Minimum lease payments	64.5	61.8
<b>Total supplies and services</b>	<b>2,690.4</b>	<b>2,681.9</b>
<b>(h) Other operating expenses</b>		
<b>Fair value of assets and services provided free of charge or for nominal consideration</b>		
Rent provided free of charge—Victorian Curriculum and Assessment Authority	2.3	2.4
Rent provided free of charge—Victorian Registration and Qualifications Authority	0.5	0.5
<b>Total fair value of assets and services provided free of charge or for nominal consideration</b>	<b>2.8</b>	<b>2.9</b>
<b>Victorian Auditor-General's Office audit fees</b>		
Audit of the financial statements	0.6	0.5
<b>Total audit fees</b>	<b>0.6</b>	<b>0.5</b>
<b>Ex gratia expenses</b>		
Other expenses	119.2	109.4
<b>Total other operating expenses</b>	<b>122.6</b>	<b>112.7</b>

<sup>1</sup> See Note 1(x) for details about restatements.

## Note 5 Other economic flows included in net result

	2015 \$m	Restated <sup>1</sup> 2014 \$m
<b>(a) Net gain/(loss) on non-financial assets</b>		
Net gain/(loss) on disposals of non-financial assets	3.2	2.6
Assets reinstated	22.0	19.5
Changes in fair value of non-financial assets held for sale	–	(9.8)
Impairment of non-financial assets	(2.4)	(2.2)
<b>Total net gain/(loss) on non-financial assets</b>	<b>22.8</b>	<b>10.1</b>
<b>(b) Net gain/(loss) on financial instruments</b>		
Impairment of loans and receivables	(7.7)	(1.4)
<b>Total net gain/(loss) on financial instruments</b>	<b>(7.7)</b>	<b>(1.4)</b>
<b>(c) Other gains/(losses) from other economic flows</b>		
Net gain/(loss) arising from revaluation of long service leave liability	(34.2)	(9.9)
<b>Total other gains/(losses) from other economic flows</b>	<b>(34.2)</b>	<b>(9.9)</b>

<sup>1</sup> See Note 1(v) and (x) for details about restatements.

## 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					Total parliamentary authority \$m	Appropriations applied \$m	Variance \$m
	Annual appropriation \$m	Advance from Treasurer \$m	Section 3(2) \$m	Section 29 \$m	Section 30 \$m	Section 32 \$m	Section 35 advances \$m			
<b>2015</b>										
<b>Controlled</b>										
Provision for outputs	10,211.9	182.3		482.9	229.2	41.3	11,147.6	10,683.3	464.3 <sup>1</sup>	
Additions to net assets	–	–		145.6	10.2	–	155.8	155.8	–	
<b>Total</b>	<b>10,211.9</b>	<b>182.3</b>	<b>–</b>	<b>628.6</b>	<b>239.4</b>	<b>41.3</b>	<b>11,303.5</b>	<b>10,839.1</b>	<b>464.3</b>	
<b>2014</b>										
<b>Controlled</b>										
Provision for outputs	9,603.8	204.2		514.2	31.7	175.0	10,748.9	10,516.9	232.0 <sup>2</sup>	
Additions to net assets	–	–		117.6	(31.7)	2.5	88.4	78.2	10.2 <sup>3</sup>	
<b>Total</b>	<b>9,603.8</b>	<b>204.2</b>	<b>–</b>	<b>631.8</b>	<b>220.0</b>	<b>177.5</b>	<b>10,837.4</b>	<b>10,595.2</b>	<b>242.2</b>	

<sup>1</sup> The provision of outputs variance of \$464.3 million primarily reflects the carryover of provisions of outputs appropriation related to initiatives including Victoria Training Guarantee of \$134.1 million and grant payments to non-government schools of \$25.7 million and the rollout of maintenance funding to schools following the condition assessment process of \$24.0 million. The appropriation re-phasing and lapsed Treasurer Advance and the Section 35 advance totalling \$79.8 million also contribute to the variance.

<sup>2</sup> The provision of outputs variance of \$232.0 million primarily reflects the carryover of provisions of outputs appropriation related to initiatives including the Universal Access to Early Education and the More Support for Students with Disabilities National Partnerships and the rollout of maintenance funding to schools following the condition assessment process. The lapsed Treasury advance and the Section 35 advance also contributed to the variance.

<sup>3</sup> The additions to net assets variance of \$10.2 million relates to the carryover of additions to net assets for the implementation of remedial capital works in schools.

## (b) Summary of compliance with special appropriations

Authority controlled	Purpose	Appropriations applied	
		2015 \$m	2014 \$m
Section 5.6.8 of the <i>Education and Training Reform Act 2006</i>	Volunteers workers compensation	0.2	0.2
<b>Total</b>		<b>0.2</b>	<b>0.2</b>

## Note 7 Cash and deposits/other financial assets

	2015 \$m	Restated <sup>1</sup> 2014 \$m
Amounts held by schools <sup>2</sup>	557.8	567.5
Bank accounts held in trust	152.2	142.7
Other bank accounts	5.2	8.1
Total cash and deposits	715.3	718.3
<b>Total other financial assets held by schools<sup>2</sup></b>	<b>132.5</b>	<b>127.1</b>

### (a) Cash at bank

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.

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 and for working accounts (Note 26).

Due to limitation of available information, the value of investments from schools with 0-3 month maturity has been apportioned to *Cash and Deposits*, from *Other Financial Assets*, based on an estimate.

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.

### (b) Other financial assets

Amounts held by schools with a maturity of three months or more are disclosed as 'Other financial assets'. Due to limitation of available information, the value of investments with 0-3 month maturity has been apportioned to *Cash and Deposits*, from *Other Financial Assets*, based on an estimate.

<sup>1</sup> See note 1(w) for details about restatement.

<sup>2</sup> See note 1(k) and above.

## Note 8 Receivables

	2015 \$m	Restated <sup>1</sup> 2014 \$m
<b>Current receivables</b>		
<b>Statutory</b>		
Amounts owing from Victorian Government <sup>2</sup>	1,434.0	1,078.0
GST receivables	41.8	36.6
<b>Total</b>	<b>1,475.8</b>	<b>1,114.6</b>
<b>Contractual</b>		
Other debtors <sup>3,4</sup>	30.6	50.8
Loan receivables	12.3	1.8
<b>Total</b>	<b>42.9</b>	<b>52.6</b>
Allowance for doubtful debts <sup>2</sup>	(14.6)	(5.2)
<b>Total current receivables</b>	<b>1,504.1</b>	<b>1,162.0</b>
<b>Non-current receivables</b>		
<b>Statutory</b>		
Amounts owing from Victorian Government <sup>2</sup>	190.1	179.1
<b>Contractual</b>		
Loan receivables <sup>2</sup>	31.6	13.9
<b>Total non-current receivables</b>	<b>221.8</b>	<b>193.0</b>
<b>Aggregate carrying amount of receivables</b>		
Current	1,504.1	1,162.0
Non-current	221.8	193.0
<b>Total aggregate carrying amount of receivables</b>	<b>1,725.9</b>	<b>1,355.0</b>

<sup>1</sup> See note 1(v) for details about restatements.

<sup>2</sup> 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.

<sup>3</sup> 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.

<sup>4</sup> There is inadequate supporting documentation maintained by the Department to confirm the existence and collectability of schools debtors and unearned income. The Department has not recognised on the balance sheet any amounts that may be collectable, or services that the Department is obliged to provide. As a result, the Department has not complied with AASB 139 *Financial Instruments: Recognition and Measurement*.

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

	2015 \$m	2014 \$m
<b>Balance at beginning of the year</b>	<b>(5.2)</b>	<b>(2.4)</b>
Reversal of unused provision recognised in the net result	0.9	0.7
Increase in provision recognised in the net result	(10.6)	(3.7)
Reversal of provision of receivables written off during the year as uncollectable	0.2	0.3
<b>Balance at end of the year</b>	<b>(14.6)</b>	<b>(5.2)</b>

### (b) Ageing analysis of contractual receivables

See Table 11 in Note 17 for the ageing analysis of contractual receivables.

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

See Note 17 for the nature and extent of credit risk arising from contractual receivables.

## Note 9 Non-financial physical assets classified as held for sale or distribution

### (a) Non-financial physical assets including disposal group assets classified as held for sale or distribution

	2015 \$m	Restated <sup>1</sup> 2014 \$m
Land	107.5	90.4
Plant and equipment	0.4	0.1
<b>Total non-financial physical assets classified as held for sale or distribution</b>	<b>107.9</b>	<b>90.5</b>

### (b) Fair value measurement of non-financial physical assets held for sale or distribution

The following table provides the fair value measurement hierarchy of the Department's non-financial physical assets held for sale.

	Carrying amount as at 30 June 2015 \$m	Fair value measurement at end of reporting period using:		
		Level 1 \$m	Level 2 \$m	Level 3 \$m
Land	107.5	–	–	107.5
Plant and equipment	0.4	–	–	0.4
<b>Total</b>	<b>107.9</b>	<b>–</b>	<b>–</b>	<b>107.9</b>

<sup>1</sup> See Note 1(v) and (x) for details about restatements.

	Carrying amount as at 30 June 2014 (Restated) <sup>1</sup> \$m	Fair value measurement at end of reporting period using:		
		Level 1 \$m	Level 2 \$m	Level 3 \$m
Land	90.4	–	4.4	86.1
Plant and equipment	0.1	–	–	0.1
<b>Total</b>	<b>90.5</b>	<b>–</b>	<b>4.4</b>	<b>86.2</b>

## Note 10 Intangible assets

2015	Note	Software at cost \$m	Software work in progress <sup>2</sup> \$m	Total \$m
<b>Opening balance</b>		<b>92.6</b>	<b>34.7</b>	<b>127.3</b>
Additions		0.6	24.3	24.9
Disposals		(0.4)	–	(0.4)
Impairment <sup>3</sup>		–	(2.4)	(2.4)
Transfer to completed assets		18.1	(18.1)	–
<b>Closing balance</b>		<b>110.9</b>	<b>38.5</b>	<b>149.4</b>
<b>Accumulated amortisation</b>				
<b>Opening balance</b>		<b>(63.8)</b>	–	<b>(63.8)</b>
Amortisation expense	4(e)	(20.3)	–	(20.3)
Disposals		0.3	–	0.3
<b>Closing balance</b>		<b>(83.7)</b>	–	<b>(83.7)</b>
<b>Net book value at end of financial year</b>		<b>27.2</b>	<b>38.5</b>	<b>65.7</b>

<sup>1</sup> See Note 1(v) and (x) for details about restatements.

<sup>2</sup> See Note 1(w)(ii) for details about restatements.

<sup>3</sup> Impairment losses are included in the line item 'net gain/(loss) on non-financial assets' in the comprehensive operating statement. The annual impairment review performed by the Department on intangible assets for 2015 resulted in an impairment of the Enterprise online assessment system following a determination to not implement this system.

2014 (restated) <sup>1</sup>	Note	Software at cost \$m	Software work in progress <sup>1</sup> \$m	Total \$m
<b>Opening balance</b>		89.5	16.1	105.6
Additions		0.5	21.6	22.1
Disposals		(0.5)	–	(0.5)
Transfer to completed assets		3.0	(3.0)	–
<b>Closing balance</b>		92.6	34.7	127.2
<b>Accumulated amortisation</b>				
<b>Opening balance</b>		(45.9)	–	(45.9)
Amortisation expense	4(e)	(18.2)	–	(18.2)
Disposals		0.4	–	0.4
<b>Closing balance</b>		(63.8)	–	(63.8)
<b>Net book value at end of financial year</b>		28.8	34.7	63.5

<sup>1</sup> See Note 1 (w)(ii) for details about restatements.

## Note 11 Property, plant and equipment—Education purpose group<sup>1,2</sup>

	2015 \$m	Restated <sup>2</sup> 2014 \$m
<b>Land</b>		
At fair value <sup>3</sup>	7,895.7	7,098.9
<b>Buildings</b>		
At fair value	8,756.9	8,565.5
Less accumulated depreciation	(490.1)	(255.8)
<b>Total buildings</b>	<b>8,266.8</b>	<b>8,309.7</b>
<b>Heritage buildings</b>		
Heritage buildings	63.1	63.1
Less accumulated depreciation	(5.0)	(2.5)
<b>Total heritage buildings</b>	<b>58.1</b>	<b>60.6</b>
<b>Leasehold buildings</b>		
Leasehold buildings—at fair value	205.7	205.7
Leasehold improvements—at fair value	2.1	2.1
Less accumulated depreciation	(16.3)	(12.9)
<b>Total leasehold buildings</b>	<b>191.5</b>	<b>194.9</b>
<b>Plant and equipment</b>		
At fair value	759.0	751.0
Less accumulated depreciation	661.2	629.9
	<b>97.8</b>	<b>121.1</b>
Plant and equipment under finance lease	17.3	17.6
Less accumulated amortisation	(6.2)	(5.8)
	<b>11.1</b>	<b>11.9</b>
<b>Total plant and equipment</b>	<b>109.0</b>	<b>132.9</b>
<b>Work in progress</b>		
Buildings	266.9	318.9
Plant and equipment	42.1	28.0
<b>Total work in progress</b>	<b>309.0</b>	<b>347.0</b>
<b>Total property, plant and equipment</b>	<b>16,830.2</b>	<b>16,144.0</b>

<sup>1</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' (that is, buildings, plant and equipment, and so forth), with each sub-category being classified as a separate class of asset for financial reporting purposes.

<sup>2</sup> See Note 1(v)(w)(x) for details about restatements.

<sup>3</sup> 2015 figures include land managerial revaluation due to compounded movement in fair value since the last revaluation in 2013 being greater than 10 per cent and less than 40 per cent.

### **(a) Independent valuation of land and buildings**

An independent valuation of the Department's land and buildings was performed by the VGV to determine the fair value of the land and buildings. The fair value of land 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. A full revaluation normally occurs every five years, with the next scheduled revaluation to occur in 2018. The effective date of the most recent revaluation was 30 June 2013.

Land was revalued on an Active and Liquid Market 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.

Heritage buildings were revalued at reproduction cost rather than the replacement cost as those assets' service potential could only be replaced by reproducing them with the same materials.

In accordance with FRD 103F, the Department conducts fair value assessments based upon the cumulative indices supplied by the VGV since the last formal revaluation. Where fair value assessments indicate that the changes in valuations are greater than 10 per cent, a management valuation is to be undertaken. As part of the fair value assessment of land for the year ended 30 June 2015, land indices were applied to land parcels and resulted in a material movement in the fair value of 12 per cent. A managerial revaluation of \$852.9 million has been recognised.

### **(b) 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	Heritage buildings \$m	Leasehold buildings \$m	Plant and equipment \$m	Work in progress \$m	Total \$m
<b>2015</b>							
<b>Opening balance (Restated)<sup>1</sup></b>	<b>7,098.9</b>	<b>8,309.7</b>	<b>60.6</b>	<b>194.9</b>	<b>132.9</b>	<b>347.0</b>	<b>16,144.0</b>
Additions	5.8	0.5	–	–	30.6	219.6	256.6
Assets previously not recognised	20.8	1.1	–	–	–	–	22.0
Transfers to completed assets	–	256.2	–	–	1.3	(257.5)	–
Disposals	(68.2)	(22.5)	–	–	(3.4)	–	(94.0)
Revaluation increments/(decrements)	855.5	–	–	–	–	–	855.5
Impairment <sup>2</sup>	–	(40.0)	–	–	–	–	(40.0)
Transfer (to)/from assets held for sale	(17.1)	–	–	–	(0.3)	–	(17.3)
Depreciation	–	(238.2)	(2.5)	(3.4)	(52.3)	–	(296.4)
<b>Closing balance</b>	<b>7,895.7</b>	<b>8,266.8</b>	<b>58.1</b>	<b>191.5</b>	<b>109.0</b>	<b>309.0</b>	<b>16,830.2</b>

<sup>1</sup> See Note 1 (v), (w) and (x) for details about restatements.

<sup>2</sup> The change in accounting policy to the fair value measurement of closed school buildings on surplus land resulted in the impairment of school buildings of \$40.0 million (2014 restated: \$21.4 million). For closed school buildings on surplus land, the highest and best use is to demolish the buildings and sell the land as a vacant site. On this basis, the recoverable amount of closed school buildings is zero as there are no future economic benefits associated with the buildings.

	Land \$m	Buildings \$m	Heritage buildings \$m	Leasehold buildings \$m	Plant and equipment \$m	Work in progress \$m	Total \$m
<b>2014 Restated<sup>1</sup></b>							
<b>Opening balance (Restated)<sup>1</sup></b>	<b>7,148.8</b>	<b>8,419.1</b>	<b>63.1</b>	<b>198.2</b>	<b>147.3</b>	<b>244.6</b>	<b>16,221.1</b>
Additions	22.7	–	–	0.2	38.5	301.5	362.9
Transfer to other Victorian Government departments	(8.3)	–	–	–	–	–	(8.3)
Assets previously not recognised	(4.6)	14.3	–	–	–	–	9.8
Transfers to completed assets	–	188.1	–	–	11.0	(199.1)	–
Disposals	(48.2)	(50.7)	–	–	(1.2)	–	(100.1)
Revaluation increments/(decrements) <sup>1</sup>	25.6	11.4	–	–	–	–	37.0
Impairment <sup>2</sup>	–	(21.4)	–	–	–	–	(21.4)
Transfer (to)/from assets held for sale	(37.1)	2.7	–	–	0.1	–	(34.3)
Depreciation	–	(253.9)	(2.5)	(3.5)	(62.8)	–	(322.7)
<b>Closing balance</b>	<b>7,098.9</b>	<b>8,309.7</b>	<b>60.6</b>	<b>194.9</b>	<b>132.9</b>	<b>347.0</b>	<b>16,144.0</b>

<sup>1</sup> See Note 1 (v)(w)(x) for details about restatements.

<sup>2</sup> The change in accounting policy to the fair value measurement of closed school buildings on surplus land resulted in the impairment of school buildings of \$40.0 million (2014 restated: \$21.4 million). For closed school buildings on surplus land, the highest and best use is to demolish the buildings and sell the land as a vacant site. On this basis, the recoverable amount of closed school buildings is zero as there are no future economic benefits associated with the buildings.

Tables 19 to 21 provide the fair value measurement hierarchy of the Department's property, plant and equipment.

**Table 19—Fair value measurement hierarchy for assets as at 30 June 2015**

The following table provides the fair value measurement hierarchy of the Department's Property, plant and equipment.

	Carrying amount as at 30 June 2015 \$m	Fair value measurement at end of reporting period using:		
		Level 1 <sup>1</sup> \$m	Level 2 <sup>1</sup> \$m	Level 3 <sup>1</sup> \$m
Land at fair value				
Land	7,895.7	–	–	7,895.7
<b>Total of land at fair value</b>	<b>7,895.7</b>	<b>–</b>	<b>–</b>	<b>7,895.7</b>
Buildings at fair value				
Buildings	8,266.8	–	–	8,266.8
<b>Total of buildings at fair value</b>	<b>8,266.8</b>	<b>–</b>	<b>–</b>	<b>8,266.8</b>
Heritage buildings at fair value				
Heritage buildings	58.1	–	–	58.1
<b>Total of heritage buildings at fair value</b>	<b>58.1</b>	<b>–</b>	<b>–</b>	<b>58.1</b>
Leasehold buildings at fair value				
Leasehold buildings	191.5	–	–	191.5
<b>Total of leasehold buildings at fair value</b>	<b>191.5</b>	<b>–</b>	<b>–</b>	<b>191.5</b>
Plant and equipment at fair value				
Plant and equipment	109.0	–	11.1	97.8
<b>Total of plant and equipment at fair value</b>	<b>109.0</b>	<b>–</b>	<b>11.1</b>	<b>97.8</b>

<sup>1</sup> Classified in accordance with the fair value hierarchy, see Note 1(b).

**Table 20—Reconciliation of Level 3 fair value**

2015	Land \$m	Buildings \$m	Heritage buildings \$m	Leasehold buildings \$m	Plant and equipment \$m
<b>Opening balance</b>	<b>7,098.9</b>	<b>8,309.7</b>	<b>60.6</b>	<b>194.9</b>	<b>121.1</b>
Purchases (sales)	(62.4)	(22.0)	–	–	24.5
Assets previously not recognised	20.8	1.1	–	–	–
Transfers to completed assets	–	256.2	–	–	1.3
Transfer (to)/from assets held for sale	(17.1)	–	–	–	–
Depreciation	–	(238.2)	(2.5)	(3.4)	(49.1)
Impairment loss	–	(40.0)	–	–	–
<b>Subtotal</b>	<b>7,040.3</b>	<b>8,266.9</b>	<b>58.1</b>	<b>191.5</b>	<b>97.8</b>
Revaluation	855.5	–	–	–	–
<b>Subtotal</b>	<b>855.5</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Closing balance</b>	<b>7,895.7</b>	<b>8,266.9</b>	<b>58.1</b>	<b>191.5</b>	<b>97.8</b>

**Table 21—Fair value measurement hierarchy for assets as at 30 June 2014 restated<sup>1</sup>**

	Carrying amount as at 30 June 2014 \$m	Fair value measurement at end of reporting period using:		
		Level 1 <sup>2</sup> \$m	Level 2 <sup>2</sup> \$m	Level 3 <sup>2</sup> \$m
Land at fair value				
Land	7,098.9	–	–	7,098.9
<b>Total of land at fair value</b>	<b>7,098.9</b>	<b>–</b>	<b>–</b>	<b>7,098.9</b>
Buildings at fair value				
Buildings	8,309.7	–	–	8,309.7
<b>Total of buildings at fair value</b>	<b>8,309.7</b>	<b>–</b>	<b>–</b>	<b>8,309.7</b>
Heritage buildings at fair value				
Heritage buildings	60.6	–	–	60.6
<b>Total of heritage buildings at fair value</b>	<b>60.6</b>	<b>–</b>	<b>–</b>	<b>60.6</b>
Leasehold buildings at fair value				
Leasehold buildings	194.9	–	–	194.9
<b>Total of leasehold buildings at fair value</b>	<b>194.9</b>	<b>–</b>	<b>–</b>	<b>194.9</b>
Plant and equipment at fair value				
Plant and equipment	132.9	–	11.9	121.1
<b>Total of plant and equipment at fair value</b>	<b>132.9</b>	<b>–</b>	<b>11.9</b>	<b>121.1</b>

<sup>1</sup> See Note 1(v), (w) and (x) for details about restatements.

<sup>2</sup> Classified in accordance with the fair value hierarchy, see Note 1(b).

**Table 22—Reconciliation of Level 3 fair value restated<sup>1</sup>**

2014	Land (\$m)	Buildings (\$m)	Heritage buildings (\$m)	Leasehold buildings (\$m)	Plant and equipment (\$m)
<b>Opening balance</b>	<b>7,148.8</b>	<b>8,419.1</b>	<b>63.1</b>	<b>198.2</b>	<b>135.5</b>
Purchases (sales)	(33.8)	(50.7)	–	0.2	33.9
Assets previously not recognised	(4.6)	14.3	–	–	–
Transfers to completed assets	–	188.1	–	–	11.0
Transfer (to)/from assets held for sale	(37.1)	2.7	–	–	0.1
Depreciation	–	(253.9)	(2.5)	(3.5)	(59.4)
Impairment loss	–	(21.4)	–	–	–
<b>Subtotal</b>	<b>7,073.3</b>	<b>8,298.3</b>	<b>60.6</b>	<b>194.9</b>	<b>121.1</b>
Revaluation	25.6	11.4	–	–	–
<b>Subtotal</b>	<b>25.6</b>	<b>11.4</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Closing balance</b>	<b>7,098.9</b>	<b>8,309.7</b>	<b>60.6</b>	<b>194.9</b>	<b>121.1</b>

**Table 23—Description of significant unobservable inputs to Level 3 valuations**

2015	Valuation technique	Significant unobservable inputs
Land	Market approach	Community Service Obligation (CSO)
Buildings	Depreciated replacement cost	Direct cost per square metre Useful life of specialised buildings
Heritage buildings	Reproduction cost	Direct cost per square metre Useful life of heritage buildings
Leasehold buildings	Depreciated replacement cost	Direct cost per square metre Useful life of leasehold buildings
Plant and equipment	Depreciated replacement cost	Cost per unit Useful life of plant and equipment

<sup>1</sup> See Note 1(v), (w) and (x) for details about restatements.

## Note 12 Payables

	2015 \$m	Restated <sup>1</sup> 2014 \$m
<b>Current payables</b>		
<b><i>Contractual</i></b>		
Salaries, wages and on-costs	66.4	50.7
Accrued payments to non-government schools <sup>1</sup>	–	–
Accrued grants and transfer payments	38.8	59.7
Other accruals	7.4	7.3
Schools' creditors	10.8	11.9
Capital expenditure	13.0	39.3
Operating expenditure <sup>1</sup>	159.6	167.7
<b>Total</b>	<b>296.1</b>	<b>336.6</b>
<b><i>Statutory</i></b>		
Taxes payable	46.3	49.5
<b>Total</b>	<b>46.3</b>	<b>49.5</b>
<b>Total current payables</b>	<b>342.4</b>	<b>386.1</b>
<b>Total payables</b>	<b>342.4</b>	<b>386.1</b>

### (a) Maturity analysis of contractual payables

See Table 12 in Note 17 for the ageing analysis of contractual payables.

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

See Note 17 for the nature and extent of financial risk arising from contractual payables.

<sup>1</sup> See Note 1(v) and (w) for details about restatements.

## Note 13 Borrowings

	2015 \$m	Restated <sup>1</sup> 2014 \$m
<b>Current borrowings</b>		
Finance lease liabilities <sup>2</sup>		
PPP related finance lease liabilities <sup>1</sup>	15.2	15.1
Motor vehicles related finance lease liabilities	3.7	3.9
Advance from Public Account <sup>3</sup>	14.4	12.8
<b>Total current borrowings</b>	<b>33.3</b>	<b>31.8</b>
<b>Non-current borrowings</b>		
Finance lease liabilities		
PPP related finance lease liabilities <sup>1</sup>	164.5	168.8
Motor vehicles related finance lease liabilities	4.2	3.9
Advance from Public Account <sup>3</sup>	41.7	36.4
Other non-current <sup>4</sup>	11.5	12.9
<b>Total non-current borrowings</b>	<b>221.8</b>	<b>222.0</b>
<b>Total borrowings</b>	<b>255.1</b>	<b>253.8</b>

### (a) Maturity analysis of borrowings

See Table 12 in Note 17 for the ageing analysis of borrowings.

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

See Note 17 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.

<sup>1</sup> See note 1(w) for details about restatements.

<sup>2</sup> Secured by the assets leased. Finance leases are effectively secured as the rights to the leased assets revert to the lessor in the event of default.

<sup>3</sup> These are unsecured loans which bear no interest. The terms of the loans are generally agreed by the Treasurer at the time the advance was provided. Refer to Note 1(w)(iv) for details about restatements.

<sup>4</sup> Other non-current borrowings are made up of co-operative loans. The Department does have an obligation to meet the repayments of these loans on an annual basis. However, the effect of classifying these loans as current or non-current would not influence the understanding of these accounts relative to the effort required to correctly classify these amounts. See note 1(w)(i) for details about restatements.

## Note 14 Provisions

	Note	2015 \$m	Restated <sup>1</sup> 2014 \$m
<b>Current provisions</b>			
<b>Employee benefits<sup>2</sup>—annual leave</b>			
Unconditional and expected to be settled within 12 months <sup>3</sup>		75.6	73.1
Unconditional and expected to be settled after 12 months <sup>3</sup>		9.7	7.3
<b>Employee benefits<sup>2</sup>—long service leave</b>			
Unconditional and expected to be settled within 12 months <sup>3</sup>		125.1	120.1
Unconditional and expected to be settled after 12 months <sup>3</sup>		761.7	700.5
<b>Employee benefits<sup>2</sup>—other</b>			
Unconditional and expected to be settled within 12 months <sup>3</sup>		2.5	3.4
<b>Total</b>	14(a)	<b>974.6</b>	<b>904.4</b>
<b>Provisions related to employee benefit on-costs</b>			
Unconditional and expected to be settled within 12 months <sup>3</sup>		33.2	32.2
Unconditional and expected to be settled after 12 months <sup>3</sup>		132.5	117.8
<b>Total</b>	14(a)	<b>165.6</b>	<b>150.0</b>
Make-good <sup>4</sup>	14(b)	0.2	0.0
Sabbatical leave	14(b)	1.5	1.3
<b>Total current provisions</b>		<b>1,142.0</b>	<b>1,055.7</b>
<b>Non-current provisions</b>			
Employee benefits <sup>2,3</sup>	14(a)	163.0	153.5
Employee benefit on-costs <sup>3</sup>	14(a)	27.1	25.6
Make-good <sup>4,5</sup>	14(b)	0.3	0.6
<b>Total non-current provisions</b>		<b>190.4</b>	<b>179.7</b>
<b>Total provisions</b>		<b>1,332.4</b>	<b>1,235.4</b>

<sup>1</sup> See Note 1(v)(vii) for details about restatement.

<sup>2</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>3</sup> The amounts disclosed are discounted to present values.

<sup>4</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.

<sup>5</sup> See Note 1(v)(vi) for details about restatement.

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

	Note	2015 \$m	Restated <sup>1</sup> 2014 \$m
<b>Current employee benefits</b>			
Annual leave entitlements		85.3	80.4
Long service leave entitlements		886.8	820.6
Other		2.5	3.4
<b>Total</b>		<b>974.6</b>	<b>904.4</b>
<b>Non-current employee benefits</b>			
Long service leave entitlements		163.0	153.5
<b>Total employee benefits</b>		<b>1,137.6</b>	<b>1,057.9</b>
<b>On-costs</b>			
Current on-costs		165.6	150.0
Non-current on-costs		27.1	25.6
<b>Total on-costs</b>	14(b)	<b>192.8</b>	<b>175.6</b>
<b>Total employee benefits and related on-costs</b>		<b>1,330.4</b>	<b>1,233.5</b>

### (b) Movements in provisions

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

2015	On-costs \$m	Make good \$m	Sabbatical leave \$m	Total \$m
Opening balance	175.6	0.6	1.3	<b>177.5</b>
Additional provisions recognised	54.0	–	0.2	<b>54.2</b>
Reductions arising from payments/other sacrifices of future economic benefits	(46.0)	–	–	<b>(46.0)</b>
Reductions resulting from re-measurement	–	(0.1)	–	<b>(0.1)</b>
Unwind of discount and effect of changes in the discount rate	9.2	–	–	<b>9.2</b>
<b>Closing balance</b>	<b>192.8</b>	<b>0.5</b>	<b>1.5</b>	<b>194.8</b>

<sup>1</sup> See Note 1(v)(vii) for details about restatement.

## Note 15 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. The Department of Treasury and Finance 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 basis for contributions is 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	Paid Contributions for the year 2015 \$m	Paid Contributions for the year 2014 \$m	Contributions outstanding at year end 2015 \$m	Contributions outstanding at year end 2014 \$m
State Superannuation Schemes (defined benefit scheme)	103.1	111.0	–	–
Vic Super (accumulation scheme)	279.5	258.8	–	–
State Employees Retirement Benefits Scheme (defined benefit scheme)	2.5	2.6	–	–
Other schemes	66.7	54.4	–	–
<b>Total</b>	<b>451.8</b>	<b>426.8</b>	<b>–</b>	<b>–</b>

## Note 16 Physical asset revaluation surplus

	Note	2015 \$m	Restated <sup>1</sup> 2014 \$m
<b>Physical asset revaluation surplus</b>			
Balance at beginning of financial year		6,566.9	6,549.0
Revaluation increment/(decrement) of land during the year <sup>2</sup>		855.5	25.6
Revaluation increment/(decrement) of buildings during the year	1(x)	–	11.4
Impairment losses <sup>3</sup>	1(v)	(40.0)	(19.2)
<b>Balance at end of financial year</b>		<b>7,382.3</b>	<b>6,566.9</b>

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

<sup>1</sup> See Note 1(x) and (v) for details about restatements.

<sup>2</sup> 2015 figures include land managerial revaluation.

<sup>3</sup> See Note 11.

## Note 17 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 and interest rate risk. The Department manages these financial risks in accordance with its financial risk management policy. Each school manages its financial risks in accordance with its policies as determined by its School Council.

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 24 below.

**Table 24—Categorisation of financial instruments**

	Note	2015 \$m	Restated <sup>1</sup> 2014 \$m
<b>Contractual financial assets—loans and receivables</b>			
Cash and deposits—Department	7	157.5	150.8
Cash and deposits—Schools <sup>1</sup>	7	557.8	567.5
Receivables	8	59.9	61.3
Term deposits <sup>1</sup>	7	132.5	127.1
<b>Total contractual financial assets</b>		<b>907.7</b>	<b>906.7</b>
<b>Contractual financial liabilities at amortised cost</b>			
Payables	12	296.1	336.6
Borrowings	13	255.1	253.8
<b>Total contractual financial liabilities</b>		<b>551.2</b>	<b>590.4</b>

### (b) Credit risk

Credit risk arises from the financial assets of the Department, which comprise cash and deposits and non-statutory receivables. 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.

<sup>1</sup> See Note 1(v) and (w) for details about restatements.

Credit risk arises at schools for amounts due from parents and individuals and is managed by each school. 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.

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.

**Table 25—Ageing analysis of contractual financial assets**

	Carrying amount \$m	Not past due and not impaired \$m	Past due but not impaired			
			Less than 1 month	1–3 months	3 months–1 year	Over 1 year
			\$m	\$m	\$m	\$m
<b>2015</b>						
Receivables <sup>1</sup>	59.9	8.4	0.2	3.6	10.9	37.0
Term deposits	132.5	132.5	–	–	–	–
<b>Total</b>	<b>192.4</b>	<b>140.9</b>	<b>0.2</b>	<b>3.6</b>	<b>10.9</b>	<b>37.0</b>
<b>2014 (Restated)<sup>2</sup></b>						
Receivables <sup>1</sup>	61.3	32.0	9.8	3.5	5.0	10.9
Term deposits	127.1	127.1	–	–	–	–
<b>Total</b>	<b>188.4</b>	<b>159.1</b>	<b>9.8</b>	<b>3.5</b>	<b>5.0</b>	<b>10.9</b>

### (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
- 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.

<sup>1</sup> Ageing analysis of financial assets excludes the types of statutory receivables (for example, amounts owing from Victorian Government and GST input tax credit recoverable).

<sup>2</sup> See Note 1(v) (w) for details about restatements.

Table 26 discloses the contractual maturity analysis for the Department's contractual financial liabilities.

**Table 26—Maturity analysis of contractual financial liabilities**

	Carrying amount \$m	Nominal amount \$m	Maturity dates					
			Less than 1 month	1–3 months	3 months –1 year <sup>1</sup>	1–5 years <sup>1</sup>	> 5 years <sup>1</sup>	
			\$m	\$m	\$m	\$m	\$m	
<b>2015</b>								
Payables	296.1	296.1	301.7	1.4	(4.4)	(0.8)	(1.9)	
Borrowings	255.1	400.5	1.3	4.4	27.6	90.3	276.8	
<b>Total</b>	<b>551.2</b>	<b>696.5</b>	<b>303.0</b>	<b>5.8</b>	<b>23.3</b>	<b>89.6</b>	<b>274.9</b>	
<b>2014 (Restated<sup>2</sup>)</b>								
Payables	336.6	336.6	336.1	0.4	–	–	–	
Borrowings	253.8	410.8	0.7	4.5	27.6	80.3	297.7	
<b>Total</b>	<b>590.4</b>	<b>747.4</b>	<b>336.8</b>	<b>4.9</b>	<b>27.6</b>	<b>80.3</b>	<b>297.7</b>	

Included in payables and borrowings are amounts relating to schools. These amounts are aged based on estimates due to the lack of available data to accurately age these items.

#### **(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.

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.

##### **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.

<sup>1</sup> Includes credit notes from registered training providers.

<sup>2</sup> See Note 1 (v) (w) for details about restatements.

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, bank overdrafts and schools cooperative loans 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.

The carrying amounts of financial assets and financial liabilities that are exposed to interest rates are set out in Table 27. In addition, the Department's sensitivity to interest rate risk is set out in Table 28.

**Table 27—Interest rate exposure of financial instruments**

	Weighted average effective interest rate %	Carrying amount \$m	Interest rate exposure		
			Fixed interest rate \$m	Variable interest rate \$m	Non-interest bearing \$m
<b>2015</b>					
<b>Financial assets</b>					
Cash and deposits— Department	—	157.5	—	—	157.5
Cash and deposits— Schools	2.6	557.8	153.0	404.8	—
Receivables	—	59.9	—	—	59.9
Term deposits	3.9	132.5	131.5	1.0	—
<b>Total</b>		<b>907.7</b>	<b>284.5</b>	<b>405.8</b>	<b>217.4</b>
<b>Financial liabilities</b>					
Payables	—	296.1	—	—	296.1
Borrowings	6.4	255.1	199.0	—	56.0
<b>Total</b>		<b>551.2</b>	<b>199.0</b>	<b>—</b>	<b>352.1</b>

	Weighted average effective interest rate %	Carrying amount \$m	Interest rate exposure		
			Fixed interest rate	Variable interest rate	Non-interest bearing
			\$m	\$m	\$m
<b>2014 (Restated)<sup>1</sup></b>					
<b>Financial assets</b>					
Cash and deposits—Department	–	150.8	–	–	150.8
Cash and deposits—Schools <sup>1</sup>	2.9	567.5	153.0	414.5	–
Receivables	–	61.3	–	–	61.3
Term deposits <sup>1</sup>	3.7	127.1	125.3	1.8	–
<b>Total</b>		<b>906.7</b>	<b>278.3</b>	<b>416.3</b>	<b>212.1</b>
<b>Financial liabilities</b>					
Payables	–	336.6	–	–	336.6
Borrowings	6.5	253.8	204.5	–	49.3
<b>Total</b>		<b>590.4</b>	<b>204.5</b>	<b>–</b>	<b>385.8</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 cannot be expected to predict movements in market rates and prices. Sensitivity analysis shown are for illustrative purposes only. A movement of 100 basis points up and down (2014: 100 down and 100 up) in market interest rates (AUD) is 'reasonably possible' over the next 12 months.

Table 28 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.

Department of Treasury and Finance 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.

<sup>1</sup> See Note 1(v)(w) for details about restatements.

**Table 28—Market risk exposure**

	Carrying amount \$m	Interest rate risk	
		-100 basis points	+100 basis points
		Net result \$m	Net result \$m
<b>2015</b>			
<b>Financial assets</b>			
Cash and deposits—Department	157.5	—	—
Cash and deposits—Schools <sup>1</sup>	557.8	(5.6)	5.6
Receivables	59.9	—	—
Term deposits <sup>2</sup>	132.5	(1.3)	1.3
<b>Financial liabilities</b>			
Payables	296.1	—	—
Borrowings	255.1	—	—
<b>Total increase/(decrease)</b>		<b>(6.9)</b>	<b>6.9</b>
<b>2014 (Restated)<sup>3</sup></b>			
<b>Financial assets</b>			
Cash and deposits—Department	150.8	—	—
Cash and deposits—Schools <sup>4</sup>	567.5	(5.7)	5.7
Receivables	61.3	—	—
Term deposits <sup>5</sup>	127.1	(1.3)	1.3
<b>Financial liabilities</b>			
Payables	336.6	—	—
Borrowings	253.8	—	—
<b>Total increase/(decrease)</b>		<b>(6.9)</b>	<b>6.9</b>

<sup>1</sup> Sensitivity of cash and equivalents: sensitivity impact on net result due to a +/- 100 basis points movement in market interest rate is \$557.8 million x +/- 1 per cent = +/- \$5.6 million.

<sup>2</sup> Sensitivity of term deposits: sensitivity impact on net result due to a ±100 basis points movement in market interest rate is \$132.5million x +/- 1 per cent = +/- \$1.3 million.

<sup>3</sup> See note 1 (v) (w) for details about restatements.

<sup>4</sup> Sensitivity of cash and equivalents: sensitivity impact on net result due to a +/-100 basis points movement in market interest rate is \$567.5 million x +/- 1 per cent = +/- \$5.7 million.

<sup>5</sup> Sensitivity of term deposits: sensitivity impact on net result due to a ±100 basis points movement in market interest rate is \$127.1 million x +/- 1 per cent = +/- \$1.3 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
- 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's contractual financial assets and liabilities are measured at amortised cost; none of the classes of financial assets and liabilities are readily traded on organised markets in standardised form; hence the fair value disclosures are not required. (See Note 1(j), Loans and Receivables.)

## Note 18 Leases

The Department's leases are made up of finance leases for public-private partnership arrangements and motor vehicles.

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	
	2015 \$m	2014 \$m	2015 \$m	Restated <sup>1</sup> 2014 \$m
<b>PPP-related finance lease liabilities</b>				
Not longer than one year <sup>1</sup>	15.8	15.8	15.2	15.2
Longer than one year but not longer than five years <sup>1</sup>	63.4	63.4	52.1	52.1
Longer than five years <sup>1</sup>	245.5	261.3	112.4	116.7
<b>Motor vehicles lease liabilities payable</b>				
Not longer than one year	4.0	4.1	3.7	3.8
Longer than one year but not longer than five years	4.3	4.0	4.3	3.8
<b>Minimum future lease payments</b>	<b>333.0</b>	<b>348.6</b>	<b>187.6</b>	<b>191.6</b>
Less future finance charges	(145.3)	(157.0)	–	–
<b>Present value of minimum lease payments</b>	<b>187.7</b>	<b>191.6</b>	<b>187.6</b>	<b>191.6</b>
<b>Included in the financial statements as:</b>				
Current borrowings finance lease liabilities (Note 13) <sup>1</sup>	–	–	18.9	19.0
Non-current borrowings finance lease liabilities (Note 13) <sup>1</sup>	–	–	168.7	172.7
<b>Total aggregate carrying amount of borrowings</b>	<b>–</b>	<b>–</b>	<b>187.6</b>	<b>191.6</b>

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

	2015 \$m	2104 \$m
<b>Assets pledged as security</b>		
Motor vehicles under finance lease	7.4	7.4
Partnership Victoria in Schools assets	179.4	187.5
<b>Total assets pledged as security</b>	<b>186.8</b>	<b>194.9</b>

The Department entered into a 26-year public-private partnership 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 were constructed on sites that were purchased by the Department. At the end of the lease period, the Department will continue to own all the assets.

<sup>1</sup> See Note 1(w) for details about restatement.

## 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, the following disclosures are made regarding responsible persons for the reporting period.

### (a) Names

The persons who held the positions of ministers and accountable officers in the Department are as follows:

Position	Name	Dates
Minister for Early Childhood and Development	The Hon. Wendy Lovell MLC	1 July 2014 to 2 December 2014
Minister for Education	The Hon. Martin Dixon MP	1 July 2014 to 2 December 2014
Minister for Higher Education and Skills	The Hon. Nick Wakeling MP	1 July 2014 to 2 December 2014
Minister for Education	The Hon. James Merlino MP	3 December 2014 to 30 June 2015
Minister for Training and Skills (International Education)	The Hon. Steve Herbet MP	3 December 2014 to 30 June 2015
Minister for Families and Children	The Hon. Jenny Mikakos MP	3 December 2014 to 30 June 2015
Secretary	Richard Bolt	1 July 2014 to 31 December 2014
Secretary	Gill Callister	1 January 2015 to 30 June 2015

- The Hon. Nick Wakeling acted in the office of the Minister for Education for the period of 1 to 6 July 2014.
- The Hon. James Merlino acted in the office of the Minister for Training and Skills for the period of 21 to 26 January 2015.
- The Hon. Jenny Mikakos acted in the office of the Minister for Training and Skills for the period 1 to 5 June 2015, and 30 June 2015
- The Hon. Martin Foley acted in the office of the Minister for Families and Children for the period of 5 to 7 January 2015, and 18 to 25 January 2015
- The Hon. Steven Herbert acted in the office of the Minister for Education for the period of 3 to 13 January 2015, and 2 to 6 April 2015
- Mr Nicholas Pole acted in the office of the Secretary for the period 6 to 13 July 2014
- Ms Monique Dawson acted in the office of the Secretary for the period 27 to 31 December 2014, and 2 to 9 January 2015
- Ms Kym Peake acted in the office of the Secretary for the period 21 May 2015 to 26 June 2015.

## (b) 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:

Income band (\$)	2015 Number	2014 Number
210,000–219,999	1	–
270,000–279,999	1	–
500,000–509,999	–	1

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

## (c) Related party transactions included in the reconciliation amount

The Secretary is an ex-officio member of the boards of the Victorian Registration and Qualifications Authority and the 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.

The Secretary is the president of The Institute of Public Administration Australia's Victoria Branch. The Institute of Public Administration Australia provides services to the Department on normal commercial terms.

	2015 \$m	2014 \$m
<b>Grants paid during the year</b>		
Victorian Registration and Qualifications Authority	9.1	12.2
Victorian Curriculum and Assessment Authority	47.3	43.2
<b>Rent provided free of charge during the year</b>		
Victorian Registration and Qualifications Authority	0.5	0.5
Victorian Curriculum and Assessment Authority	2.3	2.4
<b>Payments made during the year</b>		
The Institute of Public Administration Australia Victoria	0.1	–

## (d) Other transactions

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

Note 20 Remuneration of executives and payments to other personnel (that is, contractors with significant management responsibilities)

**(a) Remuneration of executives**

The numbers of executive officers who earned total remuneration more than \$100,000 per annum are shown in the table opposite in their relevant income bands. It includes executive officers employed by the Department and its statutory authorities including the Victorian Registration and Qualification Authority, and the Victorian Curriculum and Assessment Authority. Ministers and accountable officers are not included. The total remuneration of Executive Officers is shown in the first two columns in the table opposite in the relevant income bands. 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.

Income band (\$)	Total remuneration		Base remuneration	
	2015 Number	2014 Number	2015 Number	2014 Number
40,000–49,999	–	–	1	–
50,000–59,999	–	–	–	1
110,000–119,999	–	2	–	2
120,000–129,999	1	2	1	1
130,000–139,999	1	–	4	3
140,000–149,999	6	2	4	3
150,000–159,999	6	4	11	10
160,000–169,999	3	9	5	7
170,000–179,999	7	8	7	4
180,000–189,999	9	2	5	3
190,000–199,999	4	10	8	13
200,000–209,999	2	10	10	10
210,000–219,999	13	8	4	3
220,000–229,999	4	2	2	6
230,000–239,999	2	4	5	2
240,000–249,999	8	4	3	2
250,000–259,999	2	4	2	2
260,000–269,999	2	–	1	1
270,000–279,999	2	–	1	–
280,000–289,999	1	1	–	2
290,000–299,999	–	1	2	–
300,000–309,999	1	1	–	1
310,000–319,999	1	–	–	–
320,000–329,999	–	1	–	1
330,000–339,999	–	–	1	–
340,000–349,999	–	1	–	1
350,000–359,999	1	–	1	–
360,000–369,999	–	1	–	–
370,000–379,999	1	–	–	–
430,000–439,999	–	1	–	–
830,000–839,999	1	–	–	–
<b>Total number</b>	<b>78</b>	<b>78</b>	<b>78</b>	<b>78</b>
<b>Total annualised employee equivalents</b>	<b>74.69</b>	<b>76.10</b>	<b>74.69</b>	<b>76.10</b>
<b>Total remuneration \$m</b>	<b>16.8</b>	<b>16.1</b>	<b>15.1</b>	<b>15.2</b>

### (b) Payments to other personnel (that is, contractors with significant management responsibilities)

Payments have been made to other personnel, that is, contractors with significant management responsibilities. The contractors are responsible for planning, directing or controlling, directly or indirectly, of the Department's activities.

The number of other personnel to whom total expenses for the reporting period exceed \$100,000 (exclusive of GST) is shown in the table below in the relevant expense band.

Expenses band (\$)	Total expenses (exclusive of GST)	
	2015 Number	2014 Number
250,000–259,999	1	–
370,000–379,999	–	1
<b>Total expenses (exclusive of GST) \$m</b>	<b>0.3</b>	<b>0.4</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:

### (a) Quantifiable contingent liabilities

Table 29—Quantifiable contingent liabilities

Quantifiable contingent liabilities	2015 \$m	2014 \$m
Claims for damages	48.5	46.9
TAFE Structural Adjustment Fund (TSAF) arrangement <sup>1</sup>	82.0	–
<b>Total quantifiable contingent liabilities</b>	<b>130.5</b>	<b>46.9</b>

### (b) Unquantifiable contingent liabilities

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

Indemnities are provided by the Department to:

(a) 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.

(b) 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.

(c) Teachers: If 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.

<sup>1</sup> The Department has entered into funding agreements with TAFEs. The release of these funds is contingent on the TAFEs demonstrating that they have achieved agreed milestones.

(d) School councils: The Department will usually indemnify school councils in claims of common law negligence, and will often indemnify in relation to employment disputes, for the cost of settlement and legal representation. The Department will take into account the impact of payment upon the school's educational program and any insurance cover for the school council, and will likely indemnify if the Department is satisfied that:

- the school council acted in good faith and according to issued guidelines and directions; and
- the school council has insufficient funds to pay the claim.

Other:

The Department is party to a project agreement for the Joint Group Training Program. This agreement concluded on 30 June 2015 however the Department may be required to settle an unquantifiable amount of completion bonuses in relation to this program.

## Note 22 Commitments for expenditure

The following commitments have not been recognised as liabilities in the financial statements. All amounts shown in this note are nominal amounts inclusive of GST.

### (a) Service concession (public–private partnership)-related commitments

The Department entered into a 26-year public–private partnership 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 13 .

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 operating and maintenance commitment below represent the charges payable under the agreement at the end of the reporting period.

	Present value 2015 \$m	Nominal value 2015 \$m	Present value 2014 \$m	Nominal value 2014 \$m
<b>Operation and maintenance commitments</b>				
Partnerships Victoria in Schools	102.5	222.8	99.8	224.5
<b>Total operation and maintenance commitments</b>	<b>102.5</b>	<b>222.8</b>	<b>99.8</b>	<b>224.5</b>

Operation and maintenance commitments are payable as follows:

	2015 \$m	2014 \$m
Within one year	9.0	8.6
Later than one year but not later than five years	36.6	35.0
Later than five years	177.2	180.9
<b>Total operation and maintenance commitments</b>	<b>222.8</b>	<b>224.5</b>

## (b) Capital commitments

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

	2015 \$m	2014 \$m
<b>Capital commitments</b>		
Commitments for the acquisition of buildings, plant and equipment contracted for at the reporting date but not recognised as liabilities, payable as follows:		
Within one year	49.2	113.7
Later than one year but not later than five years	2.0	0.6
<b>Total capital commitments</b>	<b>51.2</b>	<b>114.3</b>

## (c) Operating leases

The Department and schools lease 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 a contractual option to purchase the leased assets at the expiry of the lease period. Commitments for leased equipment for schools are estimated based on 2014–15 actual expenditure of \$45.5 million.

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

	2015 \$m	2014 \$m
Within one year	43.2	40.0
Later than one year but not later than five years	39.9	39.8
Later than five years	39.2	33.4
<b>Total operating leases commitments</b>	<b>122.3</b>	<b>113.2</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:

	2015 \$m	2014 \$m
<b>Other expenditure commitments</b>		
Within one year <sup>1</sup>	271.2	263.6
Later than one year but not later than five years	48.1	47.2
<b>Total other expenditure commitments</b>	<b>319.3</b>	<b>310.8</b>
<b>Total commitments for expenditure</b>	<b>715.6</b>	<b>762.8</b>

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

<sup>1</sup> Figure includes a commitment to pay grants to non-government schools of \$189.3 million (2104: \$191.7 million).

## Note 23 Cash flow information

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

	2015 \$m	Restated <sup>1</sup> 2014 \$m
<b>Net result for the reporting period</b>	<b>158.8</b>	<b>164.3</b>
<b>Non-cash movements</b>		
Net (gain)/loss on sale of non-financial assets	(22.8)	(10.1)
Depreciation and amortisation	316.7	340.9
<b>Movements in assets and liabilities</b>		
Decrease/(increase) in current receivables	(331.7)	(107.9)
Decrease/(increase) in prepayments	(1.7)	(3.9)
Decrease/(increase) in non-current receivables	(11.0)	(10.4)
Increase/(decrease) in current payables	(17.4)	(46.6)
Increase/(decrease) in other liabilities	(2.7)	4.0
Increase/(decrease) in current employee entitlements	86.1	23.7
Increase/(decrease) in non-current employee entitlements	11.0	10.4
<b>Net cash inflow from operating activities</b>	<b>185.2</b>	<b>364.3</b>

## Note 24 Subsequent events

Learning Communities Victoria has been announced as the preferred bidder to enter into final negotiations to deliver and maintain the new schools. The contract is expected to be signed in October, with construction of the first group of schools scheduled to begin by the end of 2015.

The contract will deliver 15 new schools with a total estimated investment of \$291 million. The completed schools will open in 2017 and 2018 school years under the new Schools Public-Private Partnership (PPP) Project. Under the PPP model, the private sector is responsible for the finance, design, construction, and maintenance of the new schools over a 25-year period. The Department retains school ownership and responsibility for delivering educational services.

Further to Contingent liabilities disclosure in Note 21, the Department noted an additional \$1.65 million in claims for damages in quantifiable contingent liabilities that arose post balance date.

<sup>1</sup> See Note 1(v)(w)(x) for details about restatements.

## Note 25 Annotated income agreements

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

	Note	2015 \$m	2014 \$m
<b>Sales of goods and services</b>			
Alarms		0.1	–
Housing rent		1.1	1.1
<b>Total</b>		<b>1.2</b>	<b>1.1</b>
<b>Asset sales</b>			
Sale of land		136.6	80.5
<b>Total</b>		<b>136.6</b>	<b>80.5</b>
<b>Commonwealth Specific Purpose Payments</b>			
Trade Training Centres		9.0	37.1
National Skills and Workforce Development		357.2	349.7
TAFE fee waivers for childcare qualifications		2.4	6.1
Helping our Kids Understand Finances		–	0.2
Low SES School Communities		–	20.5
National Solar Schools Program		–	5.4
More support for students with disabilities		11.1	14.8
Youth Attainment and Transitions		–	8.5
Universal access to early education		85.9	78.3
Indigenous Early Childhood Development		–	3.8
National Quality Agenda for Early Childhood Education and Care		6.9	2.3
Training Places for Single and Teen parents		–	6.3
Industry and Indigenous skills centre		–	0.1
Joint group training program		3.1	3.2
Improving Literacy and Numeracy—Government Schools		–	9.8
Improving Literacy and Numeracy—Non-Government Schools NP		–	3.9
MoneySmart Teaching		0.2	0.1
Independent Public Schools		2.3	–
National School Chaplaincy Program		12.6	–
<b>Total</b>		<b>490.7</b>	<b>550.2</b>
<b>Total annotated income agreements</b>	<b>6(a)</b>	<b>628.6</b>	<b>631.8</b>

## 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 2014 \$m	Total receipts \$m	Total payments \$m	Closing balance as at 30 June 2015 \$m
<b>2015</b>				
<b>Controlled trusts</b>				
State Treasury Trust	132.7	71.3	(68.6)	135.2
Commonwealth Treasury Trust	10.0	15.5	(8.4)	17.0
<b>Total controlled trusts</b>	<b>142.7</b>	<b>86.8</b>	<b>(77.3)</b>	<b>152.2</b>
<b>Administered trusts</b>				
Prizes and scholarships	2.3	0.3	(0.9)	1.6
Commuter club	(0.1)	0.9	(0.8)	–
On-passing from the Commonwealth	0.6	2,682.5	(2,682.5)	0.6
<b>Total administered trusts</b>	<b>2.8</b>	<b>2,683.6</b>	<b>(2,684.2)</b>	<b>2.3</b>
	Opening balance as at 1 July 2013 \$m	Total receipts \$m	Total payments \$m	Closing balance as at 30 June 2014 \$m
<b>2014</b>				
<b>Controlled trusts</b>				
State Treasury Trust	99.3	109.8	(76.4)	132.7
Commonwealth Treasury Trust	7.3	7.6	(4.9)	10.0
<b>Total controlled trusts</b>	<b>106.6</b>	<b>117.4</b>	<b>(81.3)</b>	<b>142.7</b>
<b>Administered trusts</b>				
Prizes and scholarships	2.4	1.5	(1.6)	2.3
Commuter club	(0.1)	0.5	(0.5)	(0.1)
On-passing from the Commonwealth	0.5	2,445.5	(2,445.4)	0.6
<b>Total administered trusts</b>	<b>2.8</b>	<b>2,447.5</b>	<b>(2,447.5)</b>	<b>2.8</b>

There were no trust accounts opened and closed by the Department during 2015.

The State trust fund of the State of Victoria 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 State Appropriation unless approved by the Department of Treasury and Finance or provided by specific legislation.

## Note 27 Glossary of terms and style conventions

### **Active and Liquid Market**

Active liquid market refers to any market in which there are many buyers and sellers present and in which transactions can take place with relative ease and low costs.

### **Actuarial gains or losses on superannuation defined benefit plans**

Actuarial gains or losses are changes in the present value of the superannuation defined benefit liability resulting from:

- experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred)
- the effects of changes in actuarial assumptions.

### **Associates**

Associates are all entities over which an entity has significant influence but not control, generally accompanying a shareholding and voting rights of between 20 per cent and 50 per cent.

### **Borrowings**

Borrowings refers to interest-bearing liabilities mainly raised from public borrowings raised through the Treasury Corporation of Victoria, finance leases and other interest-bearing arrangements. Borrowings also include non-interest-bearing advances from government that are acquired for policy purposes.

### **Capital asset charge**

The capital asset charge represents the opportunity cost of capital invested in the non-financial physical assets used in the provision of outputs.

### **Commitments**

Commitments include those operating, capital and other outsourcing commitments arising from non-cancellable contractual or statutory sources.

### **Community service obligation**

A community service obligation is an ongoing legislative requirement placed on an organisation by government to provide a benefit to an identified group that would not otherwise be provided by that organisation in the pursuit of its other objectives.

### **Comprehensive result**

The net result of all items of income and expense recognised for the period. It is the aggregate of operating result and other comprehensive income.

### **Current grants**

Amounts payable or receivable for current purposes for which no economic benefits of equal value are receivable or payable in return.

### **Depreciation**

Depreciation is an expense that arises from the consumption through wear or time of a produced physical asset. This expense is classified as a 'transaction' and so reduces the 'net result from transaction'.

### **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.

## **Economic obsolescence**

Economic obsolescence is defined as a loss in value or reduction in the desirability or economic life of an asset caused by external factors. These external factors may be changes in optimum use, regulatory changes and technological changes.

## **Effective interest method**

The effective interest method is used to calculate the amortised cost of a financial asset or liability and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument, or, where appropriate, a shorter period.

## **Employee benefits expenses**

Employee benefits expenses include all costs related to employment including wages and salaries, fringe benefits tax, leave entitlements, redundancy payments, defined benefits superannuation plans, and defined contribution superannuation plans.

## **Ex gratia expenses**

Ex gratia expenses mean the voluntary payment of money or other non-monetary benefit (for example, a write-off) that is not made either to acquire goods, services or other benefits for the entity or to meet a legal liability, or to settle or resolve a possible legal liability or claim against the entity.

## **Financial asset**

A financial asset is any asset that is:

- cash
- an equity instrument of another entity
- a contractual or statutory 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
- 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.

## **Financial instrument**

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial assets or liabilities that are not contractual (such as statutory receivables or payables that arise as a result of statutory requirements imposed by governments) are not financial instruments.

## **Financial liability**

A financial liability is any liability that is:

- a contractual obligation:
  - to deliver cash or another financial asset to another entity or
  - to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the entity or
- 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 deliver 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. For this purpose, the entity's own equity instruments do not include instruments that are themselves contracts for the future receipt or delivery of the entity's own equity instruments.

### **Financial reporting directions (FRDs)**

The FRDs are applicable to all entities defined as either a public body or a department under Section 3 of the *Financial Management Act 1994*, unless otherwise stated. The aims of FRDs are to ensure consistent application of accounting treatment across the Victorian public sector in compliance with that particular standard and also to impose other government non-financial policy and disclosure requirements.

### **Financial statements**

A complete set of financial statements comprises:

- balance sheet as at the end of the period
- comprehensive operating statement for the period
- a statement of changes in equity for the period
- a statement of cash flows for the period
- notes, comprising a summary of significant accounting policies and other explanatory information
- comparative information in respect of the preceding period as specified in paragraphs 38 of AASB 101 *Presentation of Financial Statements*
- a statement of financial position as at the beginning of the preceding period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements in accordance with paragraphs 41 of AASB 101.

### **Functional obsolescence**

Functional obsolescence is defined as a reduction or loss of an asset value due to a reduction in the usefulness or desirability of an asset because of its inability either to be upgraded or modified to serve the user's current needs or out-dated functional capabilities.

### **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. For this reason, grants are referred to by the AASB as involuntary transfers and are termed non-reciprocal transfers. 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.

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.

### **Grants for on-passing**

All grants paid to one institutional sector (for example, a State general government entity) to be passed on to another institutional sector (for example, local government or a private non-profit institution).

### **Intangible produced assets**

See Produced Assets in this glossary.

### **Intangible non-produced assets**

See Non-produced Assets in this glossary.

### **Interest expense**

Costs incurred in connection with the borrowing of funds includes interest on bank overdrafts and short- and long-term borrowings, amortisation of discounts or premiums relating to borrowings, interest component of finance leases repayments, and the increase in financial liabilities and non-employee provisions due to the unwinding of discounts to reflect the passage of time.

### **Interest income**

Interest income includes unwinding over time of discounts on financial assets and interest received on bank term deposits and other investments.

### **Net result**

Net result is a measure of financial performance of the operations for the period. It is the net result of items of income, gains and expenses (including losses) recognised for the period, excluding those that are classified as Other Economic Flows—Other Comprehensive Income.

### **Net result from transactions/net operating balance**

Net result from transactions or net operating balance is a key fiscal aggregate and is income 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.

### **Net worth**

Assets less liabilities, which is an economic measure of wealth.

### **Non-financial assets**

Non-financial assets are all assets that are not 'financial assets'. These include land, buildings, plant and equipment, heritage buildings, and intangible assets.

### **Non-produced assets**

Non-produced assets are assets needed for production that have not themselves been produced. They include land, subsoil assets, and certain intangible assets. Non-produced intangibles are intangible assets needed for production that have not themselves been produced. They include constructs of society such as patents.

### **Other economic flows included in net result**

Other economic flows included in net result are changes in the volume or value of an asset or liability that do not result from transactions. 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
- depletion of natural assets (non-produced) from their use or removal.

### **Other economic flows—other comprehensive income**

Other Economic Flows—Other Comprehensive Income comprises items (including reclassification adjustments) that are not recognised in net result as required or permitted by other Australian Accounting Standards.

The components of Other Economic Flows—Other Comprehensive Income include:

- changes in physical asset revaluation surplus
- share of net movement in revaluation surplus of associates and joint ventures
- gains and losses on remeasuring available-for-sale financial assets.

### **Payables**

Includes short- and long-term trade debt and accounts payable, grants, taxes and interest payable.

### **Physical obsolescence**

Physical obsolescence is defined as a reduction or loss of an asset value as a result of its physical deterioration caused by wear and tear, increasing age or time and eventually obsolete.

### **Produced assets**

Produced assets include buildings, plant and equipment, inventories, cultivated assets and certain intangible assets. Intangible produced assets may include computer software, motion picture films, and research and development costs (which does not include the start-up costs associated with capital projects).

### **Receivables**

Includes amounts owing from government through appropriation receivable, short and long-term trade credit and accounts receivable, accrued investment income, grants, taxes (GST) and interest receivable.

### **Sales of goods and services**

Refers to income 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 and 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 include sale of goods and services income.

### **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 Department.

### **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 in 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 (for example, 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.

## Style conventions

Figures in the tables and in the text have been rounded. Discrepancies in tables between totals and sums of components reflect rounding. Percentage variations in all tables are based on the underlying unrounded amounts.

The notation used in the tables is as follows:

---

–	Zero, or rounded to zero
(xxx.x)	Negative numbers
201x	Year
201x–1x	Year period

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The financial statements and notes are presented based on the illustration for a government department in the *2014–15 Model Report for Victorian Government Departments*. The presentation of other disclosures is generally consistent with the other disclosures made in earlier publications of the Department's annual reports.

# Appendices

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## Appendix 1 Disclosure index

The annual report of the Department is prepared in accordance with all relevant Victorian legislation and pronouncements. This index has been prepared to facilitate identification of the Department's compliance with statutory disclosure requirements.

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## Appendix 2 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 2014–15 State Budget Paper No. 5 *Statement of Finances*. The budget portfolio outcomes comprise the operating statements, balance sheets, cash flow statements, statements of 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 2014–15 State Budget Paper No. 5 *Statement of Finances*.

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 Training (including government schools)
- Adult, Community and Further Education Board
- Victorian Curriculum and Assessment Authority
- Victorian Registration and Qualifications Authority
- 12 TAFE institutes.

## Comprehensive operating statement for the year ended 30 June 2015

	2015 actual (\$m)	2015 budget (\$m)	Variation (%)
<b>Net result from continuing operations</b>			
<b>Income from transactions</b>			
Output appropriations	10,683.3	10,817.9	(1.2)
Special appropriations	0.2	13.0	(98.7)
Interest	29.4	35.2	(16.6)
Sales of goods and services	684.4	687.6	(0.5)
Grants	43.0	20.1	113.4
Other income	560.7	577.4	(2.9)
<b>Total income from transactions</b>	<b>12,001.0</b>	<b>12,151.3</b>	<b>(1.2)</b>
<b>Expenses from transactions</b>			
Employee benefits	(6,178.3)	(6,163.8)	0.2
Depreciation and amortisation	(388.5)	(365.2)	6.4
Interest expense	(15.7)	(14.8)	5.8
Grants and other transfers	(796.0)	(840.9)	(5.3)
Capital asset charge	(1,287.1)	(1,287.1)	–
Other operating expenses	(3,213.6)	(3,393.9)	(5.3)
<b>Total expenses from transactions</b>	<b>(11,879.2)</b>	<b>(12,065.7)</b>	<b>(1.5)</b>
<b>Net result from transactions (net operating balance)</b>	<b>121.8</b>	<b>85.6</b>	<b>42.3</b>
<b>Other economic flows included in net result</b>			
Net gain/(loss) on non-financial assets	(17.8)	13.3	(233.6)
Net gain/(loss) on financial instruments	(9.8)	(0.3)	2,876.2
Other gains/(losses) from other economic flows	(36.2)	(2.0)	1,737.8
<b>Total other economic flows included in net result</b>	<b>(63.8)</b>	<b>11.0</b>	<b>(678.0)</b>
<b>Net result</b>	<b>57.9</b>	<b>96.6</b>	<b>(40.0)</b>
<b>Other economic flows—other non-owner changes in equity</b>			
Change in physical asset revaluation <sup>1</sup>	829.9	(42.6)	(2,048.3)
Adjustment to accumulated surplus/(deficit) due to a change in accounting policy	32.3	6.5	394.5
Other	(14.8)	(9.3)	60.1
<b>Total other economic flows—other non-owner changes in equity</b>	<b>847.4</b>	<b>(45.3)</b>	<b>(1,968.8)</b>
<b>Comprehensive result</b>	<b>905.3</b>	<b>51.3</b>	<b>1,665.6</b>

<sup>1</sup> The variance between the actual result and the published budget mainly reflects the increase in land revaluation reserve resulting from the land managerial revaluation in 2015 due to compounded movement in fair value since the last revaluation in 2013 is greater than 10 per cent and less than 40 per cent.

## Balance sheet as at 30 June 2015

	2015 actual (\$m)	2015 budget (\$m)	Variation (%)
<b>Assets</b>			
<b>Financial assets</b>			
Cash and deposits	933.4	806.6	15.7
Receivables	1,719.9	1,474.7	16.6
Other financial assets	277.9	363.2	(23.5)
<b>Total financial assets</b>	<b>2,931.2</b>	<b>2,644.6</b>	<b>10.8</b>
<b>Non-financial assets</b>			
Non-financial assets classified as held for sale, including disposal group assets	112.3	125.5	(10.5)
Property, plant and equipment <sup>1</sup>	18,782.9	16,369.6	14.7
Intangible assets	67.8	48.9	38.6
Inventories	2.5	6.0	(59.4)
Biological assets	2.2	3.5	(38.8)
Investment properties	33.0	34.1	(3.3)
Other	35.9	22.4	60.4
<b>Total non-financial assets</b>	<b>19,036.5</b>	<b>16,610.0</b>	<b>14.6</b>
<b>Total assets</b>	<b>21,967.7</b>	<b>19,254.6</b>	<b>14.1</b>
<b>Liabilities</b>			
Payables <sup>2</sup>	392.2	712.1	(44.9)
Borrowings	213.6	211.2	1.2
Provisions	1,482.7	1,453.6	2.0
<b>Total liabilities</b>	<b>2,088.5</b>	<b>2,376.9</b>	<b>(12.1)</b>
<b>Net assets</b>	<b>19,879.2</b>	<b>16,877.7</b>	<b>17.8</b>
<b>Equity</b>			
Accumulated surplus/(deficit)	2,094.0	2,246.2	(6.8)
Reserves	8,253.2	5,163.6	59.8
Contributed capital	9,531.9	9,467.9	0.7
<b>Total equity</b>	<b>19,879.2</b>	<b>16,877.7</b>	<b>17.8</b>

<sup>1</sup> The variance between the actual result and the published budget on property, plant and equipment is primarily due to the reversal of economic obsolescence recognised in measuring the fair value of the school assets that are still in use, as a result of change of accounting policy on fair value of fixed assets in 2014–15.

<sup>2</sup> The variance between the actual result and the published budget on payables is mainly due to the correction of recognition of grants to non-government schools. The grants paid to non-government schools are recognised at the time the cash payment is made, as opposed to being accrued for at balance date. In addition, schools payables are lower than budget due to timing of the invoices received and paid.

## Statement of cash flows for the year ended 30 June 2015

	2015 actual (\$m)	2015 budget (\$m)	Variation (%)
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Receipts from Government	10,351.2	10,817.0	(4.3)
Receipts from other entities	591.6	676.8	(12.6)
Interest received	29.0	35.2	(17.7)
Goods and Services Tax recovered from the ATO	(4.2)	0.6	(846.3)
Dividends received	2.4	2.1	17.0
Other receipts	641.0	585.2	9.5
<b>Total receipts</b>	<b>11,611.0</b>	<b>12,116.9</b>	<b>(4.2)</b>
<b>Payments</b>			
Payments of grants and other transfers	(803.5)	(837.1)	(4.0)
Payments to suppliers and employees	(9,336.9)	(9,513.4)	(1.9)
Capital asset charge	(1,287.1)	(1,287.1)	–
Interest and other costs of finance paid	(15.7)	(14.8)	5.8
Goods and Services Tax paid to the ATO	(1.0)	0.2	(714.0)
<b>Total payments</b>	<b>(11,444.2)</b>	<b>(11,652.4)</b>	<b>(1.8)</b>
<b>Net cash flows from/(used in) operating activities</b>	<b>(166.8)</b>	<b>464.5</b>	<b>(64.1)</b>
<b>Cash flows from investing activities</b>			
Net investments	50.1	(12.6)	(497.2)
Payments for non-financial assets	(587.4)	(527.7)	11.3
Proceeds from sale of non-financial assets	14.9	18.0	(16.9)
Net loans to other parties	(10.9)	–	n/a
<b>Net cash flow from/(used in) investing activities</b>	<b>(533.3)</b>	<b>(522.4)</b>	<b>2.1</b>
<b>Cash flows from financing activities</b>			
Owner contributions by State Government	418.1	51.3	715.6
Net borrowings	3.0	5.2	(42.4)
Repayment of finance leases	(4.2)	(4.2)	(0.7)
<b>Net cash flows from/ (used in) financing activities</b>	<b>416.9</b>	<b>52.2</b>	<b>698.3</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>50.5</b>	<b>(5.7)</b>	<b>(991.9)</b>
Cash and cash equivalents at the beginning of the financial year	882.9	812.3	8.7
<b>Cash and cash equivalents at the end of the financial year</b>	<b>933.4</b>	<b>806.6</b>	<b>15.7</b>

Statement of changes in equity for the year ending 30 June 2015

	Accumulated surplus/ (deficit) (\$m)	Contributions by owner (\$m)	Other reserves (\$m)	Asset revaluation reserve (\$m)	Total equity (\$m)
<b>Opening balance at 1 July 2014 (Actual)</b>	<b>2,109.5</b>	<b>9,283.1</b>	<b>16.8</b>	<b>7,489.1</b>	<b>18,898.5</b>
Comprehensive result	57.9	–	2.3	829.9	890.2
Transactions with owners in their capacity as owners	–	65.6	–	–	65.6
Other	(73.4)	183.3	(9.8)	(75.1)	25.0
<b>Closing balance 30 June 2015</b>	<b>2,094.0</b>	<b>9,531.9</b>	<b>9.2</b>	<b>8,243.9</b>	<b>19,879.2</b>
<b>Opening balance 1 July 2014 (Published Budget)</b>	<b>2,149.7</b>	<b>9,416.6</b>	<b>15.8</b>	<b>5,193.0</b>	<b>16,775.1</b>
Comprehensive result	96.6	–	(2.7)	(42.6)	51.3
Transactions with owners in their capacity as owners	–	51.4	–	–	51.4
<b>Closing balance 30 June 2015 (Published Budget)</b>	<b>2,246.2</b>	<b>9,467.9</b>	<b>13.1</b>	<b>5,150.4</b>	<b>16,877.7</b>
Variation (%)	(6.8)	0.7	(29.8)	60.1	17.8

## Administered items statement for the year ended 30 June 2015

	2015 actual (\$m)	2015 budget (\$m)	Variation (%)
<b>Administered income</b>			
Sale of goods and services	2.2	2.8	(22.0)
Grants	2,682.5	2,573.0	4.3
Interest	0.1	0.1	6.1
Other income	2.1	1.8	15.4
<b>Total administered income</b>	<b>2,686.8</b>	<b>2,577.7</b>	<b>4.2</b>
<b>Administered expenses</b>			
Grants and other transfers	(2,683.4)	(2,573.2)	4.3
Payments into the consolidated fund	(52.3)	(37.5)	39.6
Other operating expenses	(0.8)	–	n/a
<b>Total administered expenses</b>	<b>(2,736.5)</b>	<b>(2,610.6)</b>	<b>4.8</b>
<b>Income less expenses</b>	<b>(49.7)</b>	<b>(33.0)</b>	<b>50.7</b>
<b>Other economic flows included in net result</b>			
Net gain/(loss) on non-financial assets	54.3	33.0	64.7
<b>Total other economic flows included in net result</b>	<b>54.3</b>	<b>33.0</b>	<b>64.7</b>
<b>Net result</b>	<b>4.7</b>	<b>0.1</b>	<b>n/a</b>
<b>Administered assets</b>			
Cash and deposits	–	–	n/a
Receivables	10.5	4.9	116.4
Other financial assets	1.5	1.4	4.9
Total administered non-financial assets	8.3	–	n/a
<b>Total administered assets</b>	<b>20.3</b>	<b>6.3</b>	<b>223.8</b>
<b>Administered liabilities</b>			
Payables	–	–	n/a
<b>Total administered liabilities</b>	<b>–</b>	<b>–</b>	<b>n/a</b>
<b>Net assets</b>	<b>20.3</b>	<b>6.3</b>	<b>223.8</b>
<b>Equity</b>			
Contributed capital	8.3	–	n/a
Accumulated surplus/(deficit)	12.0	6.3	91.4
<b>Total equity</b>	<b>20.3</b>	<b>6.3</b>	<b>223.8</b>

## Appendix 3 Statutory authorities' reports

### 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 across the Victorian Government to ensure the coordination of activities affecting children. The role of the Children's Services Coordination Board is to sponsor and oversee coordination of effort across different Victorian Government services and policies where this is needed to improve outcomes for children and young people, particularly those vulnerable to harm, disadvantage or social exclusion.

The board continues to have oversight of the implementation of Victoria's Vulnerable Children—Our Shared Responsibility Strategy 2013–22 and related initiatives. The board has responsibility for monitoring the establishment of Children and Youth Area Partnerships in 17 local government areas across the state. The area partnerships have a focus on vulnerable children and families as well as youth disengagement.

The board reports annually to the Minister for Families and Children on how Victoria's children and young people are faring through *The State of Victoria's Children* reports. These draw on data available through the Victorian Child and Adolescent Monitoring System. The Children's Services Coordination Board met five times in 2014–15. The Department provides secretariat support to the Children's Services Coordination Board.

Members are shown in Table 30.

**Table 30—Children Services Coordination Board members at 30 June 2015**

Ms Gill Callister (Chair)	Secretary, Department of Education and Training
Mr Tim Cartwright	Acting Chief Commissioner, Victoria Police
Mr Chris Eccles	Secretary, Department of Premier and Cabinet
Mr David Martine	Secretary, Department of Treasury and Finance
Dr Pradeep Philip	Secretary, Department of Health and Human Services
Mr Greg Wilson	Secretary, Department of Justice and Regulation

### Victorian Children's Council

The Victorian Children's Council was established under *the Child Wellbeing and Safety Act 2005*. The council supports the Premier and the Minister for Families and Children 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, not as representatives of their organisations or sectors. The council's mandate is to be forward-looking, acting as an adviser to the Victorian 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 developmental, learning or longer-term life 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. It is involved in assisting Victorian Government departments to build a stronger evidence base and understanding of how to improve child outcomes and opportunities.

As at June 2015, the council had 12 members. The council held six meetings in 2014–15, with additional meetings of working groups when needed. The Department provides secretariat support to the Victorian Children's Council.

**Table 31—Victorian Children’s Council members at 30 June 2015**

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Professor Frank Oberklaid OAM (Chair)	Director, Centre for Community Child Health
Ms Sandie de Wolf AM (Deputy Chair)	Chief Executive Officer, Berry Street Victoria
Dr Maria Apostolopoulos	Parent advocate and proprietor of a community pharmacy
Ms Muriel Bamblett AM	Chief Executive Officer, Victorian Aboriginal Child Care Agency
Ms Heather Barnes OAM	Early childhood training consultant
Dr Don Edgar OAM	Social policy and research consultant
Ms Carmel Guerra	Chief Executive Officer, Centre for Multicultural Youth
Ms Sue Harper OAM	National President, Organisation Mondiale pour l'Education Prescolaire Australia
Mr David Huggins	Until 31 May 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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## 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 of the Department of Education and Training 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 provides administrative support to the Disciplinary Appeals Boards.

Each Disciplinary Appeals Board comprises a Chairperson, a Secretary’s Nominee and a Minister’s Nominee.

The Disciplinary Appeals Boards had four appeals pending at 1 July 2014 and received a further eight appeals by 30 June 2015.

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. It is a requirement that Chairpersons have been admitted to legal practice in Victoria for not less than five years. Chairpersons of the Disciplinary Appeals Boards are shown in Table 32 and Table 35.

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. Secretary’s nominees are shown in Table 33 and Table 36.

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. Minister’s nominees are shown in Table 34 and Table 37.

**Table 32—Chairpersons of the Disciplinary Appeals Boards from 1 May 2015**

---

Dr Peter Condliffe	Mr Peter Harris	Mr Ian Scott
Ms Anne Dalton	Mr Robert Howard	Dr Ian Turnbull
Ms Leneen Forde	Ms Jo-Anne Mazzeo	Mr Peter Kempson
Mr Murray Gerkens	Ms Paula Robinson	

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**Table 33—Secretary's nominees to the Disciplinary Appeals Boards from 1 May 2015**

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Ms Claire Bolster	Mr Russell Isaac	Ms Cheryl Vardon
Dr Richard Gould	Mr Robert Loader	Ms Helen Worlidge
Ms Avis Grahame	Mr Brian O'Dea	

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**Table 34—Minister's nominees to the Disciplinary Appeals Boards from 1 May 2015**

---

Mr Peter Brown	Ms Leonie Fitzgerald	Mr Steve McGarrigle
Ms Vincenzina Calabro	Ms Sandra Greenhill	Ms Karen O'Dowd
Mr David Finnerty	Ms Angeliki Karvouni	Ms Maureen O'Flaherty

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**Table 35—Chairpersons of the Disciplinary Appeals Boards to 30 April 2015**

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Dr Peter Condliffe	Mr Robert Howard	Ms Janice Slattery
Ms Anne Dalton	Ms Jo-Anne Mazzeo	Dr Ian Turnbull
Ms Leneen Forde	Ms Silvana Wilson	Mr Peter Kempson
Mr Murray Gerkens	Ms Paula Robinson	
Mr Peter Harris	Mr Ian Scott	

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**Table 36—Secretary's nominees to the Disciplinary Appeals Boards to 30 April 2015**

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Ms Claire Bolster	Mr Russell Isaac	Ms Cheryl Vardon
Ms Dianne Foggo	Mr Robert Loader	Ms Helen Worlidge
Dr Richard Gould	Mr Peter Norden	
Ms Avis Grahame	Mr Brian O'Dea	

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**Table 37—Minister’s nominees to the Disciplinary Appeals Boards to 30 April 2015**

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Ms Margaret Bates	Ms Moira Findlay	Mr Steve McGarrigle
Mr Peter Brown	Mr David Finnerty	Ms Karen O’Dowd
Ms Vincenzina Calabro	Ms Debra Fischer	Ms Maureen O’Flaherty
Ms Kate Christensen	Ms Leonie Fitzgerald	Ms Cassandra Walters
Ms Lorraine Dell	Ms Sandra Greenhill	Mr Tim Ward
Ms Janet Evison	Ms Angeliki Karvouni	

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### 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 for Education 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 and Training Reform Act (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 Registrar for the Boards and there are three administrative officers who support their work.

Access to the Merit Protection Boards is available to employees of the Department and members of the teaching service, including principals, teachers and school-based non-teaching staff.

Grievances lodged by Victorian Public Service staff of 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 may be regarding transfer and promotion, leave, change of time fraction of working hours, outcomes of performance reviews, outcomes of local complaints and other personal management decisions.

Appeals and grievances may be heard in the metropolitan area and regional centres, as appropriate.

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.

**Table 38—Chairpersons of the Merit Protection Boards**

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Mr Peter Hibbins (Senior Chairperson, full-time)	Dr Mary Cannon	Ms Leonie Fitzgerald
Ms Rowena Archer	Ms Anne Dalton	Ms Karen O'Dowd
Ms Vincenzina Calabro	Ms Kerrie Dowsley	

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**Table 39—Secretary's nominees to the Merit Protection Boards**

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Ms Clare Berger	Mr David Green	Mr Michael Kennedy
Ms Tanya Burton	Ms Sandra Greenhill	Mr Matthew McKittrick
Ms Judy Curson	Mr Vernon Hilditch	Mr Dean McLean
Ms Janet Evison	Ms Karen Hutchinson	Mr Wayne Smith
Mr David Finnerty	Ms Alison Ivey	Ms Katrina Tenson
Mr Rick Gervasoni	Ms Angeliki Karvouni	Dr Jenny Wajsenberg

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**Table 40—Minister's nominees to the Merit Protection Boards**

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Ms Fiona Anderson	Ms Lynette Hannon	Ms Glenda Splatt
Mr Nathan Chisholm	Ms Julie Hommelhoff	Ms Meredith Stephenson
Ms Louise Chocholis	Ms Susan Mattingley	Mr Warren Wills
Ms Lorraine Dell	Mr Brett Miller	
Mr Ian Dendle	Ms Leanne Preece	

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## Appeals and grievances

**Table 41—Teaching service appeals and grievances 2014–15**

Category	Received		Upheld and partially upheld		Conciliated		Disallowed		Withdrawn		Abandoned, no jurisdiction or out of time		Pending		Total
	F	M	F	M	F	M	F	M	F	M	F	M	F	M	
Personal <sup>1</sup>	60	49	16	8	5	3	16	20	9	9	11	5	3	4	109
Selection	10	11	0	1	0	0	4	4	0	1	6	5	0	0	21
<b>Total</b>	<b>70</b>	<b>60</b>	<b>16</b>	<b>9</b>	<b>5</b>	<b>3</b>	<b>20</b>	<b>24</b>	<b>9</b>	<b>10</b>	<b>17</b>	<b>10</b>	<b>3</b>	<b>4</b>	<b>130</b>

**Table 42—Public service appeals and grievances 2014–15**

Category	Received		Upheld		Conciliated		Disallowed		Withdrawn		Abandoned, no jurisdiction or out of time		Pending		Total
	F	M	F	M	F	M	F	M	F	M	F	M	F	M	
Personal	3	2	0	1	0	0	1	0	1	0	1	1	0	0	5
Selection	3	1	1	0	0	0	2	0	0	1	0	0	0	0	4
<b>Total</b>	<b>6</b>	<b>3</b>	<b>1</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>3</b>	<b>0</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>9</b>

<sup>1</sup> A wide range of issues were raised in personal grievances. Most concerned claims of status as an excess employee not being managed in accordance with Departmental policy, and those relating to performance management and to leave applications being declined.

### ***Merit protection training***

It is a requirement that all recruitment and promotion selection panels of the Department include a merit-trained employee as a member. To facilitate this, the Merit Protection Boards provide training in the principles of merit and equity for members of the teaching service and public service staff.

The programs are conducted statewide and are supported by the Department by senior Departmental staff delivering the sections of training that focus on human resource policies. In 2014–15, the board conducted 29 seminars and provided training for 957 members of the teaching service and public service staff.

**Table 43—Number of employees trained by region (includes reaccreditation)**

Region	Principals	Teachers	Education Support Class	Victorian Public Service	Total
North-eastern Victoria	18	66	10	3	97
North-western Victoria	27	175	32	10	244
South-eastern Victoria	31	126	35	9	201
South-western Victoria	50	218	67	12	347
Central	0	1	0	67	68
<b>Total</b>	<b>126</b>	<b>586</b>	<b>144</b>	<b>101</b>	<b>957</b>

### ***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, 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 and the Australian Education Union and regional staff about the workings of the Merit Protection Boards.

Senior Merit Protection Board staff deliver statewide training programs for principals, members of the teaching service and public service staff on the legislative and policy requirements for human resource management within the Department.

Information about appeal and grievance processes and Merit Protection accreditation programs is available on the Merit Protection Boards' website at [www.mpb.vic.gov.au](http://www.mpb.vic.gov.au).

## Appendix 4 Acronyms and abbreviations

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<b>AASB</b>	Australian Accounting Standards Board
<b>ABS</b>	Australian Bureau of Statistics
<b>BP3</b>	Budget Paper No. 3
<b>BP4</b>	Budget Paper No. 4
<b>CAE</b>	Centre for Adult Education
<b>DET</b>	Department of Education and Training
<b>DTF</b>	Department of Treasury and Finance
<b>EMS</b>	Environmental Management System
<b>FRD</b>	Financial Reporting Direction
<b>FTE</b>	Full-time equivalent
<b>GST</b>	Goods and services tax
<b>IBAC</b>	Independent Broad-based Anti-corruption Commission
<b>NAPLAN</b>	National Assessment Program—Literacy and Numeracy
<b>TAFE</b>	Technical and further education
<b>VAGO</b>	Victorian Auditor-General's Office
<b>VCAA</b>	Victorian Curriculum and Assessment Authority
<b>VCAT</b>	Victorian Civil and Administrative Tribunal
<b>VET</b>	Vocational education and training
<b>VGV</b>	Valuer-General Victoria
<b>VIT</b>	Victorian Institute of Teaching
<b>VPS</b>	Victorian Public Service
<b>VRQA</b>	Victorian Registration and Qualifications Authority
<b>VSC</b>	Victorian Skills Council

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