

# Department of Education and Early Childhood Development

Annual Report 2011–12



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September 2012

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

The Hon. Martin Dixon MP  
Minister for Education

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

Dear Ministers

In accordance with the *Education and Training Reform Act 2006* and the *Financial Management Act 1994*, I am pleased to present the Department of Education and Early Childhood Development's Annual Report for the year ending 30 June 2012.

Yours sincerely

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

**Richard Bolt**  
**Secretary**

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## Secretary's foreword



During 2011–12, the Department of Education and Early Childhood Development oversaw the delivery of high-quality services to more than two million Victorians through the early childhood, school and further education services that we manage, fund, service or regulate.

In anyone's terms, this was a fundamental contribution to the prosperity and wellbeing of our state.

In parallel with our oversight of services, my Department planned and implemented important reforms to ensure that these services continue to meet the evolving needs of the Victorian community.

It was a year of transition for the Department. Our focus began to shift from completing election commitments to developing the Government's next phase of reforms, adopting a new organisational macro-structure and appointing a new senior leadership team.

2011–12 saw important highlights:

- Good progress was made on moving from 10.75 to 15 hours of kindergarten for four-year-olds, under a national partnership with the Australian Government.
- The participation of Aboriginal children and parents in Maternal and Child Health (MCH) Services – ten free Key Ages and Stages Consultations with a specially trained MCH Nurse – increased significantly.
- We did vital work in engaging vulnerable families in early learning by improving access to supported playgroups and three-year-old kindergarten, and strengthening early home learning and support in Victoria's disadvantaged communities.
- In response to the Protecting Victoria's Vulnerable Children Inquiry, the Government committed to a suite of initiatives in education and child development.
- The Minister for Education delivered a landmark speech – Victoria as a Learning Community – outlining the Government's vision for the future of education.
- We introduced further autonomy for schools and principals, based on professional trust, by devolving the management of student support services and school networks.
- We made significant progress in collecting and providing information on students' performance in the key learning areas of reading, writing, grammar and punctuation, spelling and numeracy.
- Victorian students performed consistently well in National Assessment Program Literacy and Numeracy (NAPLAN) tests, ranking with Australia's best in 2011 literacy and numeracy testing.

- The Victorian Government's Vision for Languages Education was launched, laying foundations to ensure that every Prep student in government schools will be learning a language by 2015.
- We tackled the serious issue of cyber bullying by rolling out the eSmart program to more than 900 schools throughout the state.
- The Government announced a bold new direction for the teaching profession in a landmark paper – New Directions for the Teaching Profession – which sets out proposals for lifting Victorian educational performance into the global top tier.
- Major reforms of the operation and funding of the vocational education and training sector commenced, to ensure that training better matches the demand for skilled workers, and quality improves.
- A new national agreement for skills and workforce development was negotiated.
- We secured funding for the next four years to maintain the level and volume of subsidy paid by government to our Learn Local providers for pre-accredited training.

When I joined the Department in August 2011, I began to build on the work of my predecessor, Jeff Rosewarne, to develop a major organisational renewal program.

The year 2012–13 will see most of this work completed. The second and major stage of our reorganisation will be implemented and a new strategic plan adopted, setting a course to lift Victoria into the global top tier in learning and development outcomes, and supporting Victorians to thrive in the increasingly globalised economy and society of the 21st century.

Our achievements are the result of the work of staff throughout the Department and the statutory authorities. They have shown dedication, commitment, integrity and skill, for which I thank them.



**Richard Bolt**  
Secretary

# About the Department

## Purpose

Ensure a high-quality and coherent birth-to-adulthood learning and development system to build the capability of every Victorian.

## Values

The Department of Education and Early Childhood Development (the Department) is a learning organisation. In our relationships with colleagues, children and young people, adult learners, parents and families, partners and local and global communities we commit to the following values:

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

## Key responsibilities

The Department is responsible for:

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

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

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

## Outcomes

The Department's outcomes allow the progress of every Victorian to be measured as they move from early childhood through their years in schooling and on to successful transitions into further education and work.

In 2011–12, the Department is committed to achieving the following outcomes.

- **Best start in life**  
Give children the best start in life to achieve optimal health, development and wellbeing.
- **Quality early childhood education and care**  
Provide access to affordable, quality early childhood education in the years before schooling.
- **Transition to school**  
Develop the basic skills for life and learning so children make a successful transition to school.
- **Student engagement in learning**  
Engage students in learning so they benefit from schooling.
- **Student achievement and improvement**  
Improve student achievement in literacy and numeracy so Victorian students excel by national and international standards.
- **Successful youth transitions**  
Assist young people to transition from school to further education and/or work that provides further training opportunities.
- **Responsiveness to labour market demand**  
Supply the skills needed for a changing labour market to improve labour market outcomes.
- **Effective educational, labour market and social participation**  
Equip Victorians of all ages with the skills and capabilities to enable educational, labour market and social participation.

## Departmental organisation

To ensure that the Department is in the best possible position to deliver on its policy objectives and outcomes, it initiated an organisation renewal process incorporating the redesign of the organisation, effective from 26 March 2012.

The Department is organised into a new central office macro structure, which consists of three groups based on life stages and four groups that supply services and support across the Department. The life stage groups are Early Childhood Development Group, School Education Group, and Higher Education and Skills Group. The other groups supply support across the life stage groups and are Regional Support Group (including nine regions), Strategy and Review Group, Infrastructure and Finance Services Group, and People and Executive Services Group.

## Early Childhood Development Group

The Early Childhood Development Group focuses on the learning, development and wellbeing of children (birth–8 years). It coordinates the Department’s early childhood policy and programs in relation to maternal and child health, kindergarten programs, Early Childhood Intervention Services, Aboriginal Early Years Services, integrated children’s services and infrastructure, school nursing, parenting programs, Best Start and supported playgroups, as well as the licensing and monitoring of more than 4000 children’s services.

## School Education Group

The School Education Group develops and implements policy and frameworks to deliver high-quality education in government and non-government schools. It supports the development of a high-quality workforce in government schools, facilitates parent and community engagement, and focuses on supporting the wellbeing and engagement of all students.

## Higher Education and Skills Group

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

## Regional Support Group

The Regional Support Group has a cross-Department role supporting learning and development from birth to adulthood. It develops and delivers support programs at the local level through integrated planning and service delivery, facilitates partnerships across regions, and maintains links between the Department’s central groups, divisions, regional offices and stakeholders. It also has portfolio-wide responsibility for all aspects of emergency management.

## Strategy and Review Group

The Strategy and Review Group develops and provides advice on cross-portfolio strategy and strategy on emerging issues and government priorities. It also manages intergovernmental and external relations, monitors the Department’s performance, and informs decision-making to support better outcomes for Victorians.

## 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, information technology, project management, environmental support, information management and infrastructure.

## People and Executive Services Group

The People and Executive Services Group focuses on people services, stakeholder engagement, legal and ministerial support, probity, audit and risk. It provides direct services to the Department’s central office, regional offices and to government schools.

## Statutory bodies

The Department also works in conjunction with nine statutory bodies:

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

# Leadership and governance

## Ministers

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



Hon. Peter Hall MLC

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

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

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

As the Minister for Higher Education and Skills, his responsibilities include consideration of the skill requirements of Victorian industries and regions to optimise workforce mobility and productivity; support for the apprenticeship, traineeship and vocational education system; and strategic support and long-term development of the tertiary education system.

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



Hon. Martin Dixon  
MP

### **Minister for Education**

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

Mr Martin Dixon has been Minister for Education since 2 December 2010.

A former principal, the Minister is committed to pursuing a framework that will achieve better student outcomes in Victorian schools and lift student performance into the global top tier through parent choice, local decision-making and school–community integration.

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

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



Hon. Wendy Lovell  
MLC

## **Minister for Children and Early Childhood Development**

### **The Hon. Wendy Lovell MP**

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

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

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

## **Department executives**

### **Secretary**

#### **Mr Richard Bolt**



Mr Richard Bolt

Richard Bolt joined the Department as Secretary in August 2011.

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

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

### **Acting Deputy Secretary, Early Childhood Development Group**

#### **Mr Michael Maher**

Michael Maher commenced as Acting Deputy Secretary, Early Childhood Development Group, in June 2012. Michael has been with the Department since 2008 and his substantive position is Executive Director, Programs and Partnerships, in the Early Childhood Development Group.

Michael holds a Bachelor of Arts (Hons) and an Executive Master of Public Administration and recently completed a Senior Executive Fellows program at the Kennedy School of Government, Harvard University.

#### **Mr Paul Linossier**

Paul Linossier held the position of Acting Deputy Secretary, Early Childhood Development Group (formerly the Office for Children and Portfolio Coordination), between January 2011 and June 2012.

Prior to joining the Department, Paul was Chief Executive Officer with MacKillop Family Services from 1997 to 2009. He is a Life Member of the Centre for Excellence in Child and Family Welfare and a past Chair of the Council of Catholic Social Services Victoria.

Paul trained in social work and also holds an Executive Master of Public Administration.

On 25 June, Paul commenced a new role co-leading, with the Department of Human Services, the development of a strategy to implement the Government's response to the Protecting Victoria's Vulnerable Children Inquiry.

### **Deputy Secretary, School Education Group**

#### **Dr Jim Watterston**

Jim Watterston commenced as Deputy Secretary, School Education Group, in April 2012.

As Deputy Secretary, School Education Group, Jim is responsible for developing policy, programs and frameworks to ensure that the most effective curriculum offerings, pedagogy and leadership are provided to deliver a lifelong learning agenda.

Before moving to Victoria, Jim was the Director-General of the ACT Education and Training Directorate. He had previously served as Regional Director of the Department's Eastern Metropolitan Region. He was Superintendent of Education in Western Australia and has had 14 years' experience as a school principal. He was also a founding Director of the Australian Institute of Teaching and School Leadership and is the current President of the Australian Council for Educational Leaders.

Jim has a Doctorate in Education.

### **Deputy Secretary, Higher Education and Skills Group**

#### **Ms Kym Peake**

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

As Deputy Secretary, Kym has overseen the implementation of Victoria's demand-driven vocational training system and, most recently, the Refocusing Vocational Training in Victoria reforms announced in May 2012.

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

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

### **Deputy Secretary, Regional Support Group**

#### **Mr Nicholas Pole**

Nicholas Pole commenced as Deputy Secretary, Regional Support Group, in April 2012.

As Deputy Secretary, Regional Support Group, Nicholas's role is to design, plan, broker and deliver integrated education, child and family services that contribute to the learning and wellbeing of Victorian children and young people.

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

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

## **Deputy Secretary, Strategy and Review Group**

### **Mr Chris Wardlaw**

Chris Wardlaw joined the Department in July 2009 as Deputy Secretary, Office for Policy, Research and Innovation. In March this year he was appointed Deputy Secretary, Strategy and Review Group.

As Deputy Secretary of the Strategy and Review Group, Chris drives the strategic agenda for the Department to support a lifelong learning agenda and to improve learning and development outcomes for all Victorians.

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

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

## **Deputy Secretary, Infrastructure and Finance Services Group**

### **Mr Jim Miles**

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

In both roles, Jim has managed the Departmental budget process, provided governance over financial monitoring and reporting, and delivered large-scale financial and asset management projects.

Jim's previous roles include General Manager, Resources and Infrastructure Strategy, and 11 years with the Department of Treasury and Finance. Jim holds a Bachelor of Arts, a Postgraduate Diploma in Economics and a Master of Commerce.

## **Deputy Secretary, People and Executive Services Group**

### **Ms Monique Dawson**

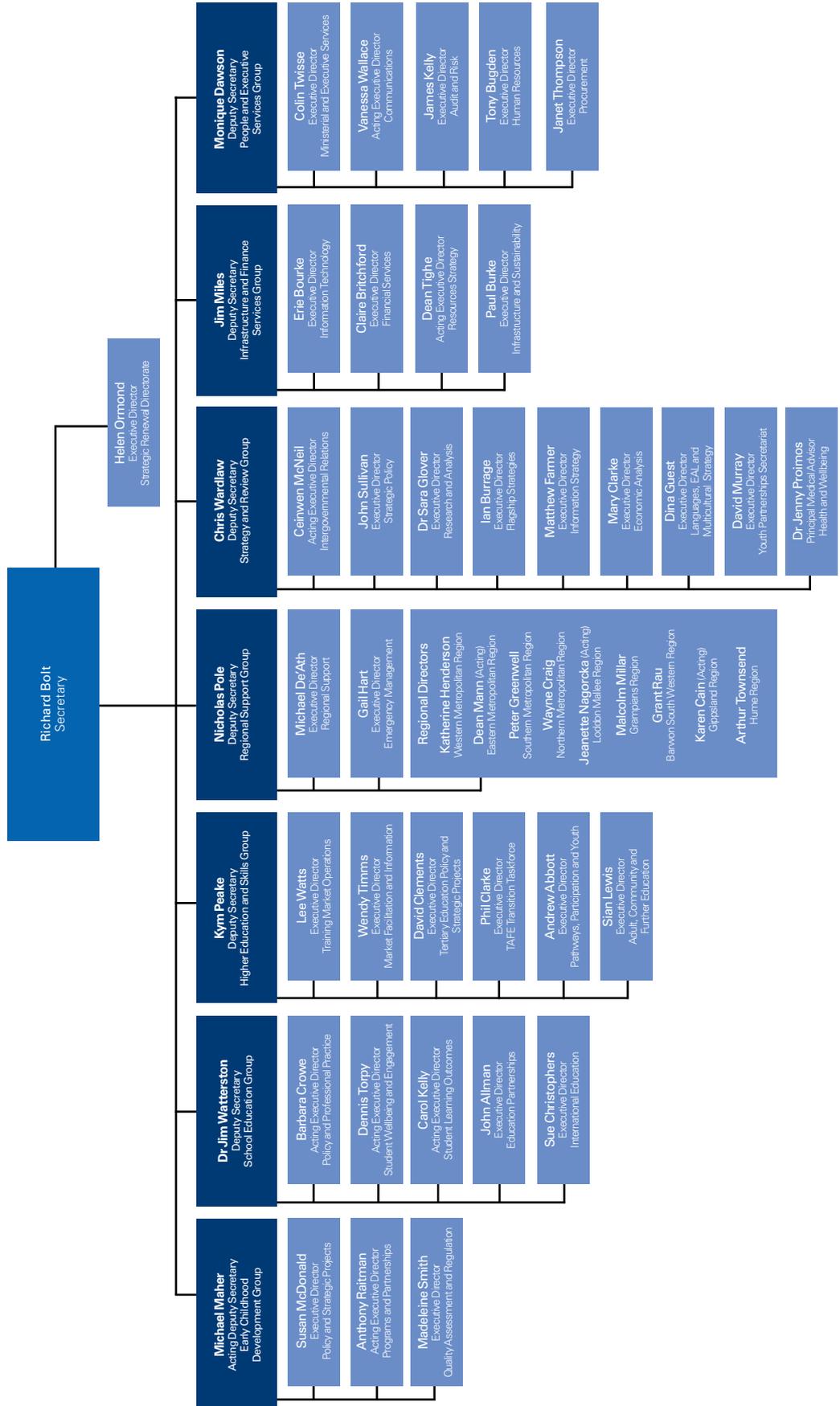
Monique Dawson commenced as Deputy Secretary, People and Executive Services Group, in March 2012.

As Deputy Secretary, Monique provides leadership and guidance to a wide-ranging portfolio, encompassing human resources, communications, stakeholder engagement, cabinet, legal and ministerial support, procurement, and audit and risk.

Monique has a record of success in achieving transformational change in complex organisational environments. Her career has encompassed 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, in the New Zealand Department of Labour.

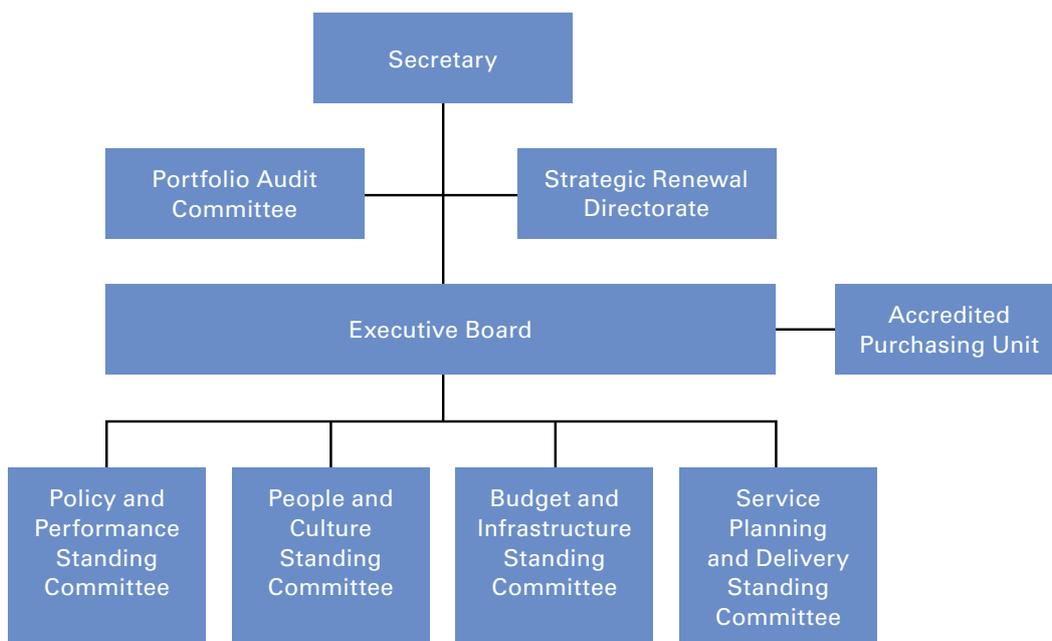
Monique holds a Bachelor of Laws and a Graduate Diploma of Legal Practice and is an Executive Fellow of the Australia and New Zealand School of Government (ANZSOG).

# Departmental organisational chart as at 30 June 2012



## Corporate governance

The Department's corporate governance structure supports the Department's direction-setting and decision-making, assessment and treatment of risk, compliance and accountability requirements, and the monitoring and optimising of performance.



### Executive Board

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

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

## Executive Board members

- Mr Richard Bolt, Secretary
- Ms Monique Dawson, Deputy Secretary, People and Executive Services Group
- Mr Jim Miles, Deputy Secretary, Infrastructure and Finance Services Group
- Ms Kym Peake, Deputy Secretary, Higher Education and Skills Group
- Mr Nicholas Pole, Deputy Secretary, Regional Support Group
- Mr Chris Wardlaw, Deputy Secretary, Strategy and Review Group
- Dr Jim Watterston, Deputy Secretary, School Education Group
- Mr Michael Maher, Acting Deputy Secretary, Early Childhood Development Group
- Mr John Firth, Chief Executive Officer, Victorian Curriculum and Assessment Authority

The Executive Board has four standing committees.

### Policy and Performance

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

### People and Culture

The People and Culture Committee is responsible for providing advice to the Executive Board about the development and delivery of the Department's:

- human resources strategy including:
  - workforce planning and development
  - human resources services, systems and policies
- organisational development strategy including:
  - cultural change
  - information and knowledge capability.

### Budget and Infrastructure

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

### Service Planning and Delivery

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

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

## Portfolio Audit Committee

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

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

The portfolio focus includes the Department and statutory authorities primarily funded through the Department, namely:

- Victorian Registration and Qualifications Authority
- Victorian Curriculum and Assessment Authority.

The committee comprises three independent members and one internal member.

### Portfolio Audit Committee members

#### Independent

- Mr Stewart Leslie (Chair)
- Mr Stuart Gooley
- Mr John Thomson

#### Internal

- Ms Monique Dawson, Deputy Secretary, People and Executive Services Group

## Strategic Renewal Directorate

The Strategic Renewal Directorate leads Departmental planning and evaluation of performance to facilitate a high-performance culture by linking strategic policy directions to key corporate processes.

The Directorate's responsibilities include developing the Department's Corporate Plan, tracking, measuring and reporting progress on key Departmental commitments and projects, and supporting the Communications Division to engage staff in advancing Departmental strategies.

## Accredited Purchasing Unit

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

# Summary of financial results

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

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

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

## Five-year financial summary

	2011–12 \$ m	2010–11** \$ m	2009–10 \$ m	2008–09 \$ m	2007–08* \$ m
<b>Operating revenue</b>					
Revenue from State Government	10,216.9	8,877.6	7,522.1	7,129.8	6,428.1
Other revenue	676.3	671.9	705.4	643.8	697.4
<b>Total income from transactions</b>	<b>10,893.2</b>	9,549.5	8,227.5	7,773.6	7,125.6
<b>Total expenses from transactions</b>	<b>10,990.7</b>	9,542.0	8,204.6	7,769.0	7,102.0
<b>Net result from transactions</b>	<b>(97.4)</b>	7.5	22.9	4.6	23.6
<b>Total other economic flows</b>	<b>(77.7)</b>	6.7	(0.6)	(60.1)	(6.0)
<b>Net result for period</b>	<b>(175.1)</b>	14.2	22.3	(55.5)	17.6
<b>Net cash flow from operations</b>	<b>141.6</b>	297.3	71.1	201.4	285.5
<b>Total assets</b>	<b>15,839.1</b>	16,197.9	14,476.5	13,206.7	13,099.3
<b>Total liabilities</b>	<b>2,117.6</b>	2,221.5	1,838.7	1,592.5	1,493.3
<b>Net assets</b>	<b>13,721.6</b>	13,976.4	12,637.8	11,614.2	11,606.0

\* Figures for 2007–08 have been recast based on the comprehensive operating statement format and separation of transactions from other economic flows (refer Note 1(c) to the Financial Statements).

\*\* Figures for 2010–11 include six months of the Skills and Adult, Community and Further Education output.

## Financial performance

The Department's net result from transactions for 2012 is a loss of \$97.4 million, compared with a surplus of \$7.5 million in 2011. With the inclusion of the other economic flows of \$77.7 million, arising mainly from the upward adjustment to the long service leave provision due to the change in the discount rates used for calculating the liability, the net result for the year is a loss of \$175.1 million, compared to a surplus of \$14.2 million in 2011.

The Department's growth in revenue primarily reflects the introduction of output appropriation of \$920.1 million (including section 29 and Treasurer's advance) for VSC and ACFE and reflects the first full year of reporting.

During the year, the Department increased grants expenditure, primarily reflecting 12 months of grant monies paid to VSC and ACFE.

Additionally, the Department's expenditure reflects increments under the May 2008 Enterprise Bargaining Agreement for teachers, increases in the depreciation and capital assets charge due to the capitalisation of Building the Education Revolution (BER) assets, and increases in schools operating supplies and maintenance expenditure for purchases of computer equipment as part of the Digital Education Revolution National Skills Partnership program.

## Balance sheet

The Department's net asset base as at 30 June 2012 was \$13.7 billion, comprising total assets of \$15.8 billion and total liabilities of \$2.1 billion.

The major assets of the Department are property, plant and equipment; these assets represent 86 per cent (\$13.6 billion) of the total assets of the Department. In 2012, the value of the Department's assets decreased by \$268 million, due mainly to the annual impairment review of buildings, which has resulted in a movement from the prior year of \$300 million in the carrying value of assets.

Liabilities of the Department consist mainly of payables and employee benefit provisions totalling \$2.1 billion, and represents a decrease of \$103.9 million during 2012, mainly as a result of a \$230.2 million decrease in year-end payables for ACFE and VSC (as a creditor) and BER payables. Provisions have increased by \$131 million due to changes in the discount rates used for calculating the liability and the increase in the teachers' Enterprise Bargaining Agreement for Long Service Leave.

## Cash flows

The decrease in the net cash flows from operations is due mainly to the increments under the May 2008 Enterprise Bargaining Agreement for teachers, and increases in schools' operating supplies and maintenance expenditure for purchases of computer equipment as part of the Digital Education Revolution National Skills Partnership program. Additionally, the net cash flows from operations have decreased due to changes in prepayments, receivables and payables arising from the timing of cash payments and receipts against these items.

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

# Performance

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

## Departmental outcomes

### Early childhood development

- Best start in life
- Quality early childhood education and care
- Transition to school

### School education

- Student engagement in learning
- Student achievement and improvement
- Successful youth transitions

### Higher education and skills

- Responsiveness to labour market demand
- Effective educational, labour market and social participation

This section details the Department's performance against these outcomes and provides a link between outcomes, outputs and achievements by reporting on key initiatives, participation rates, enrolments, costs and other progress and performance measures involved in delivering early years and educational services.

All non-financial Budget Paper No. 3 performance measures following refer to the 2011 calendar year unless otherwise indicated.

## Early childhood development performance

### Outcomes performance

Achievements in early childhood development are reported against the following outcomes:

- **Best start in life**

Give children the best start in life to achieve optimal health, development and wellbeing.

- **Quality early childhood education and care**

Provide access to affordable, quality early childhood education and care in the years before schooling.

- **Transition to school**

Develop children's basic skills for life and learning so they make a successful transition to school.

### Progress measures

#### Progress measures: early childhood development

Progress measures	Results
<b>Proportion of children attending maternal and child health key age and stage visits (2010–11)</b>	
Home consultation	100%
12 months	81.9%
3.5 years	62.8%
<b>Proportion of four-year-old children accessing a funded kindergarten program (2011)</b>	
Four-year-old children accessing a funded kindergarten program	94.6%
<b>Proportion of children considered developmentally vulnerable</b>	
Children who are considered developmentally vulnerable on two or more domains <sup>1</sup>	10.0%
<b>Proportion of children with basic skills for life and learning – cognitive and language development of children at school entry</b>	
Children who are developmentally on track on the Language and cognitive skills (school-based) AEDI <sup>1</sup> domain	84.0%

<sup>1</sup> Australian Early Development Index, 2009

### Output performance

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, school nursing for primary-school-aged children, 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 the following Departmental objectives:

- the best start in life
- quality early childhood education and care
- transition to school.

## Child health and support services

Community-based maternal and child health services available to all families with children aged 0–6 years, and school nursing services for primary school-aged children. This output provides developmental health surveillance, early intervention, parenting support and health education.

Performance measures	Unit of measure	2011–12 Target	2011–12 Actual	Comments
Prep-aged students assessed by school nurses	number	56,000	58,538	The performance measure includes non-government schools.
Total number of clients (aged 0–1 year)	number	70,000	71,950	Refers to the previous financial year.
Maternal and child health clients with children aged 0–1 year receiving enhanced maternal and child health services	per cent	10	14.1	This performance measure refers to the previous financial year. The Actual is higher than the Target due to overachievement by municipal councils.
Children aged 0–1 month enrolled at maternal and child health services from birth notifications	per cent	98.5	99.4	Refers to the previous financial year.
Total output cost (child health and support services)	\$ million	107.8	102.7	Refers to the financial year.

## Early childhood education and care

This output involves the provision of kindergarten and children's services. These services include the licensing and monitoring of centre-based children's services, and specialist services to improve access to kindergartens for disadvantaged children.

Performance measures	Unit of measure	2011–12 Target	2011–12 Actual	Comments
Children funded to participate in kindergarten	number	68,750	70,953	This performance measure includes second-year participants and refers to the financial year.
Kindergarten participation rate	per cent	93.5	94.6	This performance measure includes first-year participants only.
Funded kindergarten services with a quality assurance process	per cent	94	97.6	
Total output cost (early childhood education and care)	\$ million	270.8	217.6	Refers to the financial year. The lower than anticipated 2011–12 actual outcome reflects an anticipated increase in spending in 2012–13, primarily for Commonwealth National Partnerships.

## Early childhood intervention services

This output provides a range of services and support for children with a developmental delay or disability and their families.

Performance measures	Unit of measure	2011–12 Target	2011–12 Actual	Comments
Number of places and packages funded annually	number	10,325	10,325	Refers to the previous financial year.
Total number of children receiving a service	number	12,650	13,378	The Actual is higher than the Target due to higher than expected demand. Refers to the previous financial year.
Families who are satisfied with the service provided	per cent	85	95	The Actual is higher than the Target due to higher than expected satisfaction levels with service delivery. Refers to the previous financial year.
Total output cost (early childhood intervention services)	\$ million	69.1	70.4	Refers to the financial year.

## Key activity in early childhood development

### Increased participation in maternal and child health

- Continued to increase participation and access to early childhood services, including increased participation rates of Indigenous children in Maternal and Child Health Services.
- Provided continued funding to the Maternal and Child Health Line to increase capacity and give parents advice when they had immediate concerns with their child's health, development or wellbeing. The service responded to more than 100,000 calls.

### Increased access and participation in early learning

- Achieved significant progress in increasing the delivery of kindergarten programs to 15 hours for children in the year prior to school.
- Increased access to early childhood education and care for vulnerable children through the Access to Early Learning (AEL) pilots and Early Start Kindergarten (ESK) grants. The pilots trial a new model that provides additional support for children and families to facilitate their participation in programs, including the provision of family support and brokerage. To date, 309 Aboriginal children and 258 children known to Child Protection received the ESK grant and a further 76 children were assisted through the AEL pilots to access three-year-old kindergarten.
- Implemented enrolment-based funding to ensure that kindergarten funding is aligned with population growth. Also provided kindergarten fee relief through the Kindergarten Fee Subsidy, which meant that approximately 18,000 eligible children could attend kindergarten for free in the year prior to school.
- Provided operational grants to 65 small rural kindergartens (up to \$20,000 per service) to maintain accessible and affordable early childhood services in rural communities. Without this support, many small rural services would not be able to offer an early childhood education program to children in the year before school.
- Opened Bubup Wilam for Early Learning, an Aboriginal Children and Family Centre based in Whittlesea, with 58 Aboriginal and Torres Strait Islander child enrolments at the end of the reporting period. The centre offers integrated services for children and their families, is locally driven and includes long day care programs and three- and four-year-old kindergarten programs.
- Strengthened the early home learning environment for disadvantaged children under three years of age by giving 2000 families the opportunity to participate in the Early Home Learning Study, which is trialling the *smalltalk* program.
- Allocated more than \$40 million in grants through the Children's Facilities Capital program. The early childhood infrastructure program will benefit 97 early childhood services including:
  - \$17.5 million to establish 15 integrated children's centres, which will combine kindergarten, playgroup, Maternal and Child Health and other essential services in a one-stop shop for families
  - \$23 million in renovation and refurbishment grants to extend or upgrade 82 centres across Victoria.

### **National Quality Framework**

- Transitioned successfully to the National Quality Framework to drive improvement in quality of education and care services. This was achieved through the establishment of the legislative framework for the National Quality Framework, which included finalising the Education and Care Services National Regulations 2011 and amending the *Children's Services Act 1996* and Children's Services Regulations 2009. This new law provides a system of national standards and a reduced regulatory and administrative burden for services.
- Transitioned more than 3600 education and care services, including kindergartens, long day care, family day care and outside school hours care services in Victoria, to the new regulatory framework. The National Quality Framework is designed to drive continuous improvement and consistency in education and care services for children aged 0 to 8.

### **Workforce development and support for professional learning**

- Awarded 394 new scholarships to existing early childhood education and care professionals to attain or upgrade their early childhood qualification. Scholarships support all approved early childhood qualifications from Certificate III in Children's Services through to undergraduate and graduate early childhood teaching degrees.
- Awarded 69 employment incentives to staff to take up work in hard-to-staff positions. The Employment Incentives for Early Childhood Educators scheme provides a financial incentive of up to \$12,000 to early childhood teachers and up to \$6000 for Diploma-qualified staff.
- Produced eight evidence-informed papers and practice guides designed to strengthen the understanding and engagement of early childhood professionals with the Victorian Early Years Learning and Development Framework.
- Delivered a four-module series of professional development on the Victorian Early Years Learning and Development Framework to support early childhood professionals to assist children to develop the basic skills for life.
- Developed a resource kit and training program for family day care coordinators to support them to engage their family day care educators with the Victorian Early Years Learning and Development Framework. The resource kit contains tips for supporting educators, information sheets, tools and an adaptable PowerPoint presentation.

## School education performance

### Outcomes performance

The Department's outputs contribute towards providing and improving services to support the following outcomes:

- **Student engagement in learning**  
Engage students in learning so they benefit from schooling.
- **Student achievement and improvement**  
Improve student achievement in literacy and numeracy so Victorian students excel by national and international standards.
- **Successful youth transitions**  
Assist young people to transition from school to further education and/or work that provides further training opportunities.

### Progress measures

The Department uses a number of measures to monitor progress towards achieving its stated outcomes.

These measures show that the Victorian Government prioritises student engagement in learning, achievement and improvement, and building capabilities and skills for future learning and participation.

#### Progress measures: school education

Progress measures	Results	
<b>Students reporting high levels of engagement with their government school</b>		
Year 5–6 students' opinion of their connectedness with their Victorian government school	4.4 out of 5	
Year 7–9 students' opinion of their connectedness with their Victorian government school	3.7 out of 5	
<b>Percentage of Victorian children meeting the expected standard for literacy and numeracy in Years 3, 5, 7 and 9</b>	<b>Literacy</b>	<b>Numeracy</b>
Year 3 NAPLAN students at or above the National Minimum Standard	95.3%	96.2%
Year 5 NAPLAN students at or above the National Minimum Standard	94.3%	95.6%
Year 7 NAPLAN students at or above the National Minimum Standard	95.8%	95.8%
Year 9 NAPLAN students at or above the National Minimum Standard	94%	94.6%
<b>Percentage of 20–24-year-olds estimated to have Year 12 or equivalent attainment (Certificate II and above)</b>		
Persons aged 20–24 who have attained at least a Year 12 or equivalent (Certificate II and above)	86.1%	
<b>Percentage of school leavers completing post-school education or training six months after school</b>		
School leavers who have completed a VCE or VET certificate program in a school and progressed to further education, training or work in 2011	96.6%	

## Output performance

The school education output group provides services to support students in schools. It consists of six outputs:

- Early years provides services to develop essential skills and learning experiences to engage young minds.
- Middle years consolidates competencies in literacy and numeracy, including creative and critical thinking, as well as the physical, social, emotional and intellectual development of early adolescence.
- Later years and youth transitions provides education services as well as varied pathways and support for transition across sectors to further study or employment.
- Services to students cover student welfare and support, services to students with disabilities, the Education Maintenance Allowance, student transport and school focused youth services.
- Adolescent health services (schools) involve the provision of school nursing services for secondary-school-aged children.
- Policy and regulation involves provision of policy, administrative support and strategic advice on school education to the Ministers, information services about school education, administrative support services for the statutory authorities in the education portfolio, including regulatory and advisory bodies, and international education.

This output group and its outputs contribute towards providing and improving services to support Departmental objectives of:

- transition to school
- engagement in learning
- student achievement and improvement
- successful youth transitions.

All non-financial Budget Paper No. 3 performance measures following refer to the 2011 calendar year unless otherwise indicated.

## Early years (schools)

This output involves provision of education and other associated services designed to improve the quality of student learning of those in Prep to Year 4 in government and non-government schools.

Performance measures	Unit of measure	2011–12 Target	2011–12 Actual	Comments
Average Prep–Year 2 class size	number	21	20.5	
Investment in non-government schools (Prep– Year 4)	\$ million	173.4	203.0	Refers to the financial year. The higher than anticipated 2011–12 actual outcome reflects the impact of funding announced as part of the 2011–12 Budget for the Fair Funding for Non-Government Schools initiative as well as Commonwealth National Partnership reward payments.
Number of assistant principals, aspiring leaders and leadership teams participating in leadership development programs	number	800	654	This measure monitors the Building Leadership Capacity initiative with an initial target set at 380 participants in the 2007–08 budget papers. The Department has supported over 800 participants each year. Recent revisions provide a far more intensive program to meet individual participant needs and therefore cost more per person to run. Consequently, the total number of participants who can be instructed each year from 2011–12 onwards has reduced.
Number of principals participating in statewide, centrally funded leadership development programs	number	310	328	The higher than expected performance may be attributed to higher demand.
Statewide computer-to-student ratio: primary	ratio	1:3	1:2.16	Refers to the financial year.
Parent satisfaction with primary schooling on a 100-point scale	100-point scale	80	82	
Percentage of Indigenous students meeting the national minimum standard for reading in Year 3 (NAPLAN testing)	per cent	87	88.2	
Percentage of Indigenous students meeting the national minimum standard for numeracy in Year 3 (NAPLAN testing)	per cent	88	89.6	
Percentage of students meeting the national minimum standard for reading in Year 3 (NAPLAN testing)	per cent	94	95.3	
Percentage of students meeting the national minimum standard for numeracy in Year 3 (NAPLAN testing)	per cent	94.5	96.2	
Total output cost (early years schools)	\$ million	2818.8	2864.3	Refers to the financial year.

## Middle years (schools)

This output involves provision of education and other associated services designed to improve the quality of student learning of those in Years 5 to 9 in government and non-government schools.

Performance measures	Unit of measure	2011–12 Target	2011–12 Actual	Comments
Average rate of student attendance at Year 5	per cent	94	93	The attendance rate covers all absences, including those due to illness and family holidays.
Average rate of student attendance at Year 6	per cent	94	93	The attendance rate covers all absences, including those due to illness and family holidays.
Average rate of student attendance in Years 7–10	per cent	91	90	The attendance rate covers all absences, including those due to illness and family holidays.
Investment in non-government schools (Years 5–9)	\$ million	229.4	267.1	Refers to the financial year. The higher than anticipated 2011–12 actual outcome reflects the impact of funding announced as part of the 2011–12 Budget for the Fair Funding for Non-Government Schools initiative as well as Commonwealth National Partnership reward payments.
Statewide computer-to-student ratio: secondary	ratio	1:2.5	1:1.09	Refers to the financial year.
Parent satisfaction with secondary schooling on a 100-point scale	100-point scale	72	74	
Percentage of Indigenous students meeting the national minimum standard for reading in Year 5 (NAPLAN testing)	per cent	83	83.1	
Percentage of Indigenous students meeting the national minimum standard for numeracy in Year 5 (NAPLAN testing)	per cent	83	86.1	
Percentage of Indigenous students meeting the national minimum standard for reading in Year 7 (NAPLAN testing)	per cent	83	87.8	NAPLAN performance measures have 95 per cent confidence intervals as high as $\pm 4.5$ per cent.
Percentage of Indigenous students meeting the national minimum standard for numeracy in Year 7 (NAPLAN testing)	per cent	83	86.3	
Percentage of Indigenous students meeting the national minimum standard for reading in Year 9 (NAPLAN testing)	per cent	80	83.2	
Percentage of Indigenous students meeting the national minimum standard for numeracy in Year 9 (NAPLAN testing)	per cent	80	80.3	
Percentage of students meeting the national minimum standard for reading in Year 5 (NAPLAN testing)	per cent	93	94.3	

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Performance measures	Unit of measure	2011–12 Target	2011–12 Actual	Comments
Percentage of students meeting the national minimum standard for numeracy in Year 5 (NAPLAN testing)	per cent	93.5	95.6	
Percentage of students meeting the national minimum standard for reading in Year 7 (NAPLAN testing)	per cent	94	95.8	
Percentage of students meeting the national minimum standard for numeracy in Year 7 (NAPLAN testing)	per cent	95	95.8	
Percentage of students meeting the national minimum standard for reading in Year 9 (NAPLAN testing)	per cent	93	94	
Percentage of students meeting the national minimum standard for numeracy in Year 9 (NAPLAN testing)	per cent	93.5	94.6	
Percentage of Year 9 Victorian students reaching the top two Bands (Bands 9 and 10) in NAPLAN Reading	per cent	19	21.6	NAPLAN performance measures have 95 per cent confidence intervals as high as +4.5 per cent and -4.5 per cent.
Percentage of Year 9 Victorian students reaching the top two Bands (Bands 9 and 10) in NAPLAN Numeracy	per cent	21	25	NAPLAN performance measures have 95 per cent confidence intervals as high as +4.5 per cent and -4.5 per cent.
Years 5–6 students' opinion of their connectedness with school	number (1–5)	4.3	4.4	
Years 7–9 students' opinion of their connectedness with school	number (1–5)	3.6	3.7	
Total output cost (middle years schools)	\$ million	2869.3	2916.9	Refers to the financial year.

## Later years and youth transitions

This output involves the provision of education and associated services designed to improve the quality of student educational outcomes of those in Years 10 to 12 in government and non-government schools. It also covers the provision of cross-sectoral services to improve the transition of young people to further education, training and employment.

Performance measures	Unit of measure	2011–12 Target	2011–12 Actual	Comments
Investment in non-government schools (Years 10–12)	\$ million	142.7	166.4	Refers to the financial year. The higher than anticipated 2011–12 actual outcome reflects the impact of funding announced as part of the 2011–12 Budget for the Fair Funding for Non-Government Schools initiative as well as Commonwealth National Partnership reward payments.
Number of certificate enrolments in accredited vocational programs in schools	number	50,000	57,352	This performance measure includes non-government schools. The high 2011–12 Actual may be attributed to the higher than expected demand.
Number of school students enrolled in VCAL	number	14,000	16,691	This performance measure includes non-government schools. The high 2011–12 Actual may be attributed to the higher than expected demand.
Number of school students participating in accredited vocational programs	number	39,000	44,716	This performance measure includes non-government schools. The high 2011–12 Actual may be attributed to the higher than expected demand.
Number of school students satisfactorily completing at least one VCAL certificate	number	7000	9197	This performance measure includes non-government schools. The high 2011–12 Actual may be attributed to the higher than expected completion trends.
Number of school-based apprentices/trainees	number	3000	3770	This performance measure includes non-government schools. The high 2011–12 Actual may be attributed to the higher than expected demand.
Average rate of student attendance in Years 11 and 12	per cent	91	92	
Enrolments in units of accredited vocational programs in schools as a proportion of total VCE unit enrolments in schools	per cent	7.8	9.0	This performance measure includes non-government schools. The high 2011–12 Actual may be attributed to the higher than expected demand.
Median VCE study score	number	29	28	
Percentage of VCAL certificates satisfactorily completed by school students	per cent	62	74	This performance measure includes non-government schools. The high 2011–12 Actual may be attributed to the higher than expected completion trends.
Percentage of school leavers completing a VCE VET certificate program in a school progressing to further education, training or work	per cent	90	96.6	This performance measure includes non-government schools. The higher than expected Actual may be attributed to current trends.
Percentage of school leavers completing an Intermediate or Senior VCAL certificate in a school progressing to further education, training or work	per cent	80	86.9	This performance measure includes non-government schools. The higher than expected Actual may be attributed to current trends.
Statewide rate of transition from Year 10 to Year 11 (February Census – government sector only)	per cent	97	97	
Total output cost (later years and youth transitions)	\$ million	1764.5	1849.4	Refers to the financial year.

## Services to students

This output covers student welfare and support, services to students with disabilities, school focused youth services, Education Maintenance Allowance and student transport.

Performance measures	Unit of measure	2011–12 Target	2011–12 Actual	Comments
Eligible special school students provided with appropriate travel	number	7,562	7,799	
Investment in services to students with disabilities	\$ million	605.3	614.4	Refers to the financial year.
Investment in student transport	\$ million	103.2	105.4	Refers to the financial year.
Investment in student welfare and support	\$ million	134.1	128.2	Refers to the financial year.
Provision of Education Maintenance Allowance	\$ million	62.9	63.0	Refers to the financial year.
Provision of School Start Bonus	\$ million	14.6	14.8	Refers to the financial year.
School students (government) supported by conveyance allowance	number	12,900	11,289	The lower than expected 2011–12 Actual (refers to 2011 school year) reflects greater scrutiny of eligibility criteria and operation of the program.
School students (non-government) supported by conveyance allowance	number	33,830	31,739	The lower than expected 2011–12 Actual (refers to 2011 school year) reflects greater scrutiny of eligibility criteria and operation of the program.
Schools funded for primary welfare officers	number	580	569	Figures for 2011–12 refer to the 2012 calendar year. The lower 2011–12 Actual is due to a new phase of the initiative being implemented in 2012, ending transition arrangements for some schools at the end of 2011. The target is based on an estimate of the number of schools eligible for primary welfare officer funding. Actual results may vary from year to year due to factors such as funding levels, student enrolments and the student family occupation index.
Students funded under the disabilities program in government schools as a proportion of the total student population	per cent	3.8	3.9	
Students receiving School Start Bonus payment	number	39,000	43,436	This performance measure refers to the 2012 year and includes non-government schools. Payments are made based on applicant's concession card eligibility.
Parent satisfaction with special education on a 100-point scale	100-point scale	85	84.2	The lower than expected performance in 2011–12 is within anticipated sampling variations in each cohort from year to year.
School satisfaction with student support services	per cent	75	78.5	
Total output cost (Services to Students)	\$ million	920.1	925.8	Refers to the financial year.

## Adolescent health services (schools)

This output involves the provision of school nursing services for secondary school-aged children. This output seeks to provide high-quality, accessible health and community services.

Performance measures	Unit of measure	2011–12 Target	2011–12 Actual	Comments
Designated schools receiving secondary school nursing services	number	193	193	
Total output cost (Adolescent Health Services)	\$ million	11.2	11.2	Refers to the financial year.

## Policy and regulation

This output involves provision of policy, administrative and strategic advice on school education to the Ministers (including parliamentary and legislative responsibilities). It also covers provision of administrative support services for the various statutory authorities, including the Victorian Curriculum and Assessment Authority and Victorian Registration and Qualifications Authority, regulation and advisory bodies and for international education.

Performance measures	Unit of measure	2011–12 Target	2011–12 Actual	Comments
Participants benefiting from initiatives to increase the supply of trained/qualified teachers	number	630	637	Refers to the financial year.
Total output cost (policy and regulation)	\$ million	40.1	40.1	Refers to the financial year.

## Key activity in school education

### School autonomy and governance

- Developed a proposal for a new regional structure to enable local service delivery planning across the early childhood development, school education, and higher education and skills sectors to improve outcomes for Victorians.
- Developed a package of reforms for government schools to increase local decision-making, cut red tape, reduce reporting obligations and improve student learning outcomes.
- Released for consultation a governance and service delivery model for the devolution of the management and funding of student support services to principals and school networks.

### National partnerships

- Continued to implement the National Partnership for Low Socio-economic Status School Communities in more than 230 government schools. Schools participating in this partnership were provided with funding to support activities aimed at improving student engagement, enabling and strengthening school community and business partnerships, and extending leadership and teacher capacity.
- Developed five National Partnership Extended School Hub field trials in low socioeconomic status locations. The extended school-based hubs relied on locally driven approaches and broad cross-sector partnerships between schools, their families and partnerships with organisations, including the not-for-profit sector.

### Literacy and numeracy

- Published the Literacy and Numeracy 6–18 Month strategy to provide school leaders with a common approach to assess improvements in literacy and numeracy.
- Commenced the Primary Mathematics and Science Specialists initiative, which employs 100 Mathematics and Science specialists to work with Victorian primary school students and teachers. The model was implemented to build a critical mass of expertise to support Mathematics or Science teaching and learning at the school and cluster-level, with 60 Mathematics specialists working in nine clusters across 26 schools, and 40 Science specialists working in eight clusters across 29 schools.
- Coordinated the Victorian Premiers' Reading Challenge, which involved the participation of more than 220,000 students and the reading of more than 4.1 million books.

### Languages education

- Outlined a vision and strong commitment to languages education with the release of the Victorian Government's Vision for Languages Education, positioning language education as a priority.
- Trialled the Innovative Languages Provision in Clusters (ILPIC) initiative in 14 clusters, comprising 102 primary and secondary schools. The initiative is aimed at improving the quality, contact time and continuity of language pathways for students. The locally driven initiative aims to strengthen collaboration between schools.
- Piloted a new program called Languages and Schools Experience, which is a partnership between schools and final-year language students from the University of Melbourne with proficiency in a language.

### **Internationalising education**

- Implemented a new model of in-country study program in China. Sixty-five school leaders and teachers from 27 schools participated.
- Supported 80 students from disadvantaged backgrounds and 20 teachers from Gippsland, Barwon South Western, Grampians and Hume regions to participate in an overseas learning experience, supporting language learning and the development of intercultural understandings.

### **Student engagement and wellbeing**

- Developed the Abilities Based Learning and Educational Support (ABLES) resource. It provides teachers and school communities with outstanding teaching and learning resources aimed at improving teaching, assessment, curriculum content and reporting for students with intellectual disabilities and significant learning disabilities.
- Expanded the Primary Welfare Officer Initiative. This enabled 56 schools to employ Primary Welfare Officers for the first time and was the first stage of the expansion of the initiative by 150 Primary Welfare Officers, who enhance the capacity of schools to develop positive school cultures and support students at risk of disengagement and not achieving their potential.
- Built the Victorian Deaf Education Institute, which serves as a centre of excellence in leadership and professional education programs and services in the deaf education sector. More than 600 participants registered with the institute in its first year of operation.

### **The Ultranet**

- Provided access to the Ultranet for every teacher, student and parent in Victorian government schools. The Ultranet supports schools with high-quality digital content, provides resources and advice to support high-quality learning and teaching, and improves school-home connectedness.

### **Youth transitions**

- Introduced innovative programs in government and non-government schools in regional and rural Victoria through the Local Solutions Year 12 Retention Fund. The program aims to increase Year 12 retention and expand pathway options.
- Expanded industry and higher education pathways for young people in senior secondary school with the commencement of an industry-themed pathway pilot focused on community services and health in the northern suburbs of Melbourne, and a higher education pathway focused on sciences, with three government schools in partnership with La Trobe University.

### **School staff capacity building**

- The New Directions for School Leadership and the Teaching Profession discussion paper was developed and released in June 2012 as part of the Government's commitment to consulting the profession. Consultation is ongoing and feedback is being sought from the sector and stakeholders.
- Provided professional learning initiatives to approximately 9500 leaders, teachers, early childhood professionals and education support staff, including Bastow Leadership Development modules and programs, coaching and mentoring for school leaders, online coach training, Teacher Professional Leave, Supporting New Teachers' Practice initiative and the Casual Relief Teacher Professional Learning Support initiative.

## Higher education and skills performance

### Outcomes performance

The Department's outputs contribute towards providing and improving services to support the following outcomes:

- **Responsiveness to labour market demand**  
Supply the skills needed for a changing labour market to improve labour market outcomes.
- **Effective educational, labour market and social participation**  
Equip Victorians of all ages with the skills and capabilities to enable educational, labour market and social participation.

### Progress measures

#### Progress measures: higher education and skills

Progress measures	Results
Graduates with improved employment status after training (%) <sup>1</sup>	46.0
VET graduates stating that training is relevant to their job (%) <sup>1</sup>	77.5
Employers stating that employee skill levels match needs (%) <sup>2</sup>	96.2
Victorian 'working age' population at literacy levels 1 and 2 <sup>3</sup>	49
Prose literacy (%)	48.7
Document literacy (%)	49.2
Persons aged 20–64 years without a formal qualification at Certificate III level or above (NASWD Indicator 2) 2011 (%) <sup>4</sup>	43.1
Proportion of working age population enrolled in higher education <sup>4</sup>	7
Responsiveness to areas of skills shortage (government-funded 'in shortage' enrolments) <sup>5</sup>	126,975

Source:

<sup>1</sup> NCVET Student Outcomes Survey, 2010–11

<sup>2</sup> NCVET Survey of Employer Use and Views of the VET System 2009–11 (2-yearly data)

<sup>3</sup> Adult Literacy and Life Skills Survey (ABS catalogue 4228) 2006. (10-yearly data. Working age uses 15–74 years)

<sup>4</sup> Survey of Education and Work (ABS catalogue 6227) 2009–11

<sup>5</sup> Higher Education and Skills Group Student Statistical Collection, 2011–12

### Output performance

The higher education and skills output group consists of two outputs. The Skills and Adult, Community and Further Education outputs respond to the labour and skills needs of individuals and industry. These outputs involve the funding of vocational education and training services.

The output group covers development and implementation of effective strategies for accredited and pre-accredited vocational education and training through adult community education. This output group and its outputs contribute towards providing and improving services to support the Departmental objectives of:

- successful youth transitions
- responsiveness to labour market demand
- effective educational, labour market and social participation.

All non-financial Budget Paper No. 3 performance measures following refer to the 2011 calendar year unless otherwise indicated.

## Skills

Ensuring quality of service and supporting increased participation in training in Victoria by:

- developing strategic advice and analysis on Victoria's skill requirements
- contracting for and monitoring training services provided by TAFE institutes and private registered training organisations
- building the capability and competitiveness of the vocational education and training system.

Performance measures	Unit of measure	2011–12 Target	2011–12 Actual	Comments
Annual government-funded module enrolments	number (million)	3.7	4.8	The 2011–12 Actual is higher than the 2011–12 Target due to the better than expected uptake in VET participation following the first full year of implementation of the student entitlement system across all age groups and qualification levels.
Audit of contract compliance by registered training organisations and other State Training Systems organisations	number	250	193	Refers to the financial year. The fewer number of audits for 2011–12 reflects the change over to a new audit strategy, which is now risk based and involves more comprehensive audits. The new strategy was implemented in August 2011. The number of audits under the new strategy will increase under the 2012 Audit Program, with the inclusion of TAFE institutes.
Government-funded student contact hours of training and further education provided	number (million)	127	147	The 2011–12 Actual is higher than the 2011–12 Target due to the better than expected uptake in VET participation following the first full year of implementation of the student entitlement system across all age groups and qualification levels.
Number of apprenticeship/traineeship commencements by new employees	number	56,000	61,360	Refers to the financial year. The better than expected result is mainly due to a higher than expected increase in trainee commencements.
Number of apprenticeships/trainees who qualify for the completion bonus	number	14,000	20,578	Refers to the financial year. There was a higher than expected level of trainee completions during 2011–12.
Number of government-funded course enrolments in Skills Deepening qualifications	number	76,000	86,000	The 2011–12 Actual is higher than the 2011–12 Target due to the better than expected uptake in VET participation at higher qualification levels following the first full year of implementation of the student entitlement system.
Participation rate of 15–24-year-olds in training and further education in Victoria: all Victoria	per cent	28.2	32.4	The 2011–12 Actual is higher than the 2011–12 Target due to the better than expected uptake in VET participation at higher qualification levels following the first full year of implementation of the student entitlement system.
Participation rate of 25–64-year-olds in training and further education in Victoria: all Victoria	per cent	9.8	11.2	The 2011–12 Actual is higher than the 2011–12 Target due to the better than expected uptake in VET participation at higher qualification levels following the first full year of implementation of the student entitlement system.
Percentage of VET graduates who rate quality of training as four or more out of five	per cent	88.5	88.9	
Successful training completions as measured by module load pass rate	per cent	77.9	82.2	The high 2011–12 Actual may be attributed to higher than expected completion levels.
VET graduates in employment six months following graduation	per cent	78.5	78.6	
Total output cost (skills)	\$ million	2011.3	2479.4	Refers to the financial year. The higher than anticipated 2011–12 actual outcome reflects better than expected uptake in VET participation following the first full year of implementation of the student entitlement system across all age groups and qualification levels.

## Adult, community and further education

Develop and implement effective strategies for accredited and pre-accredited vocational education and training through adult community education to ensure access to and increased participation in lifelong skills development.

Performance measures	Unit of measure	2011–12 Target	2011–12 Actual	Comments
Annual delivery of student contact hours government funded – Adult Community Education (ACE) organisations and Adult Education Institutions (AEI)	number (million)	8.8	9.98	The 2011–12 Actual is higher than the 2011–12 Target due to the better than expected uptake in VET participation following the first full year of implementation of the student entitlement system across all age groups and qualification levels.
Annual delivery of student contact hours government funded through the Adult, Community and Further Education Board (ACFEB) – ACE organisations and AEIs	number (million)	6.8	9.21	The 2011–12 Actual is higher than the 2011–12 Target due to the better than expected uptake in VET participation following the first full year of implementation of the student entitlement system across all age groups and qualification levels.
Annual VET module enrolments government funded through the ACFEB ACE organisations and AEIs	number	200,000	253,289	The 2011–12 Actual is higher than the 2011–12 Target due to the better than expected uptake in VET participation following the first full year of implementation of the student entitlement system across all age groups and qualification levels.
Number of government-funded Skills Deepening level course enrolments in ACFEB-registered ACE organisations and AEIs	number	900	1669	The 2011–12 Actual is higher than the 2011–12 Target due to the better than expected uptake in VET participation at higher qualification levels following the first full year of implementation of the student entitlement system.
Number of pre-accredited module enrolments government funded through the ACFEB ACE organisations and AEIs	number	38,000	33,365	The lower than expected 2011–12 Actual reflects actual enrolment trends over the past three years, which have involved more hours of study with fewer module enrolments.
Participation of 15–24-year-olds in Youth Compact as a proportion of government-funded delivery in ACFEB-registered ACE organisations and AEIs	per cent	20	23.96	The 2011–12 Actual is higher than the 2011–12 Target due to the better than expected uptake in VET participation following the first full year of implementation of the student entitlement system.
Student satisfaction with ACE courses meeting overall needs	per cent	80	86.4	The high 2011–12 Actual may be attributed to higher than expected satisfaction levels.
Successful completions as measured by module load completion rate – ACFEB-funded ACE organisations and AEIs	per cent	73	70.35	The lower than expected actual is due to lower than expected module load completions by students, particularly of module in entry-level courses.
Total output cost (ACFE)	\$ million	107.2	114.4	Refers to the financial year. The higher than anticipated 2011–12 actual outcome reflects better than expected uptake in VET participation following the first full year of implementation of the student entitlement system across all age groups and qualification levels.

## Key activity in higher education and skills

### Refocusing vocational education in Victoria

- Released Refocusing Vocational Training in Victoria, the Government's response to the VET Fee and Funding Review and the culmination of a number of reviews into key policy settings for Victoria's training markets, outlining new arrangements that maintain high levels of public investment in training while improving the quality of training, improving system responsiveness to the needs of industry, better targeting investment to areas of greatest public benefit, and ensuring sustainability of the VET system into the future.
- Achieved continued growth in government-subsidised enrolments flowing from full implementation of the Victorian Training Guarantee. By June 2012:
  - there were 463,000 government-subsidised VET enrolments by 360,000 people, 45 per cent more than at the same time in 2011
  - growth in government-subsidised enrolments had occurred across Victoria, with all nine regions reporting growth in the first half of 2012
  - there was an increase in government-subsidised enrolments across all equity and age groups, all qualification levels, and in significant skills shortage areas and specialised occupations
  - there were more than 520 registered training organisations contracted to deliver government-subsidised training in Victoria, more than twice the number of providers that were contracted prior to the introduction of the Victorian Training Guarantee.

### Partnerships

- Implemented the \$20 million Regional Partnerships Facilitation Fund to support increased alliances between higher education institutions and VET providers. These alliances are delivering a range of higher education programs and pathways in regional Victoria that give more students the option to study locally.
- Funded more than 310 not-for-profit Learn Local organisations across Victoria to deliver education and training to around 63,000 hard-to-reach learners.
- Provided \$6.08 million to fund 145 Capacity and Innovation projects to 121 organisations to build business capacity and enhance quality teaching and learning through grants tailored to meet their business and educational needs.
- Established the Workers in Transition program, committed to assisting workers affected by recent business closures or restructuring. The program helps workers facing retrenchment to make the transition to a new job. Local TAFE institutes provide career information and advice to workers to enable them to select the most appropriate training course to meet their career goals. To date, over 28 businesses and 2700 workers have been assisted by the program. Industries assisted under the program are from a range of sectors, including financial services, manufacturing, aviation, automotive and food processing.

- Provided funding through the New and Emerging Skills program for a number of new and emerging skills initiatives in areas of strategic importance to Victoria. The aim of the initiatives is to provide opportunities for Victorian businesses to increase their productivity as well as compete in the low carbon economy. Examples include:
  - a project that identified the skills and training required by Victorian businesses using advanced technologies in building management and security systems, as well as the training required to pursue carbon abatement efficiencies and deliver economic benefits to industry
  - a project that identified skill requirements and developed a pilot training program for the Air Conditioning and Mechanical Services industry in essential services maintenance and controls.
- Supported the Victorian Government in the negotiation of the National Partnership Agreement on Skills Reform, which will attract up to \$435 million of funding for Victoria over five years to support the implementation of a major package of reforms in the vocational education and training sector. Victoria's commitments through the National Partnership will continue to drive further structural improvements in the skills sector as well as improved training outcomes.
- Commissioned expert panels to develop tertiary education reports for the outer south east of Melbourne and Gippsland. Led by Professor Kwong Lee Dow, these reports provided a comprehensive analysis of factors contributing to low participation in higher education, interactions of tertiary education providers, and the links with demographic and economic trends. Reflecting the broad directions suggested in both reports, Monash University has announced changes to delivery at its Berwick and Gippsland campuses, moving to introduce differentiated degrees with a strong local vocational focus. The Government has also established the Gippsland Tertiary Education Council. In line with the recommendations of the Gippsland Report, it is expected that these changes, in combination with strengthened relationships between tertiary providers, will provide greater flexibility and student engagement with tertiary education in that region. The report, focused on the outer south east of Melbourne, is informing the work of the Government's TAFE Transition Taskforce. The Government's formal response to the report's recommendations will coincide with the release of the Taskforce's advice to the Government later in 2012.

#### **Training market information**

- Improved the availability of information to potential students by requiring training providers to publish the following information on their websites: tuition fee information, the most recent registration audit reports and quality indicators.

# Financial Statements – 30 June 2012

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These Financial Statements cover the Department of Education and Early Childhood Development as an individual entity.

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

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

## Comprehensive operating statement for the financial year ended 30 June 2012

	Note	2012 \$m	2011 \$m
<b>Income from transactions</b>			
Output appropriations	6(a)	<b>10,185.9</b>	8,840.7
Special appropriations	6(b)	<b>31.0</b>	36.9
Interest income		<b>33.9</b>	34.3
Grants	4(a)	<b>15.4</b>	26.2
Sales of goods and services	4(b)	<b>159.2</b>	143.9
Other income	4(c)	<b>467.8</b>	467.6
<b>Total income from transactions</b>		<b>10,893.2</b>	9,549.5
<b>Expenses from transactions</b>			
Employee expenses	4(d)	<b>(4,881.0)</b>	(4,726.1)
Depreciation and amortisation	4(e)	<b>(253.2)</b>	(219.1)
Interest expense		<b>(14.2)</b>	(9.6)
Grants and other expense transfers	4(f)	<b>(2,582.9)</b>	(1,637.5)
Capital asset charge		<b>(1,219.6)</b>	(1,000.5)
Other operating expenses	4(g)	<b>(2,039.7)</b>	(1,949.3)
<b>Total expenses from transactions</b>		<b>(10,990.7)</b>	(9,542.0)
<b>Net result from transactions (net operating balance)</b>		<b>(97.4)</b>	7.5
<b>Other economic flows included in net result</b>			
Net gain/(loss) on non-financial assets	5(a)	<b>11.4</b>	5.4
Net gain/(loss) on financial instruments and statutory receivables/payables	5(b)	<b>(1.1)</b>	0.1
Other gains/(losses) from other economic flows	5(c)	<b>(88.0)</b>	1.3
<b>Total other economic flows included in net result</b>		<b>(77.7)</b>	6.7
<b>Net result</b>		<b>(175.1)</b>	14.2
<b>Other economic flows – other non-owner changes in equity</b>			
Changes in physical asset revaluation surplus	16	<b>(615.3)</b>	(315.1)
<b>Total other economic flows – other non-owner changes in equity</b>		<b>(615.3)</b>	(315.1)
<b>Comprehensive result</b>		<b>(790.5)</b>	(300.9)

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

## Balance sheet as at 30 June 2012

	Note	2012 \$m	2011 \$m
<b>Assets</b>			
<b>Financial assets</b>			
Cash and deposits	7	596.2	677.4
Receivables	8	1,243.9	1,305.6
Other financial assets		188.9	152.7
<b>Total financial assets</b>		<b>2,028.9</b>	2,135.8
<b>Non-financial assets</b>			
Non-financial physical assets classified as held for sale	9	88.4	60.1
Intangible assets	10	62.1	56.9
Property, plant and equipment	11	13,647.2	13,915.8
Prepayments		12.5	29.3
<b>Total non-financial assets</b>		<b>13,810.2</b>	14,062.1
<b>Total assets</b>		<b>15,839.1</b>	16,197.9
<b>Liabilities</b>			
Payables	12	579.1	809.3
Borrowings	13	199.2	202.1
Provisions	14	1,238.2	1,107.2
Unearned income		101.1	102.9
<b>Total liabilities</b>		<b>2,117.6</b>	2,221.5
<b>Net assets</b>		<b>13,721.6</b>	13,976.4
<b>Equity</b>			
Accumulated surplus/(deficit)		1,086.1	1,261.2
Physical asset revaluation surplus	16	3,776.6	4,391.9
Contributed capital		8,858.9	8,323.2
<b>Net worth</b>		<b>13,721.6</b>	13,976.4
Contingent assets and contingent liabilities	20		
Commitments for expenditure	21		

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

## Statement of changes in equity for the financial year ended 30 June 2012

	Physical asset revaluation surplus \$m	Accumulated surplus/(deficit) \$m	Contributions by owners \$m	Total \$m
<b>Balance at 1 July 2010</b>	<b>4,707.1</b>	<b>1,247.0</b>	<b>6,683.8</b>	<b>12,637.8</b>
Net result for the year	–	14.2	–	<b>14.2</b>
Other comprehensive income for the year	(315.1)	–	–	<b>(315.1)</b>
Capital appropriations	–	–	1,609.6	<b>1,609.6</b>
Administrative restructure – net assets transferred	–	–	29.8	<b>29.8</b>
<b>Balance at 30 June 2011</b>	<b>4,391.9</b>	<b>1,261.2</b>	<b>8,323.2</b>	<b>13,976.4</b>
Net result for the year	–	(175.1)	–	<b>(175.1)</b>
Other comprehensive income for the year	(615.3)	–	–	<b>(615.3)</b>
Capital appropriations	–	–	535.7	<b>535.7</b>
<b>Balance at 30 June 2012</b>	<b>3,776.6</b>	<b>1,086.1</b>	<b>8,858.9</b>	<b>13,721.6</b>

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 2012

	Note	2012 \$m	2011 \$m
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Receipts from Government		10,275.7	8,645.4
Receipts from other entities		653.2	644.3
Goods and Services Tax recovered from the ATO		358.1	366.5
Interest received		33.9	34.3
<b>Total receipts</b>		<b>11,320.8</b>	9,690.5
<b>Payments</b>			
Payments of grants and other transfers		(2,582.9)	(1,688.1)
Payments to suppliers and employees		(7,351.8)	(6,688.8)
Goods and Services Tax paid to the ATO		(10.7)	(6.7)
Capital asset charge		(1,219.6)	(1,000.5)
Interest and other costs of finance paid		(14.2)	(9.1)
<b>Total payments</b>		<b>(11,179.2)</b>	(9,393.2)
<b>Net cash flows from operating activities</b>	22	<b>141.6</b>	297.3
<b>Cash flows from investing activities</b>			
Payments for non-financial assets		(720.3)	(1,835.0)
Net proceeds from/(payments for) other financial assets		(36.2)	(34.0)
Proceeds from sale of non-financial assets		4.3	3.2
<b>Net cash flows from investing activities</b>		<b>(752.1)</b>	(1,865.8)
<b>Cash flows from financing activities</b>			
Owner contributions by State Government		535.7	1,609.6
Repayment of finance leases		(6.5)	(5.1)
<b>Net cash flows from financing activities</b>		<b>529.2</b>	1,604.5
<b>Net increase/(decrease) in cash and deposits</b>		<b>(81.3)</b>	36.0
Cash and deposits at the beginning of the financial year		677.4	641.4
<b>Cash and deposits at the end of the financial year</b>	7	<b>596.2</b>	677.4

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

## Notes to the Financial Statements

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## Note 1 Summary of significant accounting policies

The annual Financial Statements represent the audited general-purpose Financial Statements for the Department of Education and Early Childhood Development (the Department) for the period ended 30 June 2012.

The purpose of the Financial Statements is to provide users with information about the Department's stewardship of resources entrusted to it.

### (a) Statement of compliance

These general purpose Financial Statements have been prepared in accordance with the *Financial Management Act 1994* (FMA) and applicable Australian Accounting Standards (AAS), which include Interpretations issued by the Australian Accounting Standards Board (AASB). In particular, they are presented in a manner consistent with the requirements of the AASB 1049 *Whole of Government and General Government Sector Financial Reporting*.

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

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

### (b) Basis of preparation and measurement

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

These Financial Statements are presented in Australian dollars, the functional and presentation currency of the Department.

In the application of AAS, management is required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on professional judgement derived from historical experience and various other factors that are believed to be reasonable under the circumstance and the results of which form the basis of making judgements. Actual results may differ from these estimates.

The estimates and associated assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period and also in future periods that are affected by the revision. Judgements made by management in the application of AAS that have significant effects on the Financial Statements and estimates, with a risk of material adjustments in the next year, are disclosed throughout the notes to the Financial Statements.

The Financial Statements have been prepared in accordance with the historical cost convention. Historical cost is based on the fair values of the consideration given in exchange for assets.

Exceptions to the historical cost convention include:

- non-financial physical assets which, subsequent to acquisition, are measured at a revalued amount being their fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent impairment losses. Revaluations are made with sufficient regularity to ensure that the carrying amounts do not materially differ from their fair value;
- the fair value of an asset other than land is generally based on depreciated replacement value.

The accounting policies set out below have been applied in preparing the Financial Statements for the year ended 30 June 2012 and the comparative information presented for the year ended 30 June 2011.

### **(c) Reporting entity**

The Financial Statements cover the Department of Education and Early Childhood Development 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*.

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

Department of Education and Early Childhood Development's principal address is  
2 Treasury Place  
East Melbourne VIC 3002

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 schools have been eliminated as required by AAS.

### **Objectives and funding**

The objectives of the Department are to increase participation, engagement and achievement in education and training, expand options and pathways for learners, strengthen the quality of service delivery and our responsiveness to the community and industry, strengthen a culture of working together and maintain sound financial management.

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

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

## Note 1 Summary of significant accounting policies

(continued)

### Outputs of the Department

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

### (d) Basis of consolidation

The Financial Statements exclude bodies within the Department's portfolio that are not controlled by the Department and therefore are not consolidated. Bodies and activities that are administered (see explanation below under administered items) are also not controlled and not consolidated.

### Administered items

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

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

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

### Funds held in trust

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

The Department has responsibility for transactions and balances relating to trust funds on behalf of third parties external to the Victorian Government. The Department has received monies in a trustee capacity for various trusts, including prizes and scholarships. Income, expenses, assets and liabilities managed on behalf of third parties are not recognised in these Financial Statements as they are managed on a fiduciary and custodial basis, and therefore not controlled by the Department or the Victorian Government. These transactions and balances are reported in Note 25 *Trust account balances*.

### Funds under management

Funds under management do not form part of the assets of the Department. Donation receipts and related expenditure are excluded from the income, expenditure and balance sheet accounts of the Department, which is acting as Trustee. These funds under management are disclosed in Note 25 *Trust account balances*.

## **(e) Scope and presentation of Financial Statements**

### **Comprehensive operating statement**

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

'Transactions' are those economic flows that are considered to arise as a result of policy decisions, usually interactions between two entities by mutual agreement. Transactions also include flows within an entity, such as depreciation where the owner is simultaneously acting as the owner of the depreciating asset and as the consumer of the service provided by the asset. Taxation is regarded as mutually agreed interactions between the Government and taxpayers. Transactions can be in kind (e.g. assets provided/given free of charge or for nominal consideration) or where the final consideration is cash.

'Other economic flows' are changes arising from market re-measurements. They include gains and losses from disposals; revaluations and impairments of non-current physical and intangible assets; actuarial gains and losses arising from defined benefit superannuation plans; fair value changes of financial instruments and agricultural assets; and depletion of natural assets (non-produced) from their use or removal.

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

### **Balance sheet**

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

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

### **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 comprehensive income related to other non-owner changes in equity.

### **Cash flow statement**

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

### **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.

## Note 1 Summary of significant accounting policies

(continued)

### (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* to have certain income annotated to the annual appropriation. The income that 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 that can form part of a Section 29 agreement are Commonwealth specific purpose grants, municipal council special purpose grants, the proceeds from the sale of assets and income from the sale of products and services.

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

#### Output appropriations

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

#### Special appropriations

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

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

#### Interest

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

## Sales of goods and services

### Income from the supply of services

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

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

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

### Income from the sale of goods

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

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

## Grants

Grants from third parties (other than contributions by owners) are recognised as income in the reporting period in which the Department gains control over the underlying assets.

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

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

Contributions of assets and services received free of charge or for nominal consideration are recognised at fair value when control is obtained over them, irrespective of whether these contributions are subject to restrictions or conditions over their use. Contributions in the form of services are only recognised when a fair value can be reliably determined and the services would have been purchased if not received as a donation.

## Note 1 Summary of significant accounting policies

(continued)

### (g) Expenses from transactions

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

#### Employee expenses

Employee expenses include all costs related to employment, including wages and salaries, leave entitlements, workcover premiums, redundancy payments and superannuation contributions. The recording of superannuation expenses depends upon whether employees are members of defined benefit or defined contribution plans. In relation to defined contribution (i.e. accumulation) superannuation plans, the associated expense is simply the employer contributions that are paid or payable in respect of employees who are members of these plans during the reporting period. Employer superannuation expenses in relation to employees who are members of defined benefit superannuation plans are described below.

#### Superannuation

##### Defined contribution plans

Contributions to defined contribution superannuation plans are expensed when incurred.

##### Defined benefit plans

The amount recognised in the comprehensive operating statement in relation to employer contributions for members of defined benefit superannuation plans is simply the employer contributions that are paid or payable to these plans during the reporting period. The level of these contributions will vary depending upon the relevant rules of each plan, and is based upon actuarial advice.

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

#### Depreciation and amortisation

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

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

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

	Useful life Years	2012 %	2011 %
Buildings – permanent	60	1.7	1.7
Buildings – relocatable and other improvements	40	2.5	2.5
Plant, equipment and vehicles	3–10	10–33	10–33
Capitalised software development costs	3–10	10–33	10–33

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

Where items of plant and equipment have separately identifiable components, that are subject to regular replacement, those components are assigned useful lives distinct from the item of plant and equipment to which they relate.

Intangible produced assets with finite useful lives are amortised as an expense from transactions on a systematic (typically 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. Amortisation of an intangible non-produced asset with a finite useful life is not classified as a transaction and is included in the net result as an other economic flow. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each annual reporting period.

All intangible assets are assessed for impairment annually.

### Interest expense

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

### Grants and other expense transfers

Grants and other expense transfers to third parties (other than 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, subsidies and other transfer payments.

### Capital asset charge

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

### Other operating expenses

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

## Note 1 Summary of significant accounting policies

(continued)

### Supplies and services

Supplies and services generally represent cost of goods sold and the day-to-day running costs, including school requisites and maintenance costs, incurred in the normal operations of the Department. These items are recognised as an expense in the reporting period in which they are incurred. The carrying amount of any inventories held for distribution is expensed when distributed.

### Bad and doubtful debts

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

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

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

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

### Ex-gratia payments

Ex-gratia payments are payments arising from personal injury claims involving students and third parties and settlement of legal action taken under the *Equal Opportunity Act 1995* and *Workplace Relations Act 1996*.

### Borrowing costs of qualifying assets

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

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

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

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

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

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

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

### Disposal of non-financial assets

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

### Amortisation of non-produced intangible assets

Refer to Note 1(g) *Expense from transactions – Depreciation and amortisation*

### Impairment of non-financial assets

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

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

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

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

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

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

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

### Revaluations of financial instruments at fair value

Refer to Note 1(j) *Financial assets*.

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

Other gains/(losses) from other economic flows include the gains or losses from transfer of amounts from the reserves and/or accumulated surplus to net result due to disposal or de-recognition or reclassification, and from the revaluation of the present value of the long service leave liability (LSL) due to change in bond interest rates.

## Note 1 Summary of significant accounting policies

(continued)

### (i) Administered income

#### Taxes, fines and regulatory fees

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

#### Commonwealth grants

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

### (j) Financial assets

#### Cash and deposits

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

For cash flow statement presentation purposes, cash and cash equivalents include bank overdrafts, which are included as borrowings on the balance sheet.

#### Receivables

Receivables consist of:

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

Receivables that are contractual are classified as financial instruments. Statutory receivables are not classified as financial instruments.

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

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

## Other financial assets

Investments are classified as financial assets at fair value through profit or loss, loans and receivables, and available-for-sale financial assets.

The Department classifies its other financial assets as loans and receivables. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition.

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

## Impairment of financial assets

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

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

The amount of the allowance is the difference between the financial asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. In assessing impairment of statutory (non-contractual) financial assets that are not financial instruments, professional judgement is applied in assessing materiality and using estimates, averages and computational shortcuts in accordance with AASB 136 *Impairment of assets*.

## (k) Non-financial assets

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

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

This condition is regarded as met only when:

- the asset is available for immediate use in the current condition; and
- the sale is highly probable and the asset's sale is expected to be completed within 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 sell, 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. Land is measured initially at cost and subsequently revalued at fair value. Plant, equipment and vehicles are measured at fair value less accumulated depreciation and impairment.

## Note 1 Summary of significant accounting policies

(continued)

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

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

Non-financial physical assets such as Crown land and heritage assets are measured at fair value with regard to the property's highest and best use after due consideration is made for any legal or constructive restrictions imposed on the asset, public announcements or commitments made in relation to the intended use of the asset. Theoretical opportunities that may be available in relation to the asset are not taken into account until it is virtually certain that the restrictions will no longer apply.

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

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

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

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

### Leasehold improvements

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

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

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

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

Refer to Note 1(m) *Leases*.

## Non-current physical assets constructed by the Department

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

### Revaluations of non-current physical assets

Non-financial physical assets are measured at fair value in accordance with Financial Reporting Direction (FRD) 103D *Non-current physical assets* issued by the Minister for Finance. A full revaluation normally occurs every five years, with the next scheduled revaluation to occur in 2013, based on the asset's government purpose classification. The Department conducts fair value assessments based upon the cumulative indices supplied by the Valuer-General since the last formal revaluation. Where fair value assessments indicate that material changes in valuations have occurred using the trigger in FRD103D of 10 per cent, a management valuation would be undertaken. Independent valuers are used to conduct the scheduled revaluations and any interim revaluations are determined in accordance with the requirements of FRD103D.

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

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

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

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

### Intangible assets

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

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

## Note 1 Summary of significant accounting policies

(continued)

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

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

### Research and development costs

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

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

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

### Other non-financial assets

#### Prepayments

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

## (I) Liabilities

### Payables

Payables consist of:

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

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

## Borrowings

Borrowings are initially measured at fair value, being the cost of the interest bearing liabilities, net of transaction costs (refer to Note 1(m) *Leases*).

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

## Provisions

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

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

When some or all of the economic benefits required to settle a provision are expected to be received from a third party, the receivable is recognised as an asset if it is virtually certain that recovery will be received and the amount of the receivable can be measured reliably.

## Employee benefits

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

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

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

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

### (ii) Long service leave

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

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

## Note 1 Summary of significant accounting policies

(continued)

The components of this current LSL liability are measured at:

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

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

This non-current LSL liability is measured at present value. Any gain or loss following revaluation of the present value of non-current LSL liability due to changes in bond interest rates is recognised as an other economic flow.

### (iii) Sabbatical leave

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

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

Liability for sabbatical leave is recognised in the provision for sabbatical leave.

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

### (iv) Termination benefits

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

### Employee benefits on-costs

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

### Unearned revenue

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

## **(m) Leases**

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

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

### **Finance leases**

#### **Department as lessee**

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

#### **Department as lessor**

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

Any 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.

## Note 1 Summary of significant accounting policies

(continued)

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.

### (n) Equity

#### Contributions by owners

Additions to net assets that 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.

### (o) Commitments

Commitments are disclosed 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.

### (p) 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 and, if quantifiable, are measured at nominal value. Contingent assets and liabilities are presented exclusive of GST receivable or payable respectively.

### (q) Service concession arrangements

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

These SCAs usually take one of two main forms. In the more common form, the Department pays the operator over the period of the arrangement, subject to specified performance criteria being met. At the date of commitment to the principal provisions of the arrangement, these estimated periodic payments are allocated between a component related to the design and construction or upgrading of the asset and components related to the ongoing operation and maintenance of the asset. The former component is accounted for as a lease payment (see Note 1(m) *Leases*). The remaining components are accounted for as commitments for operating costs (see Note 1(o) *Commitments*), which are expensed in the comprehensive operating statement as they are incurred.

In December 2008 the State of Victoria entered into a 27-year agreement with Axiom Education Victoria Pty Ltd, under the Partnerships Victoria policy, for the financing, design, construction, and maintenance of 13 schools.

All 13 schools have now been opened and the Department has assumed responsibility for education provision, staffing, curriculum and teacher practice; and a commitment in regard to these assets is recognised as a finance lease with related finance lease assets.

The commitment for maintenance is treated as an operation and maintenance commitments (see Note 21(a)).

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

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

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

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

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

### **(s) Foreign currency**

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

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

### **(t) 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 that occur after the reporting date and before the date the statements are authorised for issue, where those events provide information about conditions that 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 that arose after the reporting date and that may have a material impact on the results of subsequent years.

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

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2012 reporting period. DTF assesses the impact of these new standards and advises the Department of their applicability and early adoption where applicable.

## Note 1 Summary of significant accounting policies

(continued)

As at 30 June 2012, the following standards and interpretations that are applicable to the Department had been issued but are not mandatory for financial year ending 30 June 2012. The Department has not adopted and does not intend to adopt these standards early.

Standard/Interpretation	Summary	Applicable for annual reporting periods beginning or ending on	Impact on Departmental Financial Statements
AASB 9 Financial instruments	This standard simplifies requirements for the classification and measurement of financial assets resulting from Phase 1 of the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement (AASB 139 Financial Instruments: Recognition and Measurement).	1 Jan 2013	Detail of impact is still being assessed.
AASB 10 Consolidated Financial Statements	This Standard establishes principles for the presentation and preparation of consolidated Financial Statements when an entity controls one or more other entities and supersedes those requirements in AASB 127 Consolidated and Separate Financial Statements and Interpretation 112 Consolidation – Special Purpose Entities.	1 Jan 2013	Not-for-profit entities are not permitted to apply this Standard prior to the mandatory application date. The AASB is assessing the applicability of principles in AASB 10 in a not-for-profit context. As such, impact will be assessed after the AASB's deliberation.
AASB 11 Joint Arrangements	This Standard requires entities that have an interest in arrangements that are controlled jointly to assess whether the arrangement is a joint operation or joint venture. AASB 11 shall be applied for an arrangement that is a joint operation. It also replaces parts of requirements in AASB 131 Interests in Joint Ventures.	1 Jan 2013	Not-for-profit entities are not permitted to apply this Standard prior to the mandatory application date. The AASB is assessing the applicability of principles in AASB 11 in a not-for-profit context. As such, impact will be assessed after the AASB's deliberation.
AASB 12 Disclosure of Interests in Other Entities	This Standard requires disclosure of information that enables users of Financial Statements to evaluate the nature of, and risks associated with, interests in other entities and the effects of those interests on the Financial Statements. This Standard replaces the disclosure requirements in AASB 127 and AASB 131.	1 Jan 2013	Not-for-profit entities are not permitted to apply this Standard prior to the mandatory application date. The AASB is assessing the applicability of principles in AASB 12 in a not-for-profit context. As such, impact will be assessed after the AASB's deliberation.
AASB 13 Fair Value Measurement	This Standard outlines the requirements for measuring the fair value of assets and liabilities and replaces the existing fair value definition and guidance in other AAS. AASB 13 includes a 'fair value hierarchy' that ranks the valuation technique inputs into three levels using unadjusted quoted prices in active markets for identical assets or liabilities; other observable inputs; and unobservable inputs.	1 Jan 2013	Disclosure for fair value measurements using unobservable inputs are relatively onerous compared to disclosure for fair value measurements using observable inputs. Consequently, the Standard may increase the disclosures for public sector entities that have assets measured using depreciated replacement cost.

Standard/Interpretation	Summary	Applicable for annual reporting periods beginning or ending on	Impact on Departmental Financial Statements
AASB 119 Employee Benefits	In this revised Standard for defined benefit superannuation plans, there is a change to the methodology in the calculation of superannuation expenses, in particular there is now a change in the split between superannuation interest expense (classified as transactions) and actuarial gains and losses (classified as 'Other economic flows – other movements in equity') reported on the comprehensive operating statement.	1 Jan 2013	Not-for-profit entities are not permitted to apply this Standard prior to the mandatory application date. While the total superannuation expense is unchanged, the revised methodology is expected to have a negative impact on the net result from transactions of the general government sector and for those few Victorian public sector entities that report superannuation defined benefit plans.
AASB 127 Separate Financial Statements	This revised Standard prescribes the accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate Financial Statements.	1 Jan 2013	Not-for-profit entities are not permitted to apply this Standard prior to the mandatory application date. The AASB is assessing the applicability of principles in AASB 127 in a not-for-profit context. As such, impact will be assessed after the AASB's deliberation.
AASB 128 Investments in Associates and Joint Ventures	This revised Standard sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures.	1 Jan 2013	Not-for-profit entities are not permitted to apply this Standard prior to the mandatory application date. The AASB is assessing the applicability of principles in AASB 128 in a not-for-profit context. As such, impact will be assessed after the AASB's deliberation.
AASB 1053 Application of Tiers of Australian Accounting Standards	This Standard establishes a differential financial reporting framework consisting of two tiers of reporting requirements for preparing general purpose Financial Statements.	1 July 2013	The Victorian Government is currently considering the impacts of Reduced Disclosure Requirements (RDRs) for certain public sector entities and has not decided if RDRs will be implemented in the Victorian public sector.
AASB 2010-2 Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements	This Standard makes amendments to many Australian Accounting Standards, including Interpretations, to introduce reduced disclosure requirements to the pronouncements for application by certain types of entities.	1 July 2013	The Victorian Government is currently considering the impacts of Reduced Disclosure Requirements (RDRs) for certain public sector entities and has not decided if RDRs will be implemented in the Victorian public sector.
AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 & 1038 and Interpretations 2, 5, 10, 12, 19 & 127]	These consequential amendments are in relation to the introduction of AASB 9.	1 Jan 2013	No significant impact is expected from these consequential amendments on entity reporting.

## Note 1 Summary of significant accounting policies

(continued)

Standard/Interpretation	Summary	Applicable for annual reporting periods beginning or ending on	Impact on Departmental Financial Statements
AASB 2010-8 Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets [AASB 112]	This amendment provides a practical approach for measuring deferred tax assets and deferred tax liabilities when measuring investment property by using the fair value model in AASB 140 Investment Property.	1 Jan 2012	This amendment provides additional clarification through practical guidance.
AASB 2010-10 Further Amendments to Australian Accounting Standards – Removal of Fixed Dates for First-time Adopters [AASB 2009-11 & AASB 2010-7]	The amendments ultimately affect AASB 1 First-time Adoption of Australian Accounting Standards and provide relief for first-time adopters of Australian Accounting Standards from having to reconstruct transactions that occurred before their date of transition to Australian Accounting Standards.	1 Jan 2013	No significant impact is expected on entity reporting.
AASB 2011-2 Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project – Reduced Disclosure Requirements [AASB 101 & AASB 1054]	The objective of this amendment is to include some additional disclosure from the Trans-Tasman Convergence Project and to reduce disclosure requirements for entities preparing general purpose Financial Statements under Australian Accounting Standards – Reduced Disclosure Requirements.	1 July 2013	The Victorian Government is currently considering the impacts of Reduced Disclosure Requirements (RDRs) and has not decided if RDRs will be implemented in the Victorian public sector.
AASB 2011-3 Amendments to Australian Accounting Standards – Orderly Adoption of Changes to the ABS GFS Manual and Related Amendments [AASB 1049]	This amends AASB 1049 to clarify the definition of the ABS GFS Manual, and to facilitate the adoption of changes to the ABS GFS Manual and related disclosures.	1 July 2012	This amendment provides clarification to users preparing the whole-of-government and general government sector financial reports on the version of the GFS Manual to be used and what to disclose if the latest GFS Manual is not used. No impact on departmental or entity reporting.
AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements [AASB 124]	This Standard amends AASB 124 Related Party Disclosures by removing the disclosure requirements in AASB 124 in relation to individual key management personnel (KMP).	1 July 2013	No significant impact is expected from these consequential amendments on entity reporting.
AASB 2011-6 Amendments to Australian Accounting Standards – Extending Relief from Consolidation, the Equity Method and Proportionate Consolidation – Reduced Disclosure Requirements [AASB 127, AASB 128 & AASB 131]	The objective of this Standard is to make amendments to AASB 127 Consolidated and Separate Financial Statements, AASB 128 Investments in Associates and AASB 131 Interests in Joint Ventures to extend the circumstances in which an entity can obtain relief from consolidation, the equity method or proportionate consolidation.	1 July 2013	The Victorian Government is currently considering the impacts of Reduced Disclosure Requirements (RDRs) and has not decided if RDRs will be implemented in the Victorian public sector.

Standard/Interpretation	Summary	Applicable for annual reporting periods beginning or ending on	Impact on Departmental Financial Statements
AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards [AASB 1, 2, 3, 5, 7, 9, 2009-11, 101, 107, 112, 118, 121, 124, 132, 133, 136, 138, 139, 1023 & 1038 and Interpretations 5, 9, 16 & 17]	This Standard outlines consequential changes arising from the issuance of the five 'new Standards' to other Standards. For example, references to AASB 127 Consolidated and Separate Financial Statements are amended to AASB 10 Consolidated Financial Statements or AASB 127 Separate Financial Statements, and references to AASB 131 Interests in Joint Ventures are deleted as that Standard has been superseded by AASB 11 and AASB 128 (August 2011).	1 Jan 2013	No significant impact is expected from these consequential amendments on entity reporting.
AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13 [AASB 1, 2, 3, 4, 5, 7, 9, 2009-11, 2010-7, 101, 102, 108, 110, 116, 117, 118, 119, 120, 121, 128, 131, 132, 133, 134, 136, 138, 139, 140, 141, 1004, 1023 & 1038 and Interpretations 2, 4, 12, 13, 14, 17, 19, 131 & 132]	This amending Standard makes consequential changes to a range of Standards and Interpretations arising from the issuance of AASB 13. In particular, this Standard replaces the existing definition and guidance of fair value measurements in other Australian Accounting Standards and Interpretations.	1 Jan 2013	Disclosures for fair value measurements using unobservable inputs is potentially onerous, and may increase disclosures for assets measured using depreciated replacement cost.
AASB 2011-9 Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income [AASB 1, 5, 7, 101, 112, 120, 121, 132, 133, 134, 1039 & 1049]	The main change resulting from this Standard is a requirement for entities to group items presented in other comprehensive income (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). These amendments do not remove the option to present profit or loss and other comprehensive income in two statements, nor change the option to present items of OCI either before tax or net of tax.	1 July 2012	This amending Standard could change the current presentation of 'Other economic flows – other movements in equity' that will be grouped on the basis of whether they are potentially reclassifiable to profit or loss subsequently. No other significant impact will be expected.
AASB 2011-10 Amendments to Australian Accounting Standards arising from AASB 119 (September 2011) [AASB 1, AASB 8, AASB 101, AASB 124, AASB 134, AASB 1049 & AASB 2011-8 and Interpretation 14]	This Standard makes consequential changes to a range of other Australian Accounting Standards and Interpretations arising from the issuance of AASB 119 Employee Benefits.	1 Jan 2013	No significant impact is expected from these consequential amendments on entity reporting.
AASB 2011-11 Amendments to AASB 119 (September 2011) arising from Reduced Disclosure Requirements	This Standard makes amendments to AASB 119 Employee Benefits (September 2011) to incorporate reduced disclosure requirements into the Standard for entities applying Tier 2 requirements in preparing general purpose Financial Statements.	1 July 2013	The Victorian Government is currently considering the impacts of Reduced Disclosure Requirements (RDRs) and has not decided if RDRs will be implemented in the Victorian public sector.
AASB 2011-12 Amendments to Australian Accounting Standards arising from Interpretation 20 [AASB 1]	This Standard makes amendments to AASB 1 First-time Adoption of Australian Accounting Standards, as a consequence of the issuance of IFRIC Interpretation 20 Stripping Costs in the Production Phase of a Surface Mine. This Standard allows the first-time adopters to apply the transitional provisions contained in Interpretation 20.	1 Jan 2013	There may be an impact for new agencies that adopt Australian Accounting Standards for the first time. No implication is expected for existing entities in the Victorian public sector.

## Note 1 Summary of significant accounting policies

(continued)

Standard/Interpretation	Summary	Applicable for annual reporting periods beginning or ending on	Impact on Departmental Financial Statements
2011-13 Amendments to Australian Accounting Standard – Improvements to AASB 1049	This Standard aims to improve the AASB 1049 Whole of Government and General Government Sector Financial Reporting at the operational level. The main amendments clarify a number of requirements in AASB 1049, including the amendment to allow disclosure of other measures of key fiscal aggregates as long as they are clearly distinguished from the key fiscal aggregates and do not detract from the the information required by AASB 1049. Furthermore, this Standard provides additional guidance and examples on the classification between 'transactions' and 'other economic flows' for GAAP items without GFS equivalents.	1 July 2012	No significant impact is expected from these consequential amendments on entity reporting.
2012-1 Amendments to Australian Accounting Standards – Fair Value Measurement – Reduced Disclosure Requirements [AASB 3, AASB 7, AASB 13, AASB 140 & AASB 141]	This amending Standard prescribes the reduced disclosure requirements in a number of Australian Accounting Standards as a consequence of the issuance of AASB 13 Fair Value Measurement.	1 July 2013	As the Victorian whole-of-government and the general government (GG) sector are subject to Tier 1 reporting requirements (refer to AASB 1053 Application of Tiers of Australian Accounting Standards), the reduced disclosure requirements included in AASB 2012-1 will not affect the financial reporting for Victorian whole-of-government and GG sector.
AASB Interpretation 20 Stripping Costs in the Production Phase of a Surface Mine	This Interpretation clarifies when production stripping costs should lead to the recognition of an asset and how that asset should be initially and subsequently measured.	1 Jan 2013	No significant impact is expected on entity reporting.

### (v) Reclassification of Financial information

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

- (a) Note 4(b) and (c) – Net result from transactions – Sales of goods and services and Other income: reclassified \$452.0 million of 2010–11 schools' revenue earned from sales of goods and services revenue to other income to better reflect the nature of the type of income derived by schools.
- (b) Note 4(f) and (g) – Net result from transactions – Grants and other expense transfers and Other operating expenses: reclassified \$50.7 million of 2010–11 student transport expenditure from grant and other expense transfers to other operating expenses student transport to better reflect the nature of the type of expenditure being recognised.

## Note 2 Departmental (controlled) outputs

A description of departmental outputs performed during the year ended 30 June 2012, and the objectives of these outputs, are summarised below.

### Early childhood services

The early childhood services outputs group provides funding for a range of services that provide support to children in the early years, including kindergarten and children's services, maternal and child health, school nursing for primary school aged children, and early intervention services for children with a disability. It comprises:

#### Child health and support services

The child health and support services output involves provision of community-based maternal and child health services to all families with children aged 0 to 6 years, and school nursing services for primary school aged children, that include developmental health surveillance, early intervention, parenting support and health education.

#### Early childhood education and care

The early childhood education and care output involves provision of kindergarten and children's services including the licensing and monitoring of centre-based children's services, and specialist services to improve access to kindergartens for disadvantaged children.

#### Early childhood intervention services

The early childhood intervention services output involves provision of a range of services and support for children with a developmental delay or disability and their families.

### Compulsory years

The compulsory years outputs involve the provision of education and associated services designed to improve the quality of student learning of those in Prep–Year 9 in government and non-government schools. It comprises two outputs:

#### Early years (schools)

The early years output involves provision of education and other associated services designed to improve the quality of student learning of those in Prep–Year 4 in government and non-government schools. This output seeks to provide services that grow and link all of Victoria and support a fairer society that reduces disadvantage and respects diversity.

#### Middle years (schools)

The middle years output involves provision of education and other associated services designed to improve the quality of student learning of those in Years 5–9 in government and non-government schools. This output seeks to provide services that grow and link all of Victoria and support a fairer society that reduces disadvantage and respects diversity.

## Later years and youth transitions

The later years and youth transitions output involves provision of education and other associated services designed to improve the quality of student learning of those in Years 10–12 in government and non-government schools. It also covers the provision of cross-sectoral services to improve the transition of young people to further education, training and employment. This output seeks to provide services that grow and link all of Victoria and support a fairer society that reduces disadvantage and respects diversity.

### Services to students

The services to students output covers student welfare and support, services to students with disabilities, school focused youth services, education maintenance allowance and student transport. This output seeks to provide services that grow and link all of Victoria and support a fairer society that reduces disadvantage and respects diversity.

### Adolescent health services (schools)

The adolescent health services output involves provision of school nursing services for secondary school-aged children. This output seeks to provide high quality, accessible health and community services.

### Policy and regulation

The policy and regulation output involves provision of policy, administrative support and strategy and advice on school education to the Ministers in relation to their parliamentary and legislative responsibilities. It includes provision of information services about education to the community, including dissemination of information through public promotions, telephone services, publications and advertising services. It also covers provision of administrative support services for the various statutory authorities in the education portfolio including regulation and advisory bodies and international education.

### Skills

The skills output group consists of two outputs which respond to the labour and skills needs of individuals and industry:

#### Skills

The skills output responds to the labour and skills needs of industry through the planning and purchasing of vocational education and training services and the provision of targeted employment initiatives, as well as facilitate cooperative, flexible and productive workplaces.

### Adult, Community and Further Education

The Adult, Community and Further Education output group covers development and implementation of effective strategies for accredited and pre-accredited vocational education and training through adult and community education.

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

	Early childhood services	Compulsory years	Later years and youth transitions	Services to students	Adolescent health services	Policy and regulation	Skills	Departmental total
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
<b>Income from transactions</b>								
Output appropriations	385.5	5,192.1	1,646.1	917.8	11.2	29.2	2,004.1	<b>10,185.9</b>
Special appropriations	2.6	7.2	21.2	–	–	–	–	<b>31.0</b>
Interest income	–	25.7	8.2	–	–	–	–	<b>33.9</b>
Grants	2.5	6.2	3.5	0.1	–	0.7	2.4	<b>15.4</b>
Sales of goods and services	0.1	112.7	36.2	0.4	–	9.6	0.3	<b>159.2</b>
Other income	–	347.5	112.1	7.5	–	0.7	–	<b>467.8</b>
<b>Total income from transactions</b>	<b>390.7</b>	<b>5,691.3</b>	<b>1,827.3</b>	<b>925.8</b>	<b>11.2</b>	<b>40.1</b>	<b>2,006.8</b>	<b>10,893.2</b>
<b>Expenses from transactions</b>								
Employee expenses	(46.6)	(3,287.2)	(884.0)	(621.5)	(9.3)	(22.0)	(10.4)	<b>(4,881.0)</b>
Depreciation and amortisation	(1.8)	(181.4)	(47.2)	(18.6)	(0.2)	(1.5)	(2.5)	<b>(253.2)</b>
Interest expenses	–	(10.8)	(3.4)	–	–	–	–	<b>(14.2)</b>
Grants and other expense transfers	(4.6)	(487.1)	(226.9)	(97.5)	–	(6.0)	(1,760.8)	<b>(2,582.9)</b>
Capital asset charge	(2.2)	(682.8)	(278.0)	(39.5)	(0.9)	(0.2)	(216.1)	<b>(1,219.6)</b>
Other operating expenses	(335.4)	(1,115.6)	(411.6)	(148.9)	(0.8)	(10.5)	(17.0)	<b>(2,039.7)</b>
<b>Total expenses from transactions</b>	<b>(390.7)</b>	<b>(5,764.9)</b>	<b>(1,851.2)</b>	<b>(925.8)</b>	<b>(11.2)</b>	<b>(40.1)</b>	<b>(2,006.8)</b>	<b>(10,990.7)</b>
<b>Net result from transactions (net operating balance)</b>	<b>–</b>	<b>(73.5)</b>	<b>(23.9)</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>(97.4)</b>
<b>Other economic flows included in net result</b>								
Net gain/(loss) on non-financial assets	–	8.2	2.4	0.8	–	(0.1)	–	<b>11.4</b>
Net gain/(loss) on financial instruments and statutory receivables/payables	–	(0.8)	(0.2)	–	–	(0.1)	–	<b>(1.1)</b>
Other gains/(losses) from other economic flows	(0.8)	(59.3)	(15.9)	(11.2)	(0.2)	(0.4)	(0.2)	<b>(88.0)</b>
<b>Total other economic flows included in net result</b>	<b>(0.8)</b>	<b>(51.8)</b>	<b>(13.8)</b>	<b>(10.4)</b>	<b>(0.2)</b>	<b>(0.5)</b>	<b>(0.2)</b>	<b>(77.7)</b>
<b>Net result</b>	<b>(0.8)</b>	<b>(125.4)</b>	<b>(37.7)</b>	<b>(10.4)</b>	<b>(0.2)</b>	<b>(0.5)</b>	<b>(0.2)</b>	<b>(175.1)</b>
<b>Other economic flows – other non-owner changes in equity</b>								
Changes in physical asset revaluation surplus	–	(442.3)	(127.6)	(45.4)	–	–	–	<b>(615.3)</b>
<b>Total other economic flows – other non-owner changes in equity</b>	<b>–</b>	<b>(442.3)</b>	<b>(127.6)</b>	<b>(45.4)</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>(615.3)</b>
<b>Comprehensive result</b>	<b>(0.8)</b>	<b>(567.7)</b>	<b>(165.3)</b>	<b>(55.8)</b>	<b>(0.2)</b>	<b>(0.5)</b>	<b>(0.2)</b>	<b>(790.5)</b>

## Note 2 Departmental (controlled) outputs

(continued)

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

	Early childhood services	Compulsory years	Later years and youth transitions	Services to students	Adolescent health services	Policy and regulation	Skills	Departmental total
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
<b>Assets and liabilities</b>								
<b>Assets</b>								
Financial assets	36.1	1,224.9	393.3	196.7	1.4	5.1	171.2	<b>2,028.9</b>
Non-financial assets	26.9	9,888.2	2,852.3	1,015.4	17.6	4.2	5.5	<b>13,810.2</b>
<b>Total assets</b>	<b>63.0</b>	<b>11,113.2</b>	<b>3,245.7</b>	<b>1,212.2</b>	<b>19.1</b>	<b>9.3</b>	<b>176.7</b>	<b>15,839.1</b>
<b>Liabilities</b>								
Liabilities	23.4	1,401.6	405.5	228.0	1.6	7.2	50.2	<b>2,117.6</b>
<b>Total liabilities</b>	<b>23.4</b>	<b>1,401.6</b>	<b>405.5</b>	<b>228.0</b>	<b>1.6</b>	<b>7.2</b>	<b>50.2</b>	<b>2,117.6</b>
<b>Net assets/(liabilities)</b>	<b>39.6</b>	<b>9,711.5</b>	<b>2,840.2</b>	<b>984.2</b>	<b>17.4</b>	<b>2.1</b>	<b>126.5</b>	<b>13,721.6</b>

## Departmental outputs schedule – controlled income and expenses for the year ended 30 June 2011

	Early childhood services	Compulsory years	Later years and youth transitions	Services to students	Adolescent health services	Policy and regulation	Skills*	Departmental total
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
<b>Income from transactions</b>								
Output appropriations	402.3	5,000.4	1,568.0	830.5	10.4	33.4	995.8	<b>8,840.7</b>
Special appropriations	–	9.3	27.5	–	–	–	–	<b>36.9</b>
Interest income	–	26.0	8.3	–	–	–	–	<b>34.3</b>
Grants	2.7	15.2	7.7	0.5	–	–	0.1	<b>26.2</b>
Sales of goods and services	0.1	54.7	18.4	60.6	–	9.8	0.3	<b>143.9</b>
Other income	–	356.7	110.6	–	–	0.3	–	<b>467.6</b>
<b>Total income from transactions</b>	<b>405.1</b>	<b>5,462.2</b>	<b>1,740.4</b>	<b>891.5</b>	<b>10.4</b>	<b>43.5</b>	<b>996.3</b>	<b>9,549.5</b>
<b>Expenses from transactions</b>								
Employee expenses	(44.9)	(3,204.4)	(862.8)	(579.1)	(9.7)	(21.7)	(3.5)	<b>(4,726.1)</b>
Depreciation and amortisation	(0.9)	(157.7)	(43.7)	(15.2)	–	(0.9)	(0.6)	<b>(219.1)</b>
Interest expenses	–	(7.3)	(2.3)	–	–	–	–	<b>(9.6)</b>
Grants and other expense transfers	(2.7)	(454.1)	(210.6)	(123.0)	–	(6.4)	(840.7)	<b>(1,637.5)</b>
Capital asset charge	(0.9)	(601.7)	(257.6)	(34.5)	–	(0.1)	(105.7)	<b>(1,000.5)</b>
Other operating expenses	(355.7)	(1,060.8)	(370.9)	(139.8)	(0.6)	(14.4)	(7.2)	<b>(1,949.3)</b>
<b>Total expenses from transactions</b>	<b>(405.1)</b>	<b>(5,485.9)</b>	<b>(1,747.9)</b>	<b>(891.5)</b>	<b>(10.4)</b>	<b>(43.5)</b>	<b>(957.7)</b>	<b>(9,542.0)</b>
<b>Net result from transactions (net operating balance)</b>	<b>–</b>	<b>(23.6)</b>	<b>(7.5)</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>38.6</b>	<b>7.5</b>
<b>Other economic flows included in net result</b>								
Net gain/(loss) on non-financial assets	–	3.8	1.1	0.4	–	–	–	<b>5.4</b>
Net gain/(loss) on financial instruments and statutory receivables/payables	–	0.1	0.0	–	–	–	–	<b>0.1</b>
Other gains/(losses) from other economic flows	–	0.9	0.2	0.2	–	–	–	<b>1.3</b>
<b>Total other economic flows included in net result</b>	<b>–</b>	<b>4.8</b>	<b>1.4</b>	<b>0.5</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>6.7</b>
<b>Net result</b>	<b>–</b>	<b>(18.8)</b>	<b>(6.1)</b>	<b>0.5</b>	<b>–</b>	<b>–</b>	<b>38.6</b>	<b>14.2</b>
<b>Other economic flows – other non-owner changes in equity</b>								
Changes in physical asset revaluation surplus	–	(225.6)	(66.8)	(22.8)	–	–	–	<b>(315.1)</b>
<b>Total other economic flows – other non-owner changes in equity</b>	<b>–</b>	<b>(225.6)</b>	<b>(66.8)</b>	<b>(22.8)</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>(315.1)</b>
<b>Comprehensive result</b>	<b>–</b>	<b>(244.5)</b>	<b>(72.9)</b>	<b>(22.2)</b>	<b>–</b>	<b>–</b>	<b>38.6</b>	<b>(300.9)</b>

\*Skills output group includes income and expenditure for six months only due to machinery of government transfer being effective from 1 January 2011.

## Note 2 Departmental (controlled) outputs

(continued)

### Departmental outputs schedule – controlled assets and liabilities as at 30 June 2011

	Early childhood services	Compulsory years	Later years and youth transitions	Services to students	Adolescent health services	Policy and regulation	Skills	Departmental total
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
<b>Assets and liabilities</b>								
<b>Assets</b>								
Financial assets	45.1	1,336.5	425.8	217.2	1.5	6.4	103.3	<b>2,135.8</b>
Non-financial assets	29.8	10,029.0	2,966.9	1,011.5	17.3	5.4	2.2	<b>14,062.1</b>
<b>Total assets</b>	<b>74.9</b>	<b>11,365.4</b>	<b>3,392.7</b>	<b>1,228.7</b>	<b>18.9</b>	<b>11.8</b>	<b>105.5</b>	<b>16,197.9</b>
<b>Liabilities</b>								
Liabilities	26.9	1,483.7	433.7	234.4	1.9	8.2	32.7	<b>2,221.5</b>
<b>Total liabilities</b>	<b>26.9</b>	<b>1,483.7</b>	<b>433.7</b>	<b>234.4</b>	<b>1.9</b>	<b>8.2</b>	<b>32.7</b>	<b>2,221.5</b>
<b>Net assets/(liabilities)</b>	<b>48.0</b>	<b>9,881.8</b>	<b>2,959.0</b>	<b>994.2</b>	<b>17.0</b>	<b>3.7</b>	<b>72.7</b>	<b>13,976.4</b>

## Note 3 Administered (non-controlled) items

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

	School education		Departmental total	
	2012 \$m	2011 \$m	2012 \$m	2011 \$m
<b>Administered income from transactions</b>				
Commonwealth on-passing to non-government schools:				
General recurrent grant	2,021.8	1,887.5	2,021.8	1,887.5
Other	152.6	566.7	152.6	566.7
Prizes and scholarships	1.9	5.2	1.9	5.2
Other income	3.2	9.2	3.2	9.2
<b>Total administered income from transactions</b>	<b>2,179.6</b>	<b>2,468.5</b>	<b>2,179.6</b>	<b>2,468.5</b>
<b>Administered expenses from transactions</b>				
Commonwealth on-passing to non-government schools:				
General recurrent grant	(2,021.8)	(1,887.5)	(2,021.8)	(1,887.5)
Other	(152.6)	(566.7)	(152.6)	(566.7)
Prizes and scholarships	(3.1)	(1.0)	(3.1)	(1.0)
Amounts paid to Consolidated Fund	80.4	42.4	80.4	42.4
Other	(0.9)	(0.8)	(0.9)	(0.8)
<b>Total administered expenses from transactions</b>	<b>(2,098.0)</b>	<b>(2,413.6)</b>	<b>(2,098.0)</b>	<b>(2,413.6)</b>
<b>Total administered net result from transactions</b>	<b>81.6</b>	<b>54.9</b>	<b>81.6</b>	<b>54.9</b>
<b>Administered other economic flows included in the administered net result</b>				
Net gain/(loss) on non-financial assets	(81.8)	(50.6)	(81.8)	(50.6)
<b>Total administered other economic flows included in the administered net result</b>	<b>(81.8)</b>	<b>(50.6)</b>	<b>(81.8)</b>	<b>(50.6)</b>
<b>Administered net result</b>	<b>(0.3)</b>	<b>4.3</b>	<b>(0.3)</b>	<b>4.3</b>

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

	School education		Departmental total	
	2012 \$m	2011 \$m	2012 \$m	2011 \$m
<b>Administered financial assets</b>				
Receivables	7.0	6.3	7.0	6.3
Investments	2.1	1.9	2.1	1.9
<b>Total administered financial assets</b>	<b>9.1</b>	<b>8.2</b>	<b>9.1</b>	<b>8.2</b>
<b>Total administered assets</b>	<b>9.1</b>	<b>8.2</b>	<b>9.1</b>	<b>8.2</b>
<b>Administered liabilities</b>				
Creditors and accruals	1.2	0.1	1.2	0.1
<b>Total administered liabilities</b>	<b>1.2</b>	<b>0.1</b>	<b>1.2</b>	<b>0.1</b>
<b>Total administered net assets</b>	<b>7.9</b>	<b>8.1</b>	<b>7.9</b>	<b>8.1</b>

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

	2012 \$m	2011 \$m
<b>Income from transactions</b>		
<b>(a) Grants</b>		
Other public bodies	15.4	26.2
<b>Total grants</b>	<b>15.4</b>	<b>26.2</b>
<b>(b) Sales of goods and services</b>		
Schools revenue	112.5	95.5
Provision of services	46.7	48.4
<b>Total sales of goods and services</b>	<b>159.2</b>	<b>143.9</b>
<b>(c) Other income</b>		
Schools revenue	457.9	452.0
Other revenue	9.9	15.6
<b>Total other income</b>	<b>467.8</b>	<b>467.6</b>
<b>Expenses from transactions</b>		
<b>(d) Employee expenses</b>		
Salaries and wages – Departmental employees	3,726.1	3,626.2
Salaries and wages – staff employed by school councils	208.5	210.9
Superannuation	392.3	365.8
Annual leave and long service leave expense	280.7	259.1
Other on-costs (fringe benefits tax, payroll tax and workcover levy)	273.4	264.1
<b>Total employee expenses</b>	<b>4,881.0</b>	<b>4,726.1</b>
<b>(e) Depreciation and amortisation</b>		
<b>Depreciation</b>		
Buildings	174.9	145.5
Plant and equipment	60.8	50.8
	<b>235.7</b>	<b>196.3</b>
<b>Amortisation</b>		
Plant and leasehold improvements	3.7	10.9
Software	13.8	11.9
	<b>17.5</b>	<b>22.8</b>
<b>Total depreciation and amortisation</b>	<b>253.2</b>	<b>219.1</b>

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

	2012 \$m	2011 \$m
<b>(f) Grants and other expense transfers</b>		
Grants to Victorian Curriculum and Assessment Authority	43.2	51.1
Grants to Victorian Registration and Qualifications Authority	6.5	6.5
Grants to Victorian Skills Commission	1,665.0	815.7
Grants to Adult, Community and Further Education Board	95.8	25.1
Grants to Victorian Institute of Teaching	–	0.3
Grants to non-government schools		
– primary	232.5	207.6
– secondary	360.9	324.5
– other	33.9	25.7
Grants to external organisations	83.3	122.5
Conveyance and Education Maintenance Allowance payments	61.7	58.5
<b>Total grants and other expense transfers</b>	<b>2,582.9</b>	<b>1,637.5</b>
<b>(g) Other operating expenses</b>		
<i>Supplies and services</i>		
Administration	237.6	245.6
Maintenance	483.5	414.8
School requisites	843.5	818.6
Service agreement payments	317.8	333.3
Student transport	53.3	50.7
Rental expense relating to operating leases – Minimum lease payments	22.5	23.8
<b>Total supplies and services</b>	<b>1,958.3</b>	<b>1,886.9</b>
<i>Fair value of assets and services provided free of charge or for nominal consideration</i>		
Rent provided free of charge – Victorian Curriculum and Assessment Authority	1.8	1.8
Rent provided free of charge – Victorian Registration and Qualifications Authority	0.2	0.1
<b>Total fair value of assets and services provided free of charge or for nominal consideration</b>	<b>2.0</b>	<b>1.9</b>
<i>Victorian Auditor-General's Office audit fees</i>		
Audit or review of the Financial Statements	0.5	0.4
<b>Total audit fees</b>	<b>0.5</b>	<b>0.4</b>
<i>Ex-gratia payments</i>	0.6	1.5
<b>Other expenses</b>	<b>78.3</b>	<b>58.6</b>
<b>Total other operating expenses</b>	<b>2,039.7</b>	<b>1,949.3</b>

## Note 5 Other economic flows included in net result

	2012 \$m	2011 \$m
<b>(a) Net gain/(loss) on non-financial assets</b>		
Consideration from disposals	4.3	3.2
Carrying amount of assets disposed	(3.1)	(3.0)
Assets not previously recognised	10.2	5.2
<b>Total net gain/(loss) on non-financial assets</b>	<b>11.4</b>	<b>5.4</b>
<b>(b) Net gain/(loss) on financial instruments and statutory receivables/payables</b>		
Impairment of loans and receivables	(1.1)	0.1
<b>Total net gain/(loss) on financial instruments and statutory receivables/payables</b>	<b>(1.1)</b>	<b>0.1</b>
<b>(c) Other gains/(losses) from other economic flows</b>		
Net gain/(loss) arising from revaluation of long service leave liability	(88.0)	1.3
<b>Total other gains/(losses) from other economic flows</b>	<b>(88.0)</b>	<b>1.3</b>

## 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.

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

The provision of outputs variance of \$119.8 million reflects the carryover of provisions of outputs appropriation including Universal Access Program, Digital Education Revolution, Empowering Local Schools and Children's Capital Grants program.

The additions to net assets variance of \$34 million relates to the carryover of additions to net assets for the Trade Training Centres project.

	<i>Appropriation Act</i>			<i>Financial Management Act 1994</i>				Total parliamentary authority	Appropriations applied	Variance
	Annual appropriation	Advance from Treasurer	Section 3(2)	Section 29	Section 30	Section 32	Section 35 advances			
<b>2011</b>	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
<b>Controlled</b>										
Provision for outputs	8,902.7	237.1	–	188.7	(42.9)	163.8	95.6	9,545.0	8,840.7	704.3
Additions to net assets	238.2	13.1	–	877.1	42.9	838.3	–	2,009.7	1,686.3	323.3
<b>Total</b>	<b>9,140.9</b>	<b>250.1</b>	<b>–</b>	<b>1,065.9</b>	<b>–</b>	<b>1,002.2</b>	<b>95.6</b>	<b>11,554.7</b>	<b>10,527.1</b>	<b>1,027.6</b>

**(b) Summary of compliance with special appropriations**

Authority	Purpose	Appropriations applied	
		2012 \$m	2011 \$m
<b>Controlled</b>			
Section 5.6.8 of the <i>Education and Training Reform Act 2006</i>	Volunteers workers compensation	0.3	0.3
Section 10 of the <i>Financial Management Act 1994</i>	Digital Education Revolution	28.1	36.6
Section 10 of the <i>Financial Management Act 1994</i>	Indigenous Early Childhood Education	2.6	–
<b>Total</b>		<b>31.0</b>	<b>36.9</b>

## Note 7 Cash and deposits

	2012 \$m	2011 \$m
Amounts held by schools	473.3	547.6
Departmental operating bank accounts	113.8	121.9
Other bank accounts	9.0	7.9
<b>Total cash and deposits</b>	<b>596.2</b>	<b>677.4</b>

### Cash at bank

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

Amounts held by schools at the end of the financial year disclosed as 'Cash and deposits' include bank accounts and short-term deposits with a maturity of less than three months. Amounts held by schools with a maturity of three months or more are disclosed as 'Other financial assets' and at balance date total \$188.9 million (2011: \$152.7 million)

## Note 8 Receivables

	2012 \$m	2011 \$m
<b>Current receivables</b>		
<i>Statutory</i>		
Amounts owing from Victorian Government (i)	930.9	976.3
GST receivables	45.7	62.6
	<b>976.6</b>	1,038.8
<i>Contractual</i>		
Schools' receivables	77.0	90.6
Other debtors (ii)	35.0	52.6
	<b>111.9</b>	143.1
Allowance for doubtful debts (ii)	(13.3)	(10.4)
<b>Total current receivables</b>	<b>1,075.2</b>	1,171.5
<b>Non-current receivables</b>		
<i>Statutory</i>		
Amounts owing from Victorian Government (i)	168.7	134.1
<b>Total non-current receivables</b>	<b>168.7</b>	134.1
<b>Aggregate carrying amount of receivables</b>		
Current	1,075.2	1,171.5
Non-current	168.7	134.1
<b>Total aggregate carrying amount of receivables</b>	<b>1,243.9</b>	1,305.6

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

(ii) The average credit period on sales of goods 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 and Workcover debtors when there is objective evidence that an individual receivable is impaired. The increase/decrease was recognised in the operating result for the current financial year.

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

	2012 \$m	2011 \$m
Balance at beginning of the year	(10.4)	(13.3)
(Increase)/decrease in allowance recognised in surplus or deficit	(2.9)	2.9
<b>Balance at end of the year</b>	<b>(13.3)</b>	<b>(10.4)</b>

### (b) Ageing analysis of contractual receivables

Please refer to table 17.2 in Note 17 for the ageing analysis of contractual receivables.

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

Please refer to 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

	2012 \$m	2011 \$m
Buildings	51.3	21.5
Land	36.8	38.4
Plant and equipment	0.3	0.2
<b>Total non-financial physical assets classified as held for sale</b>	<b>88.4</b>	<b>60.1</b>

## Note 10 Intangible assets

	Note	2012 \$m	2011 \$m
<b>Software (at cost)</b>			
<b>Opening balance</b>		<b>74.4</b>	16.0
Additions		18.9	58.5
Disposals		(0.0)	(0.1)
<b>Closing balance</b>		<b>93.3</b>	74.4
<b>Accumulated amortisation</b>			
<b>Opening balance</b>		<b>(17.5)</b>	(5.6)
Amortisation expense	4(e)	(13.8)	(11.9)
<b>Closing balance</b>		<b>(31.2)</b>	(17.5)
<b>Net book value at end of financial year</b>		<b>62.1</b>	56.9

## Note 11 Property, plant and equipment – Education purpose group<sup>(i)</sup>

	2012 \$m	2011 \$m
<b>Land</b>		
<b>Crown land</b>		
At cost	225.1	179.6
At independent valuation	6,302.4	6,304.3
<b>Total land</b>	<b>6,527.4</b>	<b>6,483.9</b>
<b>Buildings</b>		
At cost	3,858.0	2,011.4
Less accumulated depreciation	(82.6)	(23.9)
	3,775.4	1,987.5
At valuation	2,901.8	3,640.8
Less accumulated depreciation	(488.5)	(385.4)
	2,413.4	3,255.4
Leasehold buildings – at cost	205.7	205.7
Leasehold improvements – at cost	2.8	2.3
Less accumulated depreciation	(14.6)	(10.9)
	193.9	197.1
Total buildings	6,968.4	5,860.2
Less total accumulated depreciation	(585.7)	(420.2)
<b>Total written down value of buildings</b>	<b>6,382.6</b>	<b>5,440.0</b>
<b>Plant and equipment</b>		
At fair value	699.9	626.3
Less accumulated depreciation	(553.9)	(513.2)
	146.0	113.1
Plant and equipment under finance lease	18.1	17.8
Less accumulated amortisation	(5.0)	(4.1)
	13.2	13.6
<b>Total plant and equipment</b>	<b>159.1</b>	<b>126.8</b>
<b>Work in progress</b>		
Buildings	524.6	1,780.9
Plant and equipment	53.4	84.2
<b>Total work in progress</b>	<b>578.0</b>	<b>1,865.1</b>
<b>Total property, plant and equipment</b>	<b>13,647.2</b>	<b>13,915.8</b>

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

## Valuations of land and buildings

An independent valuation of the Department's land and buildings is performed by the Victorian Valuer-General to determine the fair value of the land and buildings. A full revaluation normally occurs every five years, with the next scheduled revaluation to occur in 2013. The effective date of the most recent valuation is 30 June 2008. The valuation, which conforms to Australian Valuation Standards, was determined by reference to the amounts for which assets could be exchanged between knowledgeable willing parties in an arm's length transaction. The fair value is determined by direct reference to recent market transactions on arm's length terms for land and buildings of comparable size and location to that held by the Department, with the fair value of buildings generally based on depreciated replacement cost.

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

	Land	Buildings	Plant & equipment	Work in progress	Total
2011	\$m	\$m	\$m	\$m	\$m
<b>Opening balance</b>	<b>6,468.1</b>	<b>4,537.5</b>	<b>129.0</b>	<b>1,428.1</b>	<b>12,562.8</b>
Additions	37.2	135.5	44.6	1,796.8	2,014.1
Impairment adjustment	–	(315.1)	–	–	(315.1)
Transfers to completed assets/intangibles	–	1,294.5	6.8	(1,359.8)	(58.5)
Disposals	(15.8)	(50.8)	(3.0)	–	(69.6)
Transfer (to)/from assets held for sale	(5.6)	(5.2)	0.1	–	(10.6)
Depreciation/amortisation	–	(156.4)	(50.8)	–	(207.2)
<b>Closing balance</b>	<b>6,483.9</b>	<b>5,440.0</b>	<b>126.8</b>	<b>1,865.1</b>	<b>13,915.8</b>

## Note 12 Payables

	2012 \$m	2011 \$m
<b>Current payables</b>		
<i>Contractual</i>		
Salaries, wages and on-costs	30.9	58.5
Accrued payments to non-government schools	176.3	170.8
Accrued grants and transfer payments	17.2	118.3
Other accruals	11.5	7.6
Schools' creditors	9.6	11.8
Capital expenditure	86.9	184.4
Operating expenditure	187.7	193.3
	520.2	744.6
<i>Statutory</i>		
Taxes payable	58.9	64.7
<b>Total payables</b>	579.1	809.3

### (a) Maturity analysis of contractual payables

Please refer to table 17.3 in Note 17 for the ageing analysis of contractual payables.

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

Please refer to Note 17 for the nature and extent of risks arising from contractual payables.

## Note 13 Borrowings

	2012 \$m	2011 \$m
<b>Finance lease liabilities – secured</b>		
Current	7.7	7.3
Non-current	191.5	194.8
<b>Total aggregate carrying amount of borrowings</b>	<b>199.2</b>	<b>202.1</b>

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

### Finance lease

Motor vehicles under finance lease	7.3	7.0
Partnership Victoria in Schools assets	199.8	203.7
<b>Total non-current assets pledged as security</b>	<b>207.1</b>	<b>210.7</b>

### (a) Maturity analysis of borrowings

Please refer to table 17.3 in Note 17 for the ageing analysis of borrowings.

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

Please refer to 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.

## Note 14 Provisions

	Note	2012 \$m	2011 \$m
<b>Current provisions</b>			
Employee benefits (i) – annual leave			
Unconditional and expected to be settled within 12 months (ii)		<b>84.3</b>	73.0
Employee benefits (i) – long service leave			
Unconditional and expected to be settled within 12 months (ii)		<b>129.3</b>	129.5
Unconditional and expected to be settled after 12 months (iii)		<b>692.3</b>	621.8
		<b>821.6</b>	751.3
Employee benefits (i) – other			
Unconditional and expected to be settled within 12 months (ii)		<b>8.2</b>	6.9
	14 (a)	<b>914.1</b>	831.2
Provisions related to employee benefit on-cost			
Unconditional and expected to be settled within 12 months (ii)		<b>37.8</b>	35.9
Unconditional and expected to be settled after 12 months (iii)		<b>114.9</b>	103.8
	14 (a)	<b>152.7</b>	139.7
Make-good (iv)	14 (b)	<b>0.3</b>	0.2
Legal expenses	14 (b)	–	0.3
Sabbatical leave	14 (b)	<b>1.3</b>	1.1
<b>Total current provisions</b>		<b>1,068.4</b>	972.5
<b>Non-current provisions</b>			
Employee benefits (i) (iii)	14 (a)	<b>144.7</b>	114.9
Employee benefit on-costs (iii)	14 (a)	<b>24.0</b>	19.2
Make-good (iv)	14 (b)	<b>1.1</b>	0.6
<b>Total non-current provisions</b>		<b>169.8</b>	134.7
<b>Total provisions</b>		<b>1,238.2</b>	1,107.2

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

(ii) The amounts disclosed are nominal amounts.

(iii) The amounts disclosed are discounted to present values.

(iv) 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 their original condition at the end of the lease term.

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

	Note	2012 \$m	2011 \$m
<b>Current employee benefits</b>			
Annual leave entitlements		84.3	73.0
Long service leave entitlements		821.6	751.3
Other		8.2	6.9
		<b>914.1</b>	831.2
<b>Non-current employee benefits</b>			
Long service leave entitlements		144.7	114.9
<b>Total employee benefits</b>		<b>1,058.8</b>	946.1
<b>On-costs</b>			
Current on-costs		152.7	139.7
Non-current on-costs		24.0	19.2
<b>Total on-costs</b>	14(b)	<b>176.8</b>	158.9
<b>Total employee benefits and related on-costs</b>		<b>1,235.5</b>	1,105.0

## (b) Movements in provisions

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

	On-costs	Make-good	Legal expenses	Sabbatical leave	Total
2012	\$m	\$m	\$m	\$m	\$m
<b>Carrying amount at start of year</b>	158.9	0.8	0.3	1.1	<b>161.0</b>
Increase/(decrease) in allowance recognised in surplus or deficit	67.0	0.6	(0.3)	0.2	<b>67.4</b>
Payments and other sacrifices of economic benefits	(49.1)	–	–	–	<b>(49.1)</b>
<b>Carrying amount at end of year</b>	<b>176.8</b>	<b>1.4</b>	–	<b>1.3</b>	<b>179.4</b>

## 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. DTF discloses the State's defined benefit liabilities in its disclosure for administered items.

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

The bases for contributions are determined by the various schemes.

The name, details and amounts expensed in relation to the major employee superannuation funds and contributions made by the Department are as follows:

Funds	Contribution for the year	Contribution for the year	Contributions outstanding at year end	Contributions outstanding at year end
	2012 \$m	2011 \$m	2012 \$m	2011 \$m
State Superannuation Schemes (defined benefit scheme)	129.8	128.3	–	10.8
VicSuper (accumulation scheme)	222.8	218.9	–	–
State Employees Retirement Benefits Scheme (defined benefit scheme)	1.3	0.9	–	–
Other private schemes	23.3	22.8	–	–
<b>Total</b>	<b>377.2</b>	370.8	–	10.8

## Note 16 Movements in physical asset revaluation surplus

	2012 \$m	2011 \$m
<b>Physical asset revaluation surplus</b>		
<b>Balance at beginning of financial year</b>	<b>4,391.9</b>	4,707.1
Revaluation increment/(decrement) of land during the year	–	–
Revaluation increment/(decrement) of buildings during the year	–	–
Impairment adjustment to building values	<b>(615.3)</b>	(315.1)
<b>Balance at end of financial year</b>	<b>3,776.6</b>	4,391.9

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

## 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, interest rate risk, foreign currency risk and equity price risk. The Department manages these financial risks in accordance with its financial risk management policy.

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

The carrying amounts of the Department's contractual financial assets and liabilities by category are disclosed in table 17.1 below:

Table 17.1: Categorisation of financial instruments

	Note	2012 \$m	2011 \$m
<b>Contractual financial assets – loans and receivables</b>			
Cash and deposits – Department	7	122.8	129.8
Cash and deposits – Schools	7	473.3	547.6
Receivables	8	98.7	132.7
Term deposits		188.9	152.7
<b>Total contractual financial assets</b>		<b>883.7</b>	962.9
<b>Contractual financial liabilities at amortised cost</b>			
Payables	12	520.2	744.6
Lease liabilities	13	199.2	202.1
<b>Total contractual financial liabilities</b>		<b>719.4</b>	946.7

## **(b) Credit risk**

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

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

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

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

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

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

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

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

## Note 17 Financial instruments

(continued)

Table 17.2: Ageing analysis of contractual financial assets (i)

	Carrying amount	Not past due and not impaired	Past due but not impaired			Impaired financial assets
			Less than 1 month	1–3 months	3 months – 1 year	
	\$m	\$m	\$m	\$m	\$m	\$m
<b>2012</b>						
Receivables (i)	98.7	63.1	28.1	1.8	5.6	–
Term deposits	188.9	188.9	–	–	–	–
	<b>287.6</b>	<b>252.0</b>	<b>28.1</b>	<b>1.8</b>	<b>5.6</b>	<b>–</b>
<b>2011</b>						
Receivables (i)	132.7	119.1	6.7	5.5	1.4	–
Term deposits	152.7	152.7	–	–	–	–
	<b>285.4</b>	<b>271.8</b>	<b>6.7</b>	<b>5.5</b>	<b>1.4</b>	<b>–</b>

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

### (c) Liquidity risk

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

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

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

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

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

Table 17.3: Maturity analysis of contractual financial liabilities

	Carrying amount \$m	Nominal amount \$m	Maturity dates				
			Less than 1 month \$m	1–3 months \$m	3 months – 1 year \$m	1–5 years \$m	> 5 years \$m
<b>2012</b>							
Payables	520.2	520.2	498.8	21.4	–	–	–
Lease liabilities	199.2	199.2	1.2	1.1	5.6	20.5	170.8
	<b>719.4</b>	<b>719.4</b>	<b>500.0</b>	<b>22.5</b>	<b>5.6</b>	<b>20.5</b>	<b>170.8</b>
<b>2011</b>							
Payables	744.6	744.6	690.7	43.9	–	10.0	–
Lease liabilities	202.1	202.1	1.3	3.4	3.2	18.8	175.4
	<b>946.1</b>	<b>946.1</b>	<b>692.0</b>	<b>47.3</b>	<b>3.2</b>	<b>28.8</b>	<b>175.4</b>

#### (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 number of purchases denominated in foreign currencies and a short timeframe between commitment and settlement.

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

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

The Department's sensitivity to foreign currency risk is set out in table 17.5.

## Note 17 Financial instruments

(continued)

### Interest rate risk

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

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

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

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

The carrying amounts of financial assets and financial liabilities that are exposed to interest rates are set out in table 17.4. In addition, the Department's sensitivity to interest rate risk is set out in table 17.5.

Table 17.4: Interest rate exposure of financial instruments

	Weighted average effective interest rate	Carrying amount	Interest rate exposure		
			Fixed interest rate	Variable interest rate	Non-interest bearing
2012	%	\$m	\$m	\$m	\$m
<b>Financial assets</b>					
Cash and deposits – Department	–	122.8	–	–	122.8
Cash and deposits – Schools	4.5	473.3	91.7	381.6	–
Receivables	–	98.7	–	–	98.7
Term deposits	6.2	188.9	187.1	1.8	–
		<b>883.7</b>	<b>278.8</b>	<b>383.4</b>	<b>221.5</b>
<b>Financial liabilities</b>					
Payables	–	520.2	–	–	520.2
Lease liabilities	6.6	199.2	199.2	–	–
		<b>719.4</b>	<b>199.2</b>	<b>–</b>	<b>520.2</b>

Table 17.4: Interest rate exposure of financial instruments (continued)

	Weighted average effective interest rate	Carrying amount	Interest rate exposure		
			Fixed interest rate	Variable interest rate	Non-interest bearing
2011	%	\$m	\$m	\$m	\$m
<b>Financial assets</b>					
Cash and deposits – Department	–	129.8	–	–	129.8
Cash and deposits – Schools	4.6	547.6	129.2	418.4	–
Receivables	–	132.7	–	–	132.7
Term Deposits	6.2	152.7	149.8	2.9	–
		<b>962.9</b>	<b>279.0</b>	<b>421.3</b>	<b>262.5</b>
<b>Financial liabilities</b>					
Payables	–	744.6	–	–	744.6
Lease liabilities	6.8	202.1	202.1	–	–
		<b>946.7</b>	<b>202.1</b>	<b>–</b>	<b>744.6</b>

### Sensitivity disclosure analysis and assumptions

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

- a movement of 100 basis points up and down (2011: 100 down and 100 up) in market interest rates (AUD);
- the Department no longer holds FX forwards, therefore the exchange rate movement of AUD against the USD is not required.

Table 17.5 discloses the impact on the Department's net result and equity for each category of financial instrument held by the Department at year-end as presented to key management personnel, if the above movements were to occur.

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

## Note 17 Financial instruments

(continued)

Table 17.5: Market risk exposure

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

(ii) Sensitivity of cash and deposits: sensitivity impact on net result due to a  $\pm 100$  basis points movement in market interest rate is  $\$473.3 \text{ million} \times \pm 1 \text{ per cent} = \pm \$4.7 \text{ million}$ .

(iii) Sensitivity of term deposits: sensitivity impact on net result due to a  $\pm 100$  basis points movement in market interest rate is  $\$188.9 \text{ million} \times \pm 1 \text{ per cent} = \pm \$1.9 \text{ million}$ .

	Carrying amount	Interest rate risk		Foreign exchange	
		(-100 basis points)	(+100 basis points)	(-10 per cent)	(+10 per cent)
2011		Net result \$m	Net result \$m	Net result \$m	Net result \$m
<b>Financial assets</b>					
Cash and deposits – Department	129.8	–	–	–	–
Cash and deposits – Schools (iv)	547.6	(5.5)	5.5	–	–
Receivables	132.7	–	–	–	–
Term deposits (v)	152.7	(1.5)	1.5	–	–
<b>Financial liabilities</b>					
Payables	744.6	–	–	–	–
Lease liabilities	202.1	–	–	–	–
<b>Total increase/(decrease)</b>		<b>(7.0)</b>	<b>7.0</b>	–	–

(iv) Sensitivity of cash and deposits: sensitivity impact on net result due to a  $\pm 100$  basis points movement in market interest rate is  $\$547.6 \text{ million} \times \pm 1 \text{ per cent} = \pm \$5.5 \text{ million}$ .

(v) Sensitivity of term deposits: sensitivity impact on net result due to a  $\pm 100$  basis points movement in market interest rate is  $\$152.7 \text{ million} \times \pm 1 \text{ per cent} = \pm \$1.5 \text{ million}$ .

### **(e) Fair value**

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

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

The Department considers that the carrying amount of financial instrument assets and liabilities recorded in the Financial Statements to be a fair approximation of their fair values because of the short-term nature of the financial instruments and the expectation that they will be paid in full. The Department does not have any financial assets or financial liabilities that use unobservable inputs to calculate a fair value and would meet the level 3 classification.

## Note 18 Ministers and Accountable Officers (Responsible persons)

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

### Names

The persons who held the positions of Ministers and Accountable Officers in the Department from 1 July 2011 to 30 June 2012 are as follows:

Minister for Education	The Hon. Martin Dixon, MP	1 July 2011 to 30 June 2012
Minister for Children and Early Childhood Development	The Hon. Wendy Lovell, MLC	1 July 2011 to 30 June 2012
Minister for Higher Education and Skills	The Hon. Peter Hall, MLC	1 July 2011 to 30 June 2012
Minister responsible for the Teaching Profession	The Hon. Peter Hall, MLC	1 July 2011 to 30 June 2012
Secretary	Richard Bolt	29 August 2011 to 30 June 2012
Acting Secretary	Jeff Rosewarne	1 July 2011 to 28 August 2011

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

The Hon. Ted Baillieu, MP, Premier acted in the office of the Minister for Children and Early Childhood Development during absences of the Hon. Wendy Lovell, MLC.

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

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

### 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:

	2012	2011
\$360,000 – \$369,999	–	1
\$380,000 – \$389,999	1	–
\$440,000 – \$449,999	1	–
\$460,000 – \$469,999	–	1

Amounts relating to Ministers are reported in the Financial Statements of the Department of Premier and Cabinet.

Remuneration data for Accountable Officers for 2011 and 2012 has been annualised.

### Related Party transactions included in the reconciliation amount:

The Secretary is an ex officio member of the boards of the Victorian Registration and Qualification Authority, Victorian Curriculum and Assessment Authority and Victorian Skills Commission 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.

Grants paid during the year:	2012 \$m	2011 \$m
Victorian Registration and Qualifications Authority	6.5	6.5
Victorian Curriculum and Assessment Authority	43.2	51.1
Victorian Skills Commission	1,665.0	815.7

### Other transactions

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

## Note 19 Remuneration of executives

The numbers of executive officers who earned more than \$100,000 per annum are shown in the table below in their relevant income bands. Ministers and Accountable Officers are not included. The base remuneration of executive officers is shown in the third and fourth columns. Base remuneration is exclusive of bonus payments, long-service leave payments, redundancy payments and retirement benefits.

A number of executive officers retired or resigned in the past year. This has had an impact on total remuneration figures due to the inclusion of annual leave and long service leave payments.

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

## Note 19 Remuneration of executives

(continued)

Income Band	Total remuneration		Base remuneration	
	2012	2011*	2012	2011*
\$0 – \$9,999	–	–	1	–
\$70,000 – \$79,999	1	–	–	–
\$120,000 – \$129,999	–	1	–	1
\$140,000 – \$149,999	3	4	11	11
\$150,000 – \$159,999	4	8	3	3
\$160,000 – \$169,999	5	1	3	4
\$170,000 – \$179,999	3	4	5	6
\$180,000 – \$189,999	5	4	7	8
\$190,000 – \$199,999	6	10	9	17
\$200,000 – \$209,999	7	7	13	4
\$210,000 – \$219,999	9	8	1	1
\$220,000 – \$229,999	4	3	1	–
\$230,000 – \$239,999	–	–	1	2
\$240,000 – \$249,999	2	2	1	–
\$250,000 – \$259,999	2	2	1	–
\$260,000 – \$269,999	2	1	1	2
\$270,000 – \$279,999	–	–	2	–
\$280,000 – \$289,999	3	1	–	–
\$290,000 – \$299,999	1	2	–	2
\$300,000 – \$309,999	–	–	1	–
\$310,000 – \$319,999	1	–	1	–
\$320,000 – \$329,999	2	1	1	–
\$330,000 – \$339,999	–	1	–	–
\$340,000 – \$349,999	1	–	–	–
\$360,000 – \$369,999	–	1	–	–
\$380,000 – \$389,999	1	–	–	–
\$570,000 – \$579,999	1	–	–	–
<b>Total number</b>	<b>63</b>	<b>61</b>	<b>63</b>	<b>61</b>
<b>Total remuneration \$m</b>	<b>13.8</b>	<b>12.4</b>	<b>12.0</b>	<b>11.2</b>

\* Also includes figures for six months relating to the machinery of government transfer, effective from 1 January 2011.  
Note: Remuneration of executive data for 2011 and 2012 has been annualised.

## Note 20 Contingent assets and contingent liabilities

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

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

Quantifiable contingent liabilities	2012 \$m	2011 \$m
Claims for damages	12.0	8.6
<b>Total quantifiable contingent liabilities</b>	<b>12.0</b>	<b>8.6</b>

### Unquantifiable contingent liabilities

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

Indemnities are provided by the Department to:

- (a) The Commonwealth in funding contracts entered with the State throughout the year. Each indemnity is limited to \$10 million for personal injuries and property damage, and \$50 million for damages arising out of internet usage.
- (b) Teachers: The specific indemnity for teachers is to protect them against liability for personal injuries to students provided the teacher was not intoxicated, or engaged in a criminal offence, or engaged in outrageous conduct, and was incurred in the course of the teacher's employment.
- (c) 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.
- (d) School Chaplains: The specific indemnity for school chaplains protects them against liability for personal injuries to students provided the school chaplain was not intoxicated, or engaged in a criminal offence, or engaged in outrageous conduct, and was incurred in the course of the school chaplain's employment.
- (e) 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 and defamation.

The Department holds insurance cover in the unlikely event that any one claim against these indemnities is greater than \$5 million.

No material losses are anticipated in respect of any of the above unquantifiable contingent liabilities.

None of the above contingent liabilities are secured over any assets of the Department.

### Contingent liabilities for employment related legal proceedings

Under the Victorian Public Service (VPS) Agreement and the Nurses (DEECD) Agreement, the Department has an obligation to indemnify VPS employees in relation to the cost of employment-related legal proceedings that may arise from the performance of the duties of the employees.

## Note 21 Commitments for expenditure

The following commitments have not been recognised as liabilities in the Financial Statements:

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

The Department entered into a 27-year Public Private Partnership (PPP) arrangement under Partnerships Victoria in Schools with Axiom Consortium for the financing, design, construction, and maintenance of 13 schools that have now opened. The schools are constructed on sites that have been purchased by the Department.

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 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 operation and maintenance commitment below represents the charges payable under the agreement at the end of the reporting period.

	2012 \$m	2011 \$m
<b>Operation and maintenance commitments are payable as follows:</b>		
Within one year	7.6	7.0
Later than one year but not later than five years	32.3	29.8
Later than five years	195.4	192.4
<b>Total operation and maintenance commitments</b>	<b>235.3</b>	<b>229.2</b>

### (b) Capital Commitments

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

	2012 \$m	2011 \$m
Within one year	197.6	566.9
Later than one year but not later than five years	5.7	25.2
<b>Total capital commitments</b>	<b>203.3</b>	<b>592.1</b>

### (c) Operating leases

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

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

	2012 \$m	2011 \$m
Within one year	41.9	46.6
Later than one year but not later than five years	32.4	33.9
Later than five years	25.0	5.9
<b>Total operating leases</b>	<b>99.2</b>	<b>86.5</b>

### (d) Other expenditure commitments

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

	2012 \$m	2011 \$m
Within one year	37.5	71.9
Later than one year but not later than five years	16.2	74.4
Later than five years	1.0	–
<b>Total other expenditure commitments</b>	<b>54.7</b>	<b>146.4</b>

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

## Note 22 Cash flow information

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

	2012 \$m	2011 \$m
Net result for the reporting period	(175.1)	14.2
<b>Non-cash movements</b>		
Net (gain)/loss on sale of non-financial assets	(11.4)	(5.4)
Depreciation and amortisation	253.2	219.1
<b>Movements in operating assets and liabilities</b>		
Decrease/(increase) in current receivables	96.3	(237.2)
Decrease/(increase) in prepayments	16.8	9.1
Decrease/(increase) in non-current receivables	(34.6)	(4.9)
Increase/(decrease) in current payables	(132.8)	267.5
Increase/(decrease) in other liabilities	(1.9)	4.4
Increase/(decrease) in current employee entitlements	95.9	24.5
Increase/(decrease) in non-current employee entitlements	35.1	6.0
<b>Net cash inflow from operating activities</b>	<b>141.6</b>	<b>297.3</b>

## Note 23 Subsequent events

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

## Note 24 Annotated receipt agreements

The following is a listing of section 29 annotated receipt agreements approved by the Treasurer.

	2012 \$m	2011 \$m
<b>Sales of goods and services</b>		
Alarms	0.2	0.2
Housing rent (input taxed)	1.0	0.9
Partnerships Victoria – Retained Risk	–	3.0
	<b>1.2</b>	<b>4.1</b>
<b>Asset sales</b>		
Sale of land	12.7	16.0
	<b>12.7</b>	<b>16.0</b>
<b>Commonwealth Specific Purpose Payments</b>		
Digital Education Revolution	29.6	17.8
Building the Education Revolution	92.9	842.5
Trade Training Centres	65.2	15.7
National Skills and Workforce Development	338.1	166.0
TAFE fee waivers for childcare qualifications	5.4	2.9
Pre-Apprenticeship Training	–	0.9
Empowering Local Schools	9.3	–
Healthy Kids Healthchecks	0.7	–
Helping our Kids Understand Finances	0.2	–
Improving Teacher Quality	15.4	–
Low SES School Communities	68.8	–
National Solar Schools Program	5.1	–
More support for students with disabilities	14.9	–
Youth Attainment and Transitions	17.0	–
Universal access to early education	59.1	–
Indigenous Early Childhood Development	3.5	–
National Quality Agenda for Early Childhood Education and Care	4.5	–
Training Places for Single and Teen parents	6.3	–
	<b>736.1</b>	<b>1,045.7</b>
<b>Total annotated receipt agreements</b>	<b>750.0</b>	<b>1,065.9</b>

## Note 25 Trust account balances

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

	2012 \$m	2011 \$m
<b>Controlled trusts</b>		
State Treasury Trust	104.7	109.4
Commonwealth Treasury Trust	9.1	12.5
<b>Total controlled trusts</b>	<b>113.8</b>	<b>121.9</b>
<b>Administered trusts</b>		
Prizes and scholarships	4.6	5.9
Commuter club	–	(0.1)
On-passing from the Commonwealth	0.6	0.5
<b>Total administered trusts</b>	<b>5.2</b>	<b>6.3</b>

There were no trust accounts opened and closed by the Department during 2012.

## Note 26 Other matters

### Sustainable Government Initiative

On 15 December 2011, the Premier of Victoria announced a program to reduce the number of public service positions by 3600 over the next two years.

A provision for termination benefits has not been recorded in the 2011–12 Financial Statements as the criteria for recognising expenditure and termination benefits liability has not been met based on the requirements of *AASB 119 Employee Benefits*.

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

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

We further state that, in our opinion, the information set out in the comprehensive operating statement, balance sheet, statement of changes in equity, cash flow statement presents fairly the financial transactions during the year ended 30 June 2012 and financial position of the Department at 30 June 2012.

At the time of signing, we are not aware of any circumstance that would render any particulars included in the Financial Statements to be misleading or inaccurate.

We authorise the attached Financial Statements for issue on 10 August 2012.



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

Melbourne  
10 August 2012



R Bolt  
Secretary  
Department of Education and  
Early Childhood Development

Melbourne  
10 August 2012

**VAGO**

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## INDEPENDENT AUDITOR'S REPORT

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

#### *The Financial Report*

The accompanying financial report for the year ended 30 June 2012 of Department of Education and Early Childhood Development which comprises comprehensive operating statement, balance sheet, statement of changes in equity, cash flow statement, notes comprising a summary of significant accounting policies and other explanatory information, and the Accountable Officer's and Chief Finance and Accounting Officer's declaration has been audited.

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

The Secretary 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 of the financial report that is free from material misstatement, whether due to fraud or error.

#### *Auditor's Responsibility*

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

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

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

*Auditing in the Public Interest*

## Independent Auditor's Report (continued)

### *Independence*

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

### *Opinion*

In my opinion, the financial report presents fairly, in all material respects, the financial position of the Department of Education and Early Childhood Development as at 30 June 2012 and of its financial performance and its cash flows for the year then ended in accordance with applicable Australian Accounting Standards, and the financial reporting requirements of the *Financial Management Act 1994*.

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

This auditor's report relates to the financial report of the Department of Education and Early Childhood Development for the year ended 30 June 2012 included both in the Department of Education and Early Childhood Development's annual report and on the website. The Department Head is responsible for the integrity of the Department of Education and Early Childhood Development's website. I have not been engaged to report on the integrity of the Department of Education and Early Childhood Development's website. The auditor's report refers only to the subject matter described above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of the financial report are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited financial report to confirm the information contained in the website version of the financial report.

MELBOURNE  
16 August 2012



D D R Pearson  
*Auditor-General*

# Appendices

## Appendix 1 Budget portfolio outcomes

The budget portfolio outcomes provide a comparison between the actual Financial Statements of all general government sector entities within the portfolio and the forecast financial information published in the Budget Paper No. 4 (BP4), 2011–12 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 BP4.

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

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

## Comprehensive operating statement for the year ended 30 June 2012

	2012 Actual	2012 Budget	Variation
	\$m	\$m	(%)
<b>Net result from continuing operations</b>			
<b>Income from transactions</b>			
Output appropriations	10,185.9	9,787.9	4.1
Special appropriations	31.0	37.1	(16.4)
Interest income	61.2	46.7	31.0
Sales of goods and services	707.4	745.4	(5.1)
Grants	94.7	–	–
Other income	503.6	532.6	(5.4)
<b>Total income from transactions</b>	<b>11,583.8</b>	<b>11,149.6</b>	<b>3.9</b>
<b>Expenses from transactions</b>			
Employee expenses	(6,009.9)	(5,930.9)	1.3
Depreciation and amortisation	(349.8)	(391.9)	(10.7)
Interest expense	(16.0)	(14.1)	13.5
Grants and other expense transfers	(792.9)	(1,053.6)	(24.7)
Capital asset charge	(1,219.6)	(1,219.6)	–
Other operating expenses	(3,204.1)	(2,380.1)	34.6
<b>Total expenses from transactions</b>	<b>(11,592.3)</b>	<b>(10,990.2)</b>	<b>5.5</b>
<b>Net result from transactions (net operating balance)</b>	<b>(8.5)</b>	<b>159.5</b>	<b>(105.3)</b>
<b>Other economic flows included in net result</b>			
Net gain/(loss) on non-financial assets	7.7	0.3	2,466.7
Net gain/(loss) on financial instruments and statutory receivables/payables	(11.0)	(0.9)	1,122.2
Other gains/(losses) from other economic flows	(91.7)	(1.2)	7,541.7
<b>Total other economic flows included in net result</b>	<b>(95.0)</b>	<b>(1.8)</b>	<b>5,177.8</b>
<b>Net result</b>	<b>(103.5)</b>	<b>157.7</b>	<b>(165.6)</b>
<b>Other economic flows – other non-owner changes in equity</b>			
Asset revaluation reserve	(613.4)	(9.2)	6,567.4
Adjustment to accumulated surplus/(deficit) due to a change in accounting policy	11.3	–	–
Other	(12.9)	–	–
<b>Total other economic flows – other non-owner changes in equity</b>	<b>(615.0)</b>	<b>(9.2)</b>	<b>6,584.8</b>
<b>Comprehensive result</b>	<b>(718.5)</b>	<b>148.5</b>	<b>(583.8)</b>

## Balance sheet as at 30 June 2012

	2012 Actual	2012 Budget	Variation
	\$m	\$m	(%)
<b>Assets</b>			
<b>Financial assets</b>			
Cash and deposits	777.2	1,025.2	(24.2)
Receivables	847.4	1,285.6	(34.1)
Other financial assets	333.9	220.4	51.5
<b>Total financial assets</b>	<b>1,958.5</b>	<b>2,531.2</b>	<b>(22.6)</b>
<b>Non-financial assets</b>			
Non-financial assets classified as held for sale, including disposal group assets	101.3	41.2	145.9
Property, plant and equipment	16,449.0	17,665.1	(6.9)
Intangible assets	76.5	17.1	347.4
Inventories	4.7	6.2	(24.2)
Biological assets	4.4	0.4	1,000.0
Investment properties	17.1	1.4	1,121.4
Other	25.1	67.6	(62.9)
<b>Total non-financial assets</b>	<b>16,678.1</b>	<b>17,799.0</b>	<b>(6.3)</b>
<b>Total assets</b>	<b>18,636.6</b>	<b>20,330.1</b>	<b>(8.3)</b>
<b>Liabilities</b>			
Payables	610.5	833.7	(26.8)
Borrowings	229.9	200.8	14.5
Provisions	1,462.5	1,348.0	8.5
<b>Total liabilities</b>	<b>2,302.8</b>	<b>2,382.6</b>	<b>(3.3)</b>
<b>Net assets</b>	<b>16,333.8</b>	<b>17,947.5</b>	<b>(9.0)</b>
<b>Equity</b>			
Accumulated surplus/(deficit)	2,469.1	2,684.1	(8.0)
Reserves	5,005.7	5,888.5	(15.0)
Contributed capital	8,859.0	9,375.0	(5.5)
<b>Total equity</b>	<b>16,333.8</b>	<b>17,947.5</b>	<b>(9.0)</b>

## Statement of cash flows for the year ended 30 June 2012

	2012 Actual	2012 Budget	Variation
	\$m	\$m	(%)
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Receipts from Government	11,440.4	9,823.2	16.5
Receipts from other entities	661.9	752.7	(12.1)
Interest received	61.8	46.7	32.3
Goods and Services Tax recovered from the ATO	12.4	–	–
Dividends received	3.4	–	–
Other receipts	440.6	542.8	(18.8)
<b>Total receipts</b>	<b>12,620.5</b>	<b>11,165.4</b>	<b>13.0</b>
<b>Payments</b>			
Payments of grants and other transfers	(774.3)	(1,051.5)	(26.4)
Payments to suppliers and employees	(9,996.1)	(8,275.0)	20.8
Capital asset charge	(1,321.2)	(1,219.6)	8.3
Interest and other costs of finance paid	(17.4)	(14.1)	23.1
Goods and Services Tax paid to the ATO	1.8	–	–
<b>Total payments</b>	<b>(12,107.1)</b>	<b>(10,560.2)</b>	<b>14.6</b>
<b>Net cash flows from/(used in) operating activities</b>	<b>513.4</b>	<b>605.2</b>	<b>(15.2)</b>
<b>Cash flows from investing activities</b>			
Net investments	(28.9)	(66.9)	(56.7)
Payments for non-financial assets	(1,101.7)	(963.2)	14.4
Proceeds from sale of non-financial assets	11.3	6.3	79.4
Net loans to other parties	7.6	4.0	90.0
<b>Net cash flows from/(used in) investing activities</b>	<b>(1,111.7)</b>	<b>(1,019.8)</b>	<b>9.0</b>
<b>Cash flows from financing activities</b>			
Owner contributions by State Government	383.2	403.5	(5.0)
Net borrowings	(17.4)	(3.6)	382.8
Repayment of finance leases	(2.5)	(2.5)	1.2
<b>Net cash flows from/(used in) financing activities</b>	<b>363.3</b>	<b>397.3</b>	<b>(8.6)</b>
<b>Net increase/(decrease) in cash and cash deposits</b>	<b>(235.1)</b>	<b>(17.3)</b>	<b>1,258.8</b>
Cash and cash deposits at the beginning of the financial year	1,012.3	1,042.5	(2.9)
<b>Cash and cash deposits at the end of the financial year</b>	<b>777.2</b>	<b>1,025.2</b>	<b>(24.2)</b>

## Statement of changes in equity for the year ending 30 June 2012

	Accumulated surplus/(deficit)	Contributions by owner	Other reserves	Asset revaluation reserve	Total equity
	\$m	\$m	\$m	\$m	\$m
<b>Opening balance at 1 July 2011 (Actual)</b>	<b>2,567.3</b>	<b>8,791.6</b>	<b>35.0</b>	<b>5,593.2</b>	<b>16,987.1</b>
Comprehensive result	(103.5)	–	(9.1)	(613.4)	(726.0)
Transactions with owners in their capacity as owners	–	67.4	–	–	67.4
Other	5.3	–	–	–	5.3
<b>Closing balance 30 June 2012</b>	<b>2,469.1</b>	<b>8,859.0</b>	<b>25.9</b>	<b>4,979.8</b>	<b>16,333.8</b>
<b>Opening balance 1 July 2011 (Published Budget)</b>	<b>2,526.4</b>	<b>8,971.5</b>	<b>143.2</b>	<b>5,754.5</b>	<b>17,395.6</b>
Comprehensive result	157.7	–	–	(9.2)	148.5
Transactions with owners in their capacity as owners	–	403.5	–	–	403.5
<b>Closing balance 30 June 2012 (Published Budget)</b>	<b>2,684.1</b>	<b>9,375.0</b>	<b>143.2</b>	<b>5,745.3</b>	<b>17,947.5</b>
Variation (%)	(8.7)	(5.8)	–	(15.4)	6.5

## Administered items statement for the year ended 30 June 2012

	2012 Actual	2012 Budget	Variation
	\$m	\$m	(%)
<b>Administered income</b>			
Sale of goods and services	2.1	2.5	(14.8)
Grants	2,174.4	2,154.9	0.9
Interest	0.2	0.1	113.2
Other income	2.9	1.5	93.3
<b>Total administered income</b>	<b>2,179.6</b>	<b>2,159.0</b>	<b>1.0</b>
<b>Administered expenses</b>			
Grants and other transfers	2,177.5	2,155.0	1.0
Payments into the consolidated fund	(80.4)	34.5	(333.0)
Other operating expenses	0.9	–	–
<b>Total administered expenses</b>	<b>2,098.0</b>	<b>2,189.6</b>	<b>(4.2)</b>
<b>Income less expenses</b>	<b>81.6</b>	<b>(30.6)</b>	<b>(366.8)</b>
<b>Other economic flows included in net result</b>			
Net gain/(loss) on non-financial assets	(81.8)	30.6	167.3
<b>Total other economic flows included in net result</b>	<b>(81.8)</b>	<b>30.6</b>	<b>167.3</b>
<b>Net result</b>	<b>(0.2)</b>	<b>0.1</b>	<b>(407.2)</b>
<b>Administered assets</b>			
Cash and deposits	–	0.7	(100.0)
Receivables	4.1	1.7	138.2
Other financial assets	5.1	1.6	216.5
<b>Total administered assets</b>	<b>9.1</b>	<b>3.9</b>	<b>133.7</b>
<b>Administered liabilities</b>			
Payables	1.2	–	–
<b>Total administered liabilities</b>	<b>1.2</b>	<b>–</b>	<b>–</b>
<b>Net assets</b>	<b>7.9</b>	<b>3.9</b>	<b>102.9</b>
<b>Equity</b>			
Accumulated surplus/(deficit)	7.9	3.9	102.9
<b>Total equity</b>	<b>7.9</b>	<b>3.9</b>	<b>102.9</b>

## Appendix 2 Portfolio statistics

The following portfolio data on school education includes:

- the number of enrolments in government schools by year level, as at February 2011 and February 2012
- the number of enrolments in all school sectors, 2009–12.

### School education

FTE government school enrolments by year level, February 2011 and February 2012		
Year level	2011	2012
Preparatory	46,956.0	<b>49,671.4</b>
Year 1	44,630.7	<b>46,702.5</b>
Year 2	44,396.4	<b>44,767.7</b>
Year 3	43,538.5	<b>44,529.7</b>
Year 4	43,108.0	<b>43,677.7</b>
Year 5	43,009.0	<b>42,580.4</b>
Year 6	43,450.6	<b>43,100.4</b>
Ungraded	3.4	<b>0.0</b>
<b>Primary total</b>	<b>309,092.6</b>	<b>315,029.8</b>
Year 7	36,226.9	<b>36,307.8</b>
Year 8	37,277.6	<b>36,523.4</b>
Year 9	38,632.6	<b>38,224.2</b>
Year 10	38,554.3	<b>38,555.1</b>
Year 11	38,396.3	<b>37,737.4</b>
Year 12	32,395.7	<b>32,169.7</b>
Ungraded	245.0	<b>237.0</b>
<b>Secondary total</b>	<b>221,728.4</b>	<b>219,754.6</b>
Special	9,989.0	<b>10,342.3</b>
Language	1,182.0	<b>1,309.0</b>
<b>Total</b>	<b>541,992.0</b>	<b>546,435.7</b>

**FTE enrolments by student type and sector, February 2009–12**

Student type	Government				Catholic				Independent				All schools			
	2009	2010	2011	2012	2009	2010	2011	2012	2009	2010	2011	2012	2009	2010	2011	2012
Primary	306,304.3	306,684.8	309,092.6	<b>315,029.8</b>	100,256.7	101,554.3	103,544.9	<b>105,876.3</b>	45,786.2	47,045.9	48,525.1	<b>50,135.6</b>	452,347.2	455,285.0	461,162.6	<b>471,041.7</b>
Secondary	223,422.6	223,414.4	221,728.4	<b>219,754.6</b>	87,964.3	89,192.5	90,259.1	<b>91,616.0</b>	73,628.8	73,808.0	74,109.8	<b>74,713.0</b>	385,015.7	386,414.9	386,097.3	<b>386,083.6</b>
Special	9,012.3	9,562.1	9,989.0	<b>10,342.3</b>	185.0	210.2	304.6	<b>372.8</b>	428.8	396.4	485.7	<b>548.3</b>	9,626.1	10,168.7	10,779.3	<b>11,263.4</b>
Language	1,314.0	1,253.0	1,182.0	<b>1,309.0</b>	0.0	0.0	0.0	<b>0.0</b>	0.0	0.0	0.0	<b>0.0</b>	1,314.0	1,253.0	1,182.0	<b>1,309.0</b>
<b>Total</b>	<b>540,053.2</b>	<b>540,914.3</b>	<b>541,992.0</b>	<b>546,435.7</b>	<b>188,406.0</b>	<b>190,957.0</b>	<b>194,108.6</b>	<b>197,865.1</b>	<b>119,843.8</b>	<b>121,250.3</b>	<b>123,120.6</b>	<b>125,396.9</b>	<b>848,303.0</b>	<b>853,121.6</b>	<b>859,221.2</b>	<b>869,697.7</b>
% of all students	63.7	63.4	63.1	<b>62.8</b>	22.2	22.4	22.6	<b>22.8</b>	14.1	14.2	14.3	<b>14.4</b>	100.0	100.0	100.0	<b>100.0</b>

Percentages may not add up to 100 due to rounding.

**Number of schools by school type and sector, February 2009–12**

School type	Government				Catholic				Independent				All schools			
	2009	2010	2011	2012	2009	2010	2011	2012	2009	2010	2011	2012	2009	2010	2011	2012
Primary	1,183	1,159	1,142	<b>1,137</b>	379	381	381	<b>381</b>	46	43	42	<b>43</b>	1,608	1,583	1,565	<b>1,561</b>
Primary–Secondary	61	65	71	<b>75</b>	13	13	13	<b>13</b>	141	146	145	<b>145</b>	215	224	229	<b>233</b>
Secondary	250	250	246	<b>245</b>	86	86	85	<b>85</b>	22	18	15	<b>15</b>	358	354	346	<b>345</b>
Special	76	77	76	<b>76</b>	8	9	8	<b>7</b>	13	11	13	<b>12</b>	97	97	97	<b>95</b>
Language	4	4	4	<b>4</b>	0	0	0	<b>0</b>	0	0	0	<b>0</b>	4	4	4	<b>4</b>
<b>Total</b>	<b>1,574</b>	<b>1,555</b>	<b>1,539</b>	<b>1,537</b>	<b>486</b>	<b>489</b>	<b>487</b>	<b>486</b>	<b>222</b>	<b>218</b>	<b>215</b>	<b>215</b>	<b>2,282</b>	<b>2,262</b>	<b>2,241</b>	<b>2,238</b>
% of all schools	69.0	68.7	68.7	<b>68.7</b>	21.3	21.6	21.7	<b>21.7</b>	9.7	9.6	9.6	<b>9.6</b>	100.0	100.0	100.0	<b>100.0</b>

Percentages may not add up to 100 due to rounding.

## Appendix 3 Non-government schools

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

The Department contributes to the achievement of the Government's goals and targets for education by providing funding\* and other support to non-government schools in Victoria. As of February 2012, a total of 701 registered non-government schools – 486 Catholic and 215 independent – were educating over 323,000 students statewide, or approximately 37.2 per cent of all Victorian school students. Of these students, 61.2 per cent attended Catholic schools and 38.8 per cent attended independent schools.

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

In 2011–12, the Department provided \$571.9 million in financial assistance to non-government schools in untied recurrent funding allocated through the Financial Assistance Model (this includes the Fair Funding commitment). A further \$9 million was provided to the Catholic Education Commission of Victoria (CECV) and Independent Schools Victoria (ISV) in specific-purpose grants for targeted programs, including support for students with special needs, suicide prevention initiatives and interest subsidies.

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

The Department liaises with the CECV and ISV on funding and collaborates on a range of program initiatives to improve learning outcomes across all sectors.

\*Note that funding for non-government schools referred to above excludes Departmental overheads.

### Key activity

- The National Partnership on Youth Attainment and Transitions continued to provide support for young people through initiatives accessible to all school sectors. During the 2011–12 year, a comprehensive Careers Curriculum Framework and associated resources suitable for the full secondary cohort was launched, and recipients of study grants to improve career qualifications included staff from both the Catholic and independent sectors. Workplace Learning Coordinators sourced an increasing number of workplace learning opportunities for students in Catholic and independent schools, and approximately 25 per cent of the Board positions in the school's category on Local Learning and Employment Networks were filled by non-government representatives.
- Continued to support an integrated approach to the three Smarter Schools National Partnerships (National Partnership on Literacy and Numeracy, National Partnership on Improving Teacher Quality and National Partnership on Low SES School

Communities) with a focus on ensuring access to services and opportunities for all Victorian students. A highlight of 2012 was the invitational Forum for Victorian schools participating in the Smarter Schools National Partnerships, which was attended by a cross-sectoral audience. Participants were able to select from 17 case study presentations from practitioners across the government and non-government school sectors experiencing success in raising student literacy and numeracy outcomes.

- Continued to work closely with the non-government school sector in accessing funding through the Commonwealth Trade Training Centres in Schools program. In Round 4 of the program announced in December 2011, two of the four Victorian Government school-led projects that received funding involved clusters of government and non-government schools. Other projects that were approved for funding intend to be collaborative and provide access to all young people in their local area regardless of sector. In the first four rounds, 50 projects involving 232 schools have been approved for funding of \$277.6 million under the program.
- Collaborated with the non-government school sector to improve languages education, including alignment of the collection of data on the provision of languages education across all sectors, inclusion of non-government school languages teachers in post-graduate Content and Language Integrated Learning (CLIL) courses delivered for the Department by the University of Melbourne, and inclusion of non-government schools in a CLIL trial in schools. The Catholic and independent sectors are represented on the Ministerial Advisory Council for a Multilingual and Multicultural Victoria.
- School Sport Victoria (SSV) continued to collaborate with the non-government sector across all aspects of school sport. More than 500 primary and approximately 130 secondary non-government schools are affiliated with SSV, participating regularly in inter-school and interstate school sport programs. Non-government teachers are also significantly involved in school sport as coaches and officials with interstate teams and as members of the SSV sport subcommittees and day-to-day involvement with inter-school sport.
- In 2012, eight Catholic and two independent schools were successful in receiving a grant under the Local Solutions Year 12 Retention Fund, an initiative funded via the Regional Growth Fund and designed to improve school retention rates in regional and rural Victoria. The two-year grants will support schools to design and deliver localised programs and initiatives that improve school retention rates and expand on the range of pathway options for senior students. Case studies of successful and innovative programs will be developed to share key learnings and promote the work of the schools in improving school retention rates.
- Continued collaboration with the non-government school sector for specific initiatives focused on developing partnerships between schools and their wider communities through teacher professional learning associations, and the arts, science and cultural community and business organisations. In particular, initiatives target traffic safety education, animal ethics and school support for refugees and the implementation of the ResourceSmart AuSSI Vic framework, which supports all schools and their communities to learn to live and work more sustainably.
- Continued collaboration with the non-government school sector across a range of curriculum initiatives, including the National Asian Languages in Schools program and Australian Curriculum implementation.

## Appendix 4 Human resources

Effective human resources, policies and services are essential if a high-quality and diverse workforce is to contribute to the delivery of the Department's outputs in an efficient and responsive manner. The Department applies the standards issued by the Public Sector Standards Commissioner, which set out the essential requirements for managers and principals to apply the public sector values and employment principles under the *Public Administration Act 2004*. The standards stipulate that:

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

The Department's human resources policies go beyond the minimum requirements set by these standards and reflect best practice, consistent with the Commissioner's non-binding guidelines.

The Department is committed to developing and supporting its workforce by:

- building leadership capacity
- building the future workforce through enhancing workforce capacity
- actively shaping supply and managing employee relations
- creating and supporting a culture of health, safety and wellbeing
- creating and supporting a performance and development culture
- implementing robust human resource management systems.

The Department complies with human rights, equal opportunity and anti-discrimination legislation. This incorporates policy updates and preventative measures, such as the provision of a statewide network of workplace contact officers to address employee queries or concerns regarding discrimination, harassment, sexual harassment, bullying or victimisation in the workplace.

### VPS staff development

During 2011–12, there were significant shifts to the structure, roles and resourcing of corporate capability and leadership development initiatives within the Human Resources Division. The Organisation Development Branch, the Leadership and Development Unit, and the Project Management Unit combined resources to deliver a wider range of corporate programs in coaching and mentoring, leadership development, skill development, managing change and building resilience to over 1500 staff.

Human Resource Division managers shifted resources into research, monitoring and evaluation of existing and new initiatives to identify capability development needs and to demonstrate and establish the extent to which investments in professional development meet those needs and lead to professional learning and organisational impact.

## Key research and evaluation

- The Capability Based Measurement and Assessment program enhanced the Department's ability to analyse and address gaps in organisational capability and manage talent through the gradual introduction of job families and standard capability-based position descriptions.
- The Leadership 360 Feedback program for all executives and VPS6 staff in central and regional offices provided important data on the development needs of these staff. This was followed up in 2012 with a 180-feedback process for executives.
- A 2011 Graduate Learning Team evaluated the Julia Flynn Leadership program for high-potential women. The results of the evaluation of the program from its inception provided input into a review of gender diversity at the Department in 2012.

In April 2012, the development of a new human resources strategy was initiated to guide the Department's investment in capability development in the medium to longer term. A People and Culture Standing Committee will oversee the implementation of the strategy and its four draft objectives:

- build great leaders and managers at every level across the organisation
- provide our people with integrated talent management services and systems
- improve the way work is organised to get the best out of people and teams
- plan, measure and share what matters to lift learning and performance.

## Diversity

The Department's policy commitment to diversity and equity is mandated through human rights and equal opportunity law, the *Public Administration Act 2004* and whole-of-Victorian Government diversity strategies. Diversity is aimed at ensuring an inclusive public service culture and workforce representative of the community.

During the year, change initiatives to support workforce diversity were supported by instruments such as diversity celebration days and online learning programs for all employees, which seek to raise awareness, prohibit discrimination, harassment, sexual harassment, racial and religious vilification and, importantly, provide equal employment opportunity for all.

## Disability action

It is a requirement under the *Disability Act 2006* that all public sector bodies prepare a Disability Action Plan. The Department continued to implement actions committed to in their 2009–12 plan and, in partnership with the Department's Disability Action Plan Committee, which includes staff with a disability, reviewed and refreshed all initiatives in alignment with new government policy and commitment to people with a disability.

## Key activity

- Business areas across the Department continued to review their documents to meet accessibility requirements and many print publications for external audiences are now available in alternative formats such as large print or audio. This year the all-staff briefings had a particular emphasis on ensuring that all staff were able to participate.

- Access for people with a disability to the Department's facilities and programs has improved through funding initiatives such as the Accessible Buildings program.
- The Diversity Unit worked closely with the whole-of-Victorian Government Disability Employment Advisory Service to generate opportunities for people with disabilities to gain employment in both schools and corporate areas of the Department. Employees were also assisted with adjustments to their workplace, to ensure their ongoing participation in the Department's workforce.
- Training in disability awareness was provided for hiring managers and awareness was also raised through the Department's celebration of International Day for People with Disabilities in December 2011.

## Aboriginal Inclusion

In December 2011, the Department launched Wirnalung Ganai: Our People – Aboriginal Inclusion Action Plan 2012–14. The plan is part of the Government's commitment to Victoria's Aboriginal community and was prepared through extensive consultation with the Department's Aboriginal and non-Aboriginal staff.

Key areas of focus identified as fundamental to enhancing Aboriginal inclusion in the Department are:

- leadership and governance
- policy development
- workplace organisation development and change
- communications
- programs and services.

Each year the Department engages employees and stakeholders to celebrate the achievement of Aboriginal people by observing National Aborigines and Islanders Day Observance Committee (NAIDOC) Week and National Reconciliation Week.

## Gender equity

The Executive Board has designated the Deputy Secretary, Higher Education and Skills Group as Gender Diversity Champion to lead organisational strategy to enhance gender inclusiveness in the Department. Under the direction of the Gender Diversity Champion, the Gender Equity Reference Group was convened in December 2011. The role of the reference group was to progress gender diversity and women's leadership, through monitoring data, identifying opportunities for improvement and developing strategic solutions.

The Gender Equity Reference Group identified the following critical areas for priority change initiatives:

- leadership and career development opportunities and pathways for women
- access to and support for flexible work options, including quality part-time work
- recruitment bias and unconscious bias (for example, stereotyping or preconceptions) in the workplace.

The Executive Board approved a diversity diagnostic, which was conducted in the Department in 2012. This diagnostic provided a better understanding of the Department's diversity challenges and opportunities. New processes were formulated for driving change and development of a robust diversity strategy. These included:

- leveraging employee understanding of the benefits of diversity
- strengthening leadership commitment and accountability
- providing education and support to managers and leaders on diversity, including implementation of flexible work arrangements
- providing targeted career development and succession planning.

The Gender Equity Reference Group has commenced the development of the Department's Gender Equity strategy to address these critical areas.

## **Employee relations**

The employee relations function develops human resources policy for Department staff in schools, regions and central office and provides strategic advice to managers in the Department on the implementation of effective human resource practices.

The Victorian Government Schools Agreement 2008 for teaching service staff (principals, assistant principals, leading teachers and classroom teachers) nominally expired on 31 December 2011, but the terms and conditions continue until such time as there is a new agreement. Negotiations with the Australian Education Union, the Australian Principals Federation and individual bargaining representatives for a new agreement commenced in August 2011 and are still in progress.

The Victorian Government Schools – School Services Officers Agreement 2004 (as varied in 2008) between the Department and the Community and Public Sector Union (CPSU), the United Voice and the Australian Education Union expired on 1 December 2011, but the terms and conditions continue until such time as there is a new agreement. Negotiations with the unions and individual bargaining representatives commenced in February 2012 and are still in progress.

The Nurses (Department of Education and Early Childhood Development) Agreement 2009 came into operation on 8 December 2009 following agreement between the Department, the Australian Nursing Federation (ANF) and the CPSU, and expired on 30 June 2011. The terms and conditions of the agreement continue until such time as there is a new agreement. This is a nexus agreement aligned with the Victorian Public Service Agreement 2006 (VPS Agreement) (as varied on 30 June 2009). Negotiations with the ANF commenced in October 2011 and are still in progress.

The Victorian Early Childhood Teachers' and Assistants' Agreement 2009 and the Local Government Early Childhood Education Employees' Agreement 2009 continue to apply to early childhood teachers and assistants in the community sector. These agreements are due to expire in January and April 2013 respectively. Negotiations between Kindergarten Parents Victoria, the Municipal Association of Victoria, the Australian Education Union and United Voice for new agreements are expected to commence in the later part of 2012. The Department will support the parties in the negotiation process.

The VPS Agreement 2006 (2009 Extended and Varied) nominally expired on 30 June 2011. The Government and the CPSU reached agreement on a draft determination that Fair Work Australia (FWA) approved on 23 July 2012.

The Department had reached agreement with the CPSU on Appendix 5 of the former VPS Agreement, which covers Department-specific arrangements for Emergency and Security Management, the Victorian Curriculum and Assessment Authority and Senior Medical Advisors. The agreement reached between the Department and the CPSU in February 2012 is included in the new VPS determination (as Appendix 2) approved by FWA.

## School workforce planning

The Department continued work to enhance the capacity and capability of its current and future teaching workforce. In 2011–12, a range of initiatives, including Teacher Quality National Partnerships, continued to focus on the quality, attraction and retention of the teaching workforce, particularly in hard-to-staff subject areas and locations.

- Science graduate scholarships contribute to fulfilling the Victorian Government's commitment to boost the engagement and learning outcomes of Victorian students in Science. A total of 400 scholarships for graduate entry teaching study are being awarded over four years, beginning in 2012. A total of 101 scholarships were awarded in the first round.
- The Career Change program enables non-teaching professionals to undertake a teacher education course while employed as supervised trainee teachers. In 2011, 29 participants successfully completed the course. There are currently 50 participants in the program from intakes in 2011 and 2012. The program combines supervised classroom teaching experience with two years of part-time study for a teaching qualification. Priority was given to filling vacancies in Mathematics and Science.
- Graduate pathway scholarships provide scholarships and employment incentives for graduates in priority-degree disciplines to undertake a pre-service graduate-entry teaching course. A total of 80 scholarships were offered in 2011 and 2012.
- The Graduate Retention Incentive program provides financial incentives to retain high-quality teacher graduates in hard-to-staff rural government schools. A total of 101 graduate teachers were accepted into the program in 2011 and 2012.
- Indigenous scholarships support Aboriginal people to undertake a teacher education course. These scholarships target VCE students, pre-service student teachers and current government school employees who wish to become teachers. A total of 31 scholarships were offered in 2011 and 2012.
- Special education scholarships enable Department teachers and other qualified teachers not currently working in the profession to undertake endorsed special education qualifications. A total of 80 scholarships were offered in 2011, including a number in the priority specialist area of deaf education. An additional 76 scholarships were offered for study in 2012.
- School Centres for Teaching Excellence provide partnerships between schools and universities to enhance teacher education. Seven centres were established in 2011 and 2012, piloting a range of approaches to increase student teacher immersion in teaching practice and the school community.

- Special education scholarships enable Department teachers to undertake endorsed special education qualifications. Priority was given to teachers seeking to undertake studies in the priority areas of autism and deaf education. A total of 89 scholarships were offered.
- Teach for Australia prepares outstanding graduates from all degree disciplines for teaching in disadvantaged schools. In 2010, the first cohort of the 45 Teach For Australia associates started in the program; in the second year 43 of the associates were placed in 13 government schools. During 2011, the Teach For Australia program entered its second year of implementation with a total of 77 participants. The second cohort of 34 associates was placed in school-identified vacancies in 17 government secondary schools. A third cohort is being recruited to the program in 16 Victorian government schools in 2012.
- LOTE pathway scholarships provide scholarships for language graduates to complete a teacher education course. A total of 11 scholarships were awarded in 2011, with four completed, two withdrawn, one terminated and four still undertaking study.
- The Student Teacher Practicum Scheme provides student teachers with financial incentives to undertake their practicum in targeted schools, predominantly in rural areas. A total of 165 student teachers benefited from the program in 2011–12.
- The Teacher Graduate Recruitment program provides employment opportunities in government schools for recent teacher graduates. Over the last ten years this program has supported more than 12,912 graduate teachers to be placed in employment.
- The Teaching Scholarship Scheme provides financial incentives and employment opportunities in schools with difficult-to-fill vacancies to final-year student teachers. Over the last ten years this program has supported more than 1784 student teachers, including 100 in 2012.

The promotion of teaching as a career option continued in 2011–12, with the Department being involved in a range of career expos and events promoting the teaching profession and other careers in the education sector.

Links continued to be strengthened between the Department and universities, particularly education faculties delivering pre-service teacher education courses. These links occurred through regular forums, such as the Teacher Supply and Demand Reference Group and the Victorian Council of Deans of Education meetings, and informal dialogue on a range of teacher supply issues.

In addition to these ongoing links, the Department hosted a national forum in May 2012 to explore innovations and improvements in initial teacher education and to consider how effective practices could be adopted systematically.

International and national practitioners and policy experts shared their knowledge and experiences. A particular focus was the experiences from the School Centres for Teaching Excellence interventions. The presenters provided a unique insight to respective policies aimed at attracting and retaining high-quality teachers. In particular, these insights focused on system-level challenges and innovations and possible future directions.

These links provided a conduit for the Department to provide advice to universities about current and future areas of teacher shortage and to discuss and collaborate on teacher quality improvements.

## Conduct and ethics

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

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

In 2011–12, the Department conducted 1485 criminal record checks in collaboration with the Commonwealth CrimTrac Agency via the Department's online criminal record check system. Of these checks, approximately 16 per cent were for people wishing to perform volunteer work in schools.

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

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

However, the Department has continued to conduct criminal record checks of non-teaching, school-based employees and volunteers when a Criminal Record Check conducted through the Department has been required in addition to a WWC Check. Such circumstances may include the need to consider offences that are relevant to the duties the employee or volunteer is performing, for example dishonesty offences, which are not considered in a WWC Check.

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

## Employee health, safety and wellbeing

The Department is committed to providing safe and healthy workplaces for all employees, students, visitors and contractors, and aims to continuously improve occupational health and safety (OHS) and WorkSafe performance and practices. In 2011–12, the Department continued to focus on improving OHS and WorkSafe systems, and on the provision of advice and support to schools and Department workplaces. This approach to OHS and WorkSafe aims to ensure that the Department meets legislative compliance requirements and builds capacity to manage OHS and WorkSafe at a local level.

The table on page 131 reports measurements against WorkSafe's 15 lag-and-lead key performance indicators.

The main OHS and WorkSafe achievements in the Department during 2011–12 were as follows:

- completed the implementation of the Occupational Health and Safety Management System (OHSMS) in all schools by 30 June 2012
- completed all 258 scheduled AS4801 OHS Audits in schools
- sourced 27 return-to-work host placements for injured employees who were not medically fit to return to their pre-injury work location

- commenced a project to review existing resources and processes to assist principals in developing and maintaining a positive school climate in October 2011, which is due for completion in October 2012
- involved 905 principals, business managers and corporate staff in WorkSafe management in interactive online WorkSafe and injury management training programs.

### Occupational health and safety measures

Measure	Key performance indicators	2011–12	2010–11	2009–10
Incidents	Number of incidents reported	<b>8133</b>	7060	4777
	Rate per 100 FTE	<b>14.28</b>	12.55	8.53
Claims	Number of standard claims	<b>836</b>	903	903
	Rate per 100 FTE	<b>1.468</b>	1.605	1.613
	Number of time-lost claims	<b>329</b>	370	366
	Rate per 100 FTE	<b>0.578</b>	0.658	0.654
	Number of claims exceeding 13 weeks	<b>164</b>	192	171
	Rate per 100 FTE	<b>0.288</b>	0.341	0.306
Fatalities	Fatality claims	<b>1</b>	0	0
Claims costs	Average cost per standard claim	<b>\$53,657.00</b>	\$49,003.00	\$45,631.00
Return to work (RTW)	Percentage of claims with RTW plan <30 days	<b>33.5%</b>	32.0%	27%
Management commitment	Evidence of OHS policy statement, OHS objectives, regular reporting to senior management of OHS, and OHS plans (signed by CEO or equivalent)	<b>Completed</b>	Completed	Completed
	Evidence of OHS criteria(s) in purchasing guidelines (including goods, services and personnel)	<b>Completed</b>	Completed	Completed
Consultation and communication	Evidence of designated work groups (DWGs), health and safety representatives (HSRs), and issue resolution procedures	<b>Completed</b>	Completed	Completed
	Compliance with agreed structure on DWGs, HSRs, and IRPs	<b>Completed</b>	Completed	Completed
Risk management	Percentage of internal audits/inspections conducted as planned.	<b>100%</b>	100%	80%
	Percentage of issues identified actioned arising from: <ul style="list-style-type: none"> <li>• internal audits</li> <li>• HSR provisional improvement notices (PINs)</li> <li>• WorkSafe notices.</li> </ul>	<b>100%</b>	100%	100%
Training	Percentage of managers and staff that have received OHS training: <ul style="list-style-type: none"> <li>• induction</li> <li>• management training</li> <li>• contractors, temps and visitors.</li> </ul>	<b>11%</b>	12%	
	Percentage of HSRs trained: <ul style="list-style-type: none"> <li>• acceptance of role</li> <li>• re-training (refresher)</li> <li>• reporting of incidents and injuries.</li> </ul>	<b>100%</b>	100%	100%

1 Standardised claims are those that have exceeded the employer excess (days or dollars) or are registered as a standard claim and are open with no payments at the time of extraction. Fatality claims are also based on the same definition of standardised claims.

2 A time-lost claim is one with one or more days compensated by WorkSafe (that is, once the employer has paid the 10-day excess) at the time of extraction. Time-loss claims are a sub-set of standardised claims.

3 A 13-week claim is a measure of the number of claims exceeding 13-weeks compensation based on a derived day count. The 13-week measure begins at day one (that is, employer excess and WorkSafe payments).

4 It should be noted that no data is available for return to work (RTW) – percentage of claims with RTW plan <30 days for some areas of training in the OHS key performance indicators document.

## Appendix 5 Workforce data

The following workforce data is based on business unit (cost centre) and charge location. It includes:

- staff on pay (including paid leave) who were employed in the Department in the last pay period of June 2012
- ongoing and fixed-term staff.

It excludes:

- VPS and Government Teaching Service staff who left the Department during the last pay period of June 2012
- staff on leave without pay (including family leave) or who are absent on secondment
- external contractors/consultants and temporary staff employed by employment agencies
- staff employed directly by individual school councils.

## FTE staff on pay by gender and classification as at June 2012

	Males		Females		Total
	FTE	Per cent	FTE	Per cent	FTE
<b>Government Teaching Service</b>					
<b>Executive Class</b>					
Executive Principal	24.6	59.1	17.0	40.9	41.6
<b>Principal Class</b>					
Principal	720.0	49.0	749.5	51.0	1,469.5
Assistant Principal	544.1	37.4	911.3	62.6	1,455.4
Liaison Principal	47.3	48.1	51.0	51.9	98.3
<b>Teacher Class</b>					
Leading Teacher	1,136.0	35.0	2,112.0	65.0	3,248.0
Expert Teacher	4,943.0	27.9	12,763.0	72.1	17,706.0
Accomplished Teacher	3,273.7	27.4	8,654.0	72.6	11,927.7
Graduate Teacher	1,244.2	26.2	3,497.3	73.8	4,741.4
<b>Paraprofessional Class</b>					
Paraprofessional	141.9	59.3	97.4	40.7	239.3
<b>Sub-total</b>	12,074.8	29.5	28,852.5	70.5	40,927.3
<b>Education Support Class</b>					
Education Support	1,555.9	12.2	11,172.1	87.8	12,728.0
Other	4.0	18.3	17.9	81.7	21.9
<b>Sub-total</b>	1,559.9	12.2	11,190.0	87.8	12,749.9
<b>Total Government Teaching Service</b>	<b>13,634.7</b>	<b>25.4</b>	<b>40,042.5</b>	<b>74.6</b>	<b>53,677.1</b>
<b>Victorian Public Service</b>					
Executive Officer	46.0	60.6	29.9	39.4	75.9
VPS Grades 1–6 and Specialist	635.7	32.8	1,303.5	67.2	1,939.2
Allied Health staff	62.0	10.3	537.2	89.7	599.2
Nurses	11.0	5.9	175.7	94.1	186.7
Other	2.0	50.0	2.0	50.0	4.0
<b>Sub-total</b>	756.7	27.0	2,048.3	73.0	2,805.1
<b>Casual VPS Employees</b>					
Casual VPSG 1–6	9.0	34.6	17.1	65.4	26.1
<b>Total VPS</b>	<b>765.8</b>	<b>27.0</b>	<b>2,065.4</b>	<b>73.0</b>	<b>2,831.1</b>
<b>Total</b>	<b>14,400.4</b>	<b>25.5</b>	<b>42,107.8</b>	<b>74.5</b>	<b>56,508.3</b>

The category of 'VPS Grades 1–6 and Specialists includes graduate recruits.  
 'Education Support Class Other' comprises 21.9 FTE Schools Resource Package funded VPS classified staff.  
 'Victorian Public Service Other' includes ministerial drivers, a Languages Advisor and senior medical advisors.

This table includes employees at the Victorian Curriculum and Assessment Authority and the Victorian Registration and Qualifications Authority who are also reported in those authorities' annual reports.

**VPS staff on pay as at June 2012**

	Ongoing		Fixed term		Casual		Total	
	Number (Headcount)	FTE	Number (Headcount)	FTE	Number (Headcount)	FTE	Number (Headcount)	FTE
<b>June 2012</b>	<b>2795</b>	<b>2515</b>	<b>341</b>	<b>290</b>	<b>63</b>	<b>26</b>	<b>3199</b>	<b>2831</b>
June 2011	2829	2565	429	375	80	36	3338	2975

	June 2012				June 2011		
	Ongoing		Fixed-term and casual		Ongoing		Fixed-term and casual
	Headcount	FTE	Headcount	FTE	Headcount	FTE	FTE
<b>Gender</b>							
Male	712	694	87	72	721	702	91
Female	2083	1821	317	244	2108	1863	319
<b>Age</b>							
Under 25	41	41	45	36	49	48	48
25–34	532	489	130	111	538	500	141
35–44	615	528	89	71	642	557	82
45–54	857	771	63	51	878	800	83
55–64	672	622	61	39	659	608	53
Over 64	78	64	16	9	63	51	4
<b>Classification</b>							
VPSG1	9	8	6	2	12	11	1
VPSG2	164	150	37	26	167	153	46
VPSG3	333	310	67	46	348	324	60
VPSG4	350	333	38	31	358	341	61
VPSG5	669	630	104	91	674	640	122
VPSG6	321	312	18	16	328	321	29
Senior technical specialist	12	12	–	–	9	9	1
Executive officer	76	76	–	–	77	77	–
Allied Health	637	515	101	81	628	514	74
Nurse	220	165	32	22	224	172	15
Other	–	–	1	1	4	3	1
Driver	2	2	–	–	–	–	–
Senior Medical Advisor	2	1	–	–	–	–	–

‘Number’ refers to the number of people employed where each person counts as an employee regardless of the number of hours engaged to work.

FTE have been rounded to the nearest whole number.

‘Casual’ means a person who is subject to clause 25, *Casual Employees – Loading of the VPS Agreement 2006*, or similar clauses in other relevant agreements. It includes a person employed on a sessional basis where such provision is made under an applicable industrial agreement.

June 2012 ‘Other’ comprises a LOTE advisor.

June 2011 ‘Other’ includes senior medical advisors, ministerial drivers and a LOTE advisor.

Age of staff for 2012 is calculated as at 30 June 2012.

This table includes employees at the Victorian Curriculum and Assessment Authority and the Victorian Registration and Qualifications Authority who are also reported in those authorities’ annual reports.

**Number of executive officer positions classified by 'Ongoing' and 'Special projects' excluding portfolio entities**

Class	All		Ongoing		Special projects	
	Number	Variation	Number	Variation	Number	Variation
Secretary	1	–	1	–	–	–
E01	3	–1	3	–1	–	–
E02	45	–3	45	–2	–	–1
E03	26	+3	29	+3	–	–
<b>Total</b>	<b>78</b>	<b>–1</b>	<b>78</b>	<b>–</b>	<b>–</b>	<b>–1</b>

Includes vacancies as at last full pay in June.

**Number of executive officers by gender for 'Ongoing' and 'Special projects' excluding portfolio entities**

Class	Ongoing					Special projects				
	Male		Female		Vacancies	Male		Female		Vacancies
	Number	Variation	Number	Variation		Number	Variation	Number	Variation	
Secretary	1	–	–	–	–	–	–	–	–	–
E01	2	–	1	1	–	–	–	–	–	–
E02	24	–1	14	–2	7	–	–	–	–1	–
E03	15	–2	12	+4	2	–	–	–	–	–
<b>Total</b>	<b>42</b>	<b>–4</b>	<b>27</b>	<b>+2</b>	<b>9</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–1</b>	<b>–</b>

**Reconciliation of executive officer numbers including Higher Education and Skills but excluding portfolio entities**

		2012	2011
Executives with remuneration over \$100,000 (refer to Note 19 of the Financial Statements)		<b>62</b>	61
Higher Education and Skills executives with remuneration over \$100,000		<b>18</b>	15
Add	Vacancies (see table above)	<b>9</b>	9
	Executives employed with total remuneration below \$100,000	<b>1</b>	–
	Accountable officer (Secretary)	<b>1</b>	1
Less	Separations	<b>(13)</b>	(7)
<b>Total executive officer numbers at 30 June 2012</b>		<b>78</b>	<b>79</b>

**Number of executive officers in the Department's portfolio entities as at 30 June 2012**

Organisation	2012			2011			Change		
	Female	Male	Total	Female	Male	Total	Female	Male	Total
Adult Multicultural Education Services	4	4	8	4	6	10	–	-2	-2
Bendigo Regional Institute of TAFE	2	1	3	1	–	1	1	1	2
Box Hill Institute of TAFE	9	5	14	9	5	14	–	–	–
Central Gippsland Institute of TAFE	1	3	4	1	3	4	–	–	–
Centre for Adult Education	1	–	1	2	–	2	-1	–	-1
Chisholm Institute of TAFE	5	7	12	5	6	11	–	1	1
Driver Education Centre of Australia Ltd	1	1	2	1	2	3	–	-1	-1
East Gippsland Institute of TAFE	–	1	1	–	1	1	–	–	–
Gordon Institute of TAFE	3	4	7	3	4	7	–	–	–
Goulburn Ovens Institute of TAFE	–	2	2	1	3	4	-1	-1	-2
Holmesglen Institute of TAFE	6	12	18	6	12	18	–	–	–
International Fibre Centre	–	1	1	–	1	1	–	–	–
Kangan Batman Institute of TAFE	5	7	12	3	7	10	2	–	2
Northern Melbourne Institute of TAFE	6	14	20	5	12	17	1	2	3
South West Institute of TAFE	1	4	5	1	3	4	–	1	1
Sunraysia Institute of TAFE	2	2	4	3	2	5	-1	–	-1
TAFE Development Centre	1	–	1	1	–	1	–	–	–
Victorian Curriculum and Assessment Authority	1	4	5	1	4	5	–	–	–
Victorian Institute of Teaching	1	–	1	1	–	1	–	–	–
Victorian Registration and Qualifications Authority	2	–	2	2	–	2	–	–	–
William Angliss Institute of TAFE	1	5	6	1	5	6	–	–	–
Wodonga Institute of TAFE	1	3	4	1	4	5	–	-1	-1
<b>Total</b>	<b>53</b>	<b>80</b>	<b>133</b>	<b>52</b>	<b>80</b>	<b>132</b>	<b>1</b>	<b>–</b>	<b>1</b>

## Appendix 6 Statutory bodies

Statutory bodies are authorities, boards and other entities established under an Act of Parliament for a specific purpose. Nine statutory bodies fall under the Department. The functions, powers, membership and other details relating to each body are outlined in relevant legislation. The table below lists the statutory bodies within the Department as at 30 June 2012, the Act under which each body was established, the responsible Minister and the annual reporting method for each body. Staff of some of these bodies are on the Department's payroll, as reflected in the workforce data on pages 132–136.

### Statutory bodies

Body	Act of Parliament	Minister(s)	Annual report
Children's Services Coordination Board	<i>Child Wellbeing and Safety Act 2005</i>	Children and Early Childhood Development Community Services	See page 138
Disciplinary Appeals Board	<i>Education and Training Reform Act 2006</i>	Education Minister responsible for the Teaching Profession	See page 138
Merit Protection Boards	<i>Education and Training Reform Act 2006</i>	Education Minister responsible for the Teaching Profession	See page 140
Victorian Children's Council	<i>Child Wellbeing and Safety Act 2005</i>	Children and Early Childhood Development Community Services	See page 146
Victorian Curriculum and Assessment Authority	<i>Education and Training Reform Act 2006</i>	Education Children and Early Childhood Development	Separate report to Parliament
Victorian Institute of Teaching	<i>Education and Training Reform Act 2006</i>	Education Minister responsible for the Teaching Profession	Separate report to Parliament
Victorian Registration and Qualifications Authority	<i>Education and Training Reform Act 2006</i>	Education Higher Education and Skills	Separate report to Parliament
Victorian Skills Commission	<i>Education and Training Reform Act 2006</i>	Higher Education and Skills	Separate report to Parliament
Adult, Community and Further Education (ACFE) Board	<i>Education and Training Reform Act 2006</i>	Higher Education and Skills	Separate report to Parliament

## Children's Services Coordination Board

The Children's Services Coordination Board was established in 2005 under the *Child Wellbeing and Safety Act 2005*. It brings together key decision makers in government departments to ensure the coordination of activities affecting children. Membership of the Board is shown below. The role of the Children's Services Coordination Board is to coordinate the efforts of different programs and consider how to best deal with cross-portfolio issues.

In May 2012, the Government released Victoria's Vulnerable Children: Our Shared Responsibility, which announced a strengthened role for the Board and a sharper focus on improving outcomes for the most vulnerable children in our community. In particular, the Board will:

- assist Ministers in preparing the vulnerable children and families strategy
- oversee its implementation at a Departmental level
- monitor performance through the production of biennial strategies to target responses to the needs of vulnerable children and young people.

The Children's Services Coordination Board met seven times in 2011–12.

The Board reports annually to the Minister for Children and Early Childhood Development and the Minister for Community Services on how Victoria's children and young people are faring.

### Children Services Coordination Board members at 30 June 2012

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Mr Richard Bolt	Secretary, Department of Education and Early Childhood Development (Chair)
Ms Penny Armytage	Secretary, Department of Justice
Ms Gill Callister	Secretary, Department of Human Services
Mr Grant Hehir	Secretary, Department of Treasury and Finance
Mr Ken Lay	Chief Commissioner, Victoria Policy
Ms Helen Silver	Secretary, Department of Premier and Cabinet
Mr Andrew Tongue	Secretary, Department of Planning and Community Development
Mr Lance Wallace	Acting Secretary, Department of Health

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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 made under section 2.4.6.1 of the Act.

The Senior Chairperson of the Merit Protection Boards administers the Disciplinary Appeals Boards and selects members to constitute the Boards as required. The Merit Protection Boards staff provide administrative support to the Disciplinary Appeals Boards.

In May 2010, Board members were appointed for a five-year period after advertisements calling for expressions of interest were placed. All members are called upon on a sessional basis.

The Disciplinary Appeals Boards had five appeals pending at the start of July 2011 and received a further six appeals by the end of June 2012.

## Members of the Disciplinary Appeals Boards

Chairpersons, nominated by the Secretary, were appointed under Sections 2.4.73(2)(a) and 2.4.74 of the *Education and Training Reform Act 2006*. It is a requirement that they have been admitted to legal practice in Victoria for not less than five years.

### Chairpersons of the Disciplinary Appeals Boards

	Date first appointed	Date term expires
Mr Peter Condliffe	May 2010	April 2015
Ms Anne Dalton	May 2010	April 2015
Ms Leneen Forde	May 2010	April 2015
Mr Murray Gerkens	May 2010	April 2015
Mr Peter Harris	May 2010	April 2015
Mr Robert Howard	May 2010	April 2015
Ms Jo-Anne Mazzeo	May 2010	April 2015
Ms Silvana Wilson	May 2010	April 2015
Ms Paula Robinson	May 2010	April 2015
Mr Ian Scott	May 2010	April 2015
Ms Janice Slattery	May 2010	April 2015
Dr Ian Turnbull	May 2010	April 2015
Mr Peter Kempson	May 2010	April 2015

Secretary's nominees, who have knowledge and experience in education, education administration or public sector administration, were appointed under Sections 2.4.73(2)(c) and 2.4.74 of the *Education and Training Reform Act 2006*.

### Secretary's nominees to the Disciplinary Appeals Boards

	Date first appointed	Date term expires
Ms Claire Bolster	May 2010	April 2015
Ms Dianne Foggo	May 2010	April 2015
Dr Richard Gould	May 2010	April 2015
Ms Avis Grahame	May 2010	April 2015
Mr Russell Isaac	May 2010	April 2015
Mr Robert Loader	May 2010	April 2015
Mr Peter Norden	May 2010	April 2015
Mr Brian O'Dea	May 2010	April 2015
Ms Cheryl Vardon	May 2010	April 2015
Ms Helen Worlidge	May 2010	April 2015

Minister's nominees, who are officers in the teaching service, were appointed under Sections 2.4.73(2)(b) and 2.4.74 of the *Education and Training Reform Act 2006*.

#### Minister's nominees to the Disciplinary Appeals Boards

	Date first appointed	Date term expires
Ms Margaret Bates	May 2010	April 2015
Mr Peter Brown	May 2010	April 2015
Ms Vincenzina Calabro	May 2010	April 2015
Ms Kate Christensen	May 2010	April 2015
Ms Lorraine Dell	May 2010	April 2015
Ms Janet Evison	May 2010	April 2015
Ms Moira Findlay	May 2010	April 2015
Mr David Finnerty	May 2010	April 2015
Ms Debra Fischer	May 2010	April 2015
Ms Leonie Fitzgerald	May 2010	April 2015
Ms Sandra Greenhill	May 2010	April 2015
Mr Wayne Hill	May 2010	April 2015
Ms Angeliki Karvouni	May 2010	April 2015
Mr Steve McGarrigle	May 2010	April 2015
Ms Karen O'Dowd	May 2010	April 2015
Ms Maureen O'Flaherty	May 2010	April 2015
Ms Mary-Anne Pontikis	May 2010	April 2012*
Mr Paul Rose	May 2010	April 2015
Mr Steven Silestean	May 2010	April 2015
Ms Cassandra Walters	May 2010	April 2015
Mr Tim Ward	May 2010	April 2015

\*Resigned from the Department, April 2012

#### Merit Protection Boards

The Merit Protection Boards were established in 1993 under the *Teaching Service Act 1981* and are currently empowered by the *Education and Training Reform Act 2006* to:

- advise the Minister about principles of merit and equity to be applied in the teaching service
- hear reviews and appeals in relation to decisions made under the *Education Training and Reform Act 2006* (except Part 2.4, Divisions 9A and 10) or any other Act
- advise the Minister or the Secretary about any matter referred to them by the Minister or the Secretary relating to merit and equity in the teaching service
- hear reviews and appeals in relation to any decision prescribed by the regulations or Ministerial Order, as appropriate
- hear reviews and appeals in relation to any decision of the Secretary if the Secretary has delegated his or her function or power to hear reviews and appeals to a Merit Protection Board.

The Senior Chairperson, Mr Peter Hibbins, is a full-time member of the Merit Protection Boards. Ms June Weir is the Registrar for the Boards and there are four administrative officers who support their work.

Grievances lodged by VPS staff in the Department are heard by a Review of Action Board. The Senior Chairperson establishes the Review of Action Boards, which make recommendations to the Secretary of the Department. In the event that the Senior Chairperson does not sit on the Review of Action Board, the Board will make a recommendation to the Senior Chairperson who, in turn, will make the recommendation to the Secretary.

The Merit Protection Boards and Review of Action Boards provide an independent mechanism to hear appeals and grievances for employees of the Department and associated education statutory authorities.

Appeals and grievances include transfer and promotion, incapacity, grievances of a general personal nature, including sexual harassment and discrimination, and appeals in relation to police records checks.

Appeals and grievances can be heard in the metropolitan area and regional centres, as appropriate.

Access to the Merit Protection Boards is available to employees in the Department, including principals, teachers and school-based non-teaching staff. Public servants, excluding executive officers, have access to Review of Action Boards.

## Members of the Merit Protection Boards

Members of the Merit Protection Boards and Review of Action Boards have a duty to act as individuals in an independent and objective manner in fairly hearing and determining appeals and grievances. The hearing procedures of both Boards are consistent with the principles of procedural fairness.

### Members of the Merit Protection Boards

	School	Date first appointed	Date term expires
<b>Senior Chairperson (full-time)</b>			
Mr Peter Hibbins		3 March 2008	31 July 2014
<b>Chairpersons</b>			
Ms Vincenzina Calabro	Noble Park English Language School	22 September 2010	21 September 2013
Ms Leonie Fitzgerald	Dandenong South Primary School	22 September 2010	21 September 2013
Mr Wayne Hill	Mcguire College	22 September 2010	21 September 2013
Ms Cheryl Judd		22 September 2010	30 January 2012*
Ms Sharon Walker	Footscray North Primary School	22 September 2010	21 September 2013
<b>Secretary's nominees</b>			
Mr Neil Barker	Procurement Division, DEECD	22 September 2010	21 September 2013
Ms Clare Berger	Keilor Downs Secondary College	22 September 2010	21 September 2013
Ms Judy Curson	Elisabeth Murdoch College	22 September 2010	21 September 2013
Ms Kerrie Dowsley	St Albans Secondary College	22 September 2010	21 September 2013
Ms Janet Evison	Kunyang Primary School	22 September 2010	21 September 2013

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	School	Date first appointed	Date term expires
Ms Sandra Greenhill	Koonung Secondary College	22 September 2010	21 September 2013
Ms Karen Hutchinson	Northern Metropolitan Region	22 September 2010	21 September 2013
Ms Angeliki Karvouni	Carwatha College P–12	22 September 2010	21 September 2013
Ms Karen O'Dowd	Altona Green Primary School	22 September 2010	21 September 2013
Ms Gail Shaw	Sunshine North Primary School	22 September 2010	21 September 2013
Ms Lorraine Dell	Ormond Primary School	22 September 2010	21 September 2013
Mr Mark Donehue		22 September 2010	31 January 2012**
Mr David Finnerty	Hampton Park Secondary College	22 September 2010	21 September 2013
Mr Rick Gervasoni	Lakeview Senior College	22 September 2010	21 September 2013
<b>Minister's nominees</b>			
Ms Rowena Archer	Braybrook College	22 September 2010	21 September 2013
Ms Margaret Bates	Sunbury College	22 September 2010	21 September 2013
Dr Mary Cannon	Canterbury Girls' Secondary College	22 September 2010	21 September 2013
Mr Ian Dendle	Geelong East Primary School	22 September 2010	21 September 2013
Ms Jan Foenander	Ascot Vale Special School	22 September 2010	21 September 2013
Ms Valda Grimston	Footscray North Primary School	22 September 2010	21 September 2013
Mr Nuccio Gurciullo	MacRobertsons Girls' High School	22 September 2010	21 September 2013
Ms Rae MacArdy	Footscray City College	22 September 2010	21 September 2013
Ms Natasha MacKenzie		22 September 2010	11 October 2011***
Mr Brett Miller	Boneo Primary School	22 September 2010	21 September 2013
Ms Mary-Anne Pontikis		22 September 2010	3 April 2012****
Mr Michael Rogan	Yarraville West Primary School	22 September 2010	21 September 2013
Ms Maxine Schmidt	Camberwell High School	22 September 2010	21 September 2013
Ms Meredith Stephenson	Thornbury High School	22 September 2010	21 September 2013
Ms Katrina Tenson	Broadmeadows Special Developmental School	22 September 2010	21 September 2013
Ms Rhonda Warburton	Caulfield Park Community School	22 September 2010	21 September 2013
Ms Joanna Young	Sunshine College	22 September 2010	21 September 2013
Mr John Baston	Croydon Maroondah College	22 September 2010	21 September 2013
Ms Glenda Splatt	Mount Waverley Secondary College	22 September 2010	21 September 2013
Ms Michelle McCabe	Sunshine North Primary School	22 September 2010	21 September 2013

\*Retired from the Department, 30 January 2012

\*\*Resigned from the Merit Protection Boards, 31 January 2012

\*\*\*Resigned from the Department, 11 October 2011

\*\*\*\* Resigned from the Department, 3 April 2012

## Appeals and grievances

### Teaching service

During the year to 30 June 2012, the Merit Protection Boards for the teaching service received a total of 149 appeals and grievances, including 14 selection grievances and 135 personal grievances. Of the 149 grievances received, 87 were abandoned, conciliated, lapsed, deemed to be out of time, withdrawn or are still pending, or there was no jurisdiction for the Board to hear them. A total of 62 grievances were heard and 27 were upheld.

There were 14 selection grievances received for this year, compared with 45 for the previous year and, of the 3 heard, 2 were upheld. There were 135 personal grievances received, compared with 140 for the previous year and, of the 59 heard, 25 were upheld and 1 was partially upheld.

There was a wide range of issues raised in personal grievances. The majority of grievances concerned priority transfer status and excess status not being managed in accordance with Department policy and grievances relating to time fraction changes. Other matters related to leave, especially the refusal to grant long service leave and leave without pay.

### Public sector

There were 18 appeals and grievances received from public servants – 7 on the grounds of selection and 11 personal grievances. Of the 18 grievances received from the VPS, 9 were heard and 4 were upheld. The majority of the issues raised in personal grievances related to leave and performance reviews.

## Teaching service – appeals and grievances 2011–12

Category	Upheld and partially upheld		Disallowed		Withdrawn		Pending		Abandoned, lapsed, no jurisdiction, out of time		Conciliated		Received		Total
	F	M	F	M	F	M	F	M	F	M	F	M	F	M	
Personal	21	5	15	18	25	10	1	0	22	8	9	1	93	42	<b>135</b>
Selection	1	1	1	0	1	2	0	0	2	6	0	0	5	9	<b>14</b>
<b>Total</b>	<b>22</b>	<b>6</b>	<b>16</b>	<b>18</b>	<b>26</b>	<b>12</b>	<b>1</b>	<b>0</b>	<b>24</b>	<b>14</b>	<b>9</b>	<b>1</b>	<b>98</b>	<b>51</b>	<b>149</b>

## VPS – appeals and grievances 2011–12

Category	Upheld		Disallowed		Withdrawn		Pending		Abandoned, lapsed, no jurisdiction, out of time		Conciliated		Received		Total
	F	M	F	M	F	M	F	M	F	M	F	M	F	M	
Personal	3	0	3	1	0	2	1	0	0	1	0	0	7	4	<b>11</b>
Selection	1	0	1	0	0	1	0	0	4	0	0	0	6	1	<b>7</b>
<b>Total</b>	<b>4</b>	<b>0</b>	<b>4</b>	<b>1</b>	<b>0</b>	<b>3</b>	<b>1</b>	<b>0</b>	<b>4</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>13</b>	<b>5</b>	<b>18</b>

## Merit protection training

It is a requirement for all selection panels in the Department to include a merit-trained employee as a member of any selection panel. To facilitate this requirement, the Merit Protection Boards provide training in the principles of merit and equity for principals, teachers, education support class employees and members of the public service.

These programs are conducted statewide and are supported by the Department through the provision of senior personnel to deliver those sections of the training that focus on human resource policies. This year the Boards conducted some 25 seminars and provided training for 843 employees.

### Principals

One hundred and fifty-two principals have been trained by the Boards in metropolitan and country centres and are available to serve on principal selection panels.

### Teachers and education support class employees

A total of 512 teachers and 86 education support class employees were trained by the Boards in metropolitan and country centres in 2011–12. Teachers and school education support class employees who have been trained are available to assist principals with personnel management decision-making in schools in which panels must include a merit protection-accredited teacher.

### Members of the Victorian Public Service

During 2011–12, 93 VPS employees were trained and are therefore available to assist on panels in decision-making about selection.

#### Number of employees trained by region (includes reaccreditation)

Region	Principals	Teachers	ESC	VPS	Total
Barwon South Western	30	52	9	9	<b>100</b>
Central– Corporate	0	0	0	56	<b>56</b>
Eastern Metropolitan	14	73	9	1	<b>97</b>
Gippsland	25	40	13	1	<b>79</b>
Grampians	6	40	9	4	<b>59</b>
Hume	11	53	13	1	<b>78</b>
Loddon Mallee	0	0	0	0	<b>0</b>
Northern Metropolitan	29	135	7	12	<b>183</b>
Southern Metropolitan	28	91	25	9	<b>153</b>
Western Metropolitan	9	28	1	0	<b>38</b>
<b>Total</b>	<b>152</b>	<b>512</b>	<b>86</b>	<b>93</b>	<b>843</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 from the Department, as well as advice when existing policies and procedures were being reviewed.

The Senior Chairperson accepted invitations to conduct information sessions for groups of principals, field officers of the principals' associations and the Australian Education Union and regional personnel.

Senior Merit Protection Board personnel delivered statewide training programs for principals, members of the teaching service and VPS staff. These programs focused on the legislative and policy requirements for human resource management within the Department.

Information about the appeal and grievance process, as well as the Merit Protection accreditation programs, is available on the Merit Protection Boards' website at [www.mpb.vic.gov.au](http://www.mpb.vic.gov.au).

## Victorian Children's Council

The Victorian Children's Council was established by the Victorian Government under the *Child Wellbeing and Safety Act 2005*. The Council supports the Premier, the Minister for Children and Early Childhood Development and the Minister for Community Services with expert independent advice relating to policies and services that enhance the health, wellbeing, development and safety of children.

Council members are recognised experts in children's policies and services. They have been selected as individuals and not as representatives of their organisations or interest groups. The Council's mandate is to be forward-looking, acting as an adviser to the Government on how to meet key challenges facing Victorian families and improve outcomes for children. The Council is particularly concerned with the problems faced by children who are vulnerable and at risk of poor outcomes.

The Council actively engages with the Victorian Government in planning to help families give their children the best start in life and to support young people in the transition to adulthood. The Council is involved in assisting Victorian departments to build a stronger evidence base and understanding of how to improve child outcomes and opportunities.

In May 2012, the Government released Victoria's Vulnerable Children: Our Shared Responsibility, which announced that the Council would support a stronger whole-of-government response to vulnerable children and their families as part of the Government's reform agenda.

In 2011–12, the Council currently has 14 members. Professor Gay Edgecombe resigned in October 2011; Mr David Huggins and Mr Steve Rogers were appointed in May 2012. The Council held six meetings in 2011–12, with additional meetings of subcommittees and working groups when needed. The Department provides secretariat support to the Victorian Children's Council.

Over the 12-month period the Council considered:

- the report of the Protecting Victoria's Vulnerable Children Inquiry and its recommendations
- the Government's response, Victoria's Vulnerable Children: Our Shared Responsibility
- the use of evidence to support place-based reform
- sentencing impacts on young people
- reporting to government and local communities on how children are faring
- disability reform and transitions to school for children with a disability
- Aboriginal disadvantage
- judging Early Years Awards.

#### **Victorian Children's Council members as at 30 June 2012**

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Professor Frank Oberklaid (Chair)	Director, Centre for Community Child Health
Ms Sandie de Wolf (Deputy Chair)	Chief Executive Officer, Berry Street Victoria
Mr Bernie Geary (Ex-Officio Member)	Child Safety Commissioner
Dr Maria Apostolopoulos	Parent advocate and Board member, Kalparrin Early Childhood Intervention program
Ms Muriel Bamblett	Chief Executive Officer, Victorian Aboriginal Child Care Agency
Dr Ray Cleary	Former Chief Executive Officer, Anglicare Victoria
Dr Don Edgar	Social policy and research consultant
Ms Sue Harper	National President, Organisation Mondiale pour l'Education Prescolaire Australia
Mr David Pugh	Chief Executive Officer, St Luke's Anglicare
Mr Rob Spence	Chief Executive Officer, Municipal Association of Victoria
Ms Kerry Stubbings	Director of Community Services, City of Knox
Ms Heather Barnes	Early childhood training consultant
Mr David Huggins	Assistant Director, Student Services, Catholic Education Office
Mr Steve Rogers	Principal, Mooroopna Primary School

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## Appendix 7 Office-based environmental impacts

The Department's Environmental Management System (EMS) provides a structured approach to planning and implementing environment protection measures in the Department's office-based activities. In line with government directives, the Department reports on energy, water and paper consumption, waste generation, transportation and greenhouse gas emissions, as well as sustainable procurement.

The EMS objectives include:

- reducing the amount of waste and maximising the amount reused and recycled
- minimising energy, water and paper consumption
- reducing passenger vehicle fleet emissions
- ensuring new office accommodation incorporates environmental sustainability principles
- adopting an environmental management system based on ISO14001
- communicating environmental performance through regular reporting
- encouraging staff to reduce environmental impacts.

Increased environmental impacts can be explained as follows:

- Due to office relocations and the exclusion of staff from sites for which the Department is not the primary lessee, approximately 10 per cent less office area is reported for 2011–12, thereby adversely affecting indicator results against 2010–11.
- The Victorian Government's target to purchase 20 per cent of GreenPower by 2011 was met and individual departments are now purchasing GreenPower according to internal imperatives. Where the purchase of GreenPower has been reduced, the emissions from electricity have increased.
- Indicators within each environmental aspect were affected by a drop in FTE numbers across the portfolio in the last quarter of the reporting period.

## Energy

The Department has continued to implement energy efficiencies in its corporate office sites.

The data presented below was collected through energy retailer billing information and represents 100 per cent of sites and 100 per cent of FTE staff.

Energy consumption	2011–12			2010–11		
	Electricity	Natural gas	GreenPower	Electricity	Natural gas	GreenPower
Total energy usage segmented by primary source (MJ)	<b>20,898,728</b>	<b>5,108,289</b>	<b>1,064,221</b>	18,777,962	6,903,412	4,393,462
Greenhouse gas emissions associated with energy use, segmented by primary source and offsets (t CO <sub>2</sub> -e)	<b>7,895</b>	<b>283</b>	<b>n/a</b>	7,042	382	n/a
Cost of GreenPower (\$)	<b>n/a</b>	<b>n/a</b>	<b>10,667</b>	n/a	n/a	40,376
<b>Energy indicators</b>						
Units of energy used per FTE (MJ/FTE)		<b>12,403</b>			12,906	
Units of energy used per unit of office area (MJ/m <sup>2</sup> )		<b>690</b>			686	
Percentage of electricity purchased as GreenPower		<b>5</b>			19	
<b>Action undertaken</b>						
Energy-saving sticker	'Flick the Switch' stickers have been placed next to major light switch panels in offices, meeting rooms, bathrooms and main power points across both central and regional offices.					

## Target

- Reduce energy use per FTE by 5 per cent of 2011–12 levels by 31 March 2014.

## Note

- The 2011–12 reporting period experienced a significant reduction in energy use against 2010–11 (of approximately 5 per cent). In line with the Victorian Government's decision to discontinue mandatory GreenPower targets from 1 July 2011, the Department decreased its purchase of GreenPower from 1 July 2011. This reduction contributed to an increase in departmental electricity use.

## Paper

The Department has decreased its paper use in both corporate office use and publications. The data presented below was collected through stationery suppliers and represents 100 per cent of sites and 100 per cent of FTE staff.

	2011–12	2010–11
<b>Paper use</b>		
Total units of copy paper used (reams)	<b>36,685</b>	41,401
Percentage 75–100% recycled copy paper purchased (%)	<b>37</b>	51
Percentage 50–74% recycled copy paper purchased (%)	<b>48</b>	12
Percentage 0–49% recycled copy paper purchased (%)	<b>15</b>	37
<b>Indicators</b>		
Units of copy paper used per FTE (reams/FTE)	<b>17</b>	18
Total units of A4 equivalent paper used in publications (reams)	<b>101,820</b>	156,644

## Target

- Reduce paper consumption to 16 A4 reams per FTE by 31 March 2014.
- Reduce the amount of copy paper purchased with less than 50 per cent recycled content to below 10 per cent by 31 March 2014.

## Notes

- To minimise the environmental impact of the production, supply and distribution of printed communication materials, the Department has developed the Sustainable Design and Print Guidelines for all printing procured through the Print Management Services contract provider, Finsbury Green. The guidelines divide the printing process into four stages: planning and approval, design, paper selection, and printing and finishing, and outlines principles to help achieve the Department's sustainable objectives.
- Staff were encouraged to change their printing defaults to 'box printing', which ensures documents are only printed when the staff member goes to the printer to collect them. Along with security benefits, this function saves paper from being wasted by ensuring that multiple or incorrect documents are not accidentally printed.

## Procurement

The Department's Infrastructure Division includes a mandatory 10 per cent 'environmental management' criteria in its procurement process, which has a substantial positive effect given the high volume of school infrastructure works.

The Department's Request for Tender documentation includes Schedule 18: Environmental Management Systems, ensuring comprehensive information from tenderers in relation to their own, manufacturers', sub-contractors' and suppliers Environmental Management Systems is provided upon request.

The Department is working with whole-of-government stationery supplier Corporate Express to reduce the number of items available for purchase. Of the items remaining on the contract, environmentally friendly items are included as a preferred option.

### Target

- Capture green spend on stationery via the Corporate Express reports by 31 March 2014.

## Transport

The Department's fleet comprises 342 vehicles, 75 per cent of which are operational vehicles and the remainder are executive fleet.

Of the operational vehicles, 13 per cent are LPG, 3 per cent are four-cylinder petrol fuelled, 12 per cent are six-cylinder, 11 per cent are dual petrol/LPG fuelled, 1 per cent is diesel fuelled and 60 per cent are hybrid.

The executive fleet comprises 76 per cent six-cylinder petrol fuelled, 6 per cent four-cylinder petrol fuelled, 16 per cent hybrid/LPG vehicles and 2 per cent diesel fuelled vehicles.

Operational vehicles	2011–12			2010–11		
	Petrol	LPG		Petrol	LPG	
Total energy consumption by vehicles (MJ)	<b>22,747,496</b>	<b>8,871,628</b>		19,255,893	12,218,833	
Total vehicle travel associated with entity operations (km)	<b>7,141,994</b>	<b>2,046,520</b>		6,074,380	2,904,573	
Total greenhouse gas emissions from vehicle fleet (t CO <sub>2</sub> -e)	<b>1,643</b>	<b>578</b>		1,391	797	
Greenhouse gas emissions from vehicle fleet per 1000km travelled (t CO <sub>2</sub> -e)	<b>0.23</b>	<b>0.28</b>		0.23	0.27	
Air travel	Short <500km	Medium 500–3,700km	Long >3,700km	Short <500km	Medium 500–3,700km	Long >3,700km
Total distance travelled by aeroplane (km)	<b>286,783</b>	<b>1,231,742</b>	<b>1,173,981</b>	446,797	1,452,908	1,890,009
Sustainable commuting	CBD		Regional	CBD		Regional
Percentage of employees regularly (>75 per cent of work attendance days) using public transport, cycling, walking or car pooling to and from work or working from home, by locality	<b>86</b>	<b>29</b>		69 (95)*	23 (27)*	
<b>Action undertaken</b>						
National Ride to Work Day	The Department celebrated National Ride to Work Day in October 2011, and due to popular demand from the increased number of riders a second Ride to Work breakfast was held in February 2012.					

\*2010–11 Sustainable Commuting figures were miscalculated and should have indicated 69 per cent for CBD and 23 per cent for regional locations, thus showing a substantial improvement in sustainable commuting experienced in 2011–12.

## Target

- Ensure a minimum of 70 per cent of Departmental operational vehicles are hybrid by 31 March 2014.

## Notes

- Departmental fleet data is taken from 1 April 2011 to 31 March 2012.
- Shared Services Provider fleet data is taken from 1 July 2011 to 30 June 2012.

## Waste

The Department continues to address waste generation by utilising a variety of re-use and recycling methods. The data presented below was collected through 15 five-day waste audits at five sites.

Waste generation	2011–12					2010–11				
	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)	11,400	10,806	12,618	23,023	2802	38,316	52,392	13,957	28,034 (12,480)*	2,321 (16,461)*
Units of waste disposed of per FTE by destination (kg/FTE)	10	9	11	19	2	21	28	10	24 (7)*	2 (9)*
<b>Recycling indicator</b>										
Recycling rate (as a % of total waste)			81					72 (55)*		

'Other' includes collection of toner cartridges, polystyrene, steel, reusable plastics and batteries.

2010–11 figures reported on collections from 12 sites, hence the higher figures compared to five sites in 2011–12.

\* Bracketed figures were published in the 2010–11 Annual Report. They have since been revised due to additional information becoming available. The Recycling Rate was reported in error last year as 55 per cent.

## Target

- Increase recycling rate to a minimum of 85 per cent by 31 March 2014.

## Notes

- Due to popular demand, the Department increased the number of Green Collect bins located in the central offices. Green Collect is a social enterprise waste minimisation and resource recovery service. Items collected include batteries, DVDs and CDs, cork and broken stationery items.
- The Department's central Environment Team and some regional offices have purchased and distributed a large number of KeepCups. These reusable take-away coffee cups have proved successful in reducing the number of paper and plastic single-use cups being turned to waste.
- The Department's central office celebrated World Environment Day by inviting a representative of Veolia Environmental Services, the waste collection management service for the precinct, to present to staff on the importance of the triple waste system.

## Water

The data in the table below is based on water meter readings at 86 per cent of office sites covering 91 per cent of FTE staff.

	2011–12	2010–11
<b>Water consumption</b>		
Total units of metered water consumed by usage types (KL)	<b>17,542</b>	20,477
<b>Water indicators</b>		
Units of metered water consumed in offices per FTE (KL/FTE)	<b>8.04</b>	8.79
Units of metered water consumed in offices per unit of office area	<b>0.45</b>	0.47
<b>Action undertaken</b>		
Water-saving stickers	'Take a Power Shower', 'Use the Half Flush' and 'Leaking or Dripping?' stickers have been placed where appropriate in bathrooms and kitchens across both central and regional offices.	
Water-efficient building design	New build or leased office accommodation is required to meet Green Star water efficiency standards.	

## Target

- Reduce the litres of water consumed per FTE by 7 per cent of 2011–12 levels by 31 March 2014.

## Note

- Water consumption data at the Eastern and Western Metropolitan regional offices was unavailable, due to the offices being shared facilities and the occupancy area of Departmental staff being unavailable.

## Greenhouse gas emissions

The emissions disclosed in the section below are taken from the previous sections and brought together here to show the Department's greenhouse footprint.

Indicator	2011–12	2010–11
Total greenhouse gas emissions associated with energy use (t CO <sub>2</sub> -e)	<b>8178</b>	7424
Total greenhouse gas emissions associated with paper purchases (t CO <sub>2</sub> -e)	<b>139</b>	196
Total greenhouse gas emissions associated with vehicle fleet (t CO <sub>2</sub> -e)	<b>2221</b>	2187
Total greenhouse gas emissions associated with air travel (t CO <sub>2</sub> -e)	<b>671</b>	2362
Total greenhouse gas emissions associated with waste production (t CO <sub>2</sub> -e)	<b>14</b>	38
Total greenhouse gas emissions associated with water consumption (t CO <sub>2</sub> -e)	<b>41</b>	48

### Action undertaken

All the actions undertaken in the energy, transport and water sectors help to reduce the Department's greenhouse gas emissions.

A significant change in the CO<sub>2</sub> co-efficient calculation for air travel in the 2011–12 period has resulted in a large decrease in greenhouse gas emissions for this aspect.

### Target

- Reduce the Department's office-based greenhouse gas emissions by 10 per cent of 2011–12 levels by 31 March 2014.

## Appendix 8 Freedom of Information

During 2011–12, 225 requests were received for documents under the *Freedom of Information Act 1982* (the Act). Eighty-eight of the requests were received from members of parliament or representatives of the media and the remainder were received from the general community. For decisions made in 2011–12, full access was granted for 75 requests and partial access for a further 92.\* Access was not granted for 25 requests, and documents could not be located or did not exist for 19 requests. Seven requests were not proceeded with by the applicants. At the end of the reporting period, there were 26 requests for which no decision had been made.

Where access was not granted to a document, the major exemption categories in the Act used in decision-making were:

- section 30 (opinions, advice and recommendations that are against the public interest to release)
- section 32 (legal professional privilege)
- section 33 (to protect the privacy of the personal affairs of others)
- section 34 (documents relating to business or trade secrets)
- section 35 (communications in confidence).

Twenty-six applicants sought an internal review. The original decisions of 21 were fully upheld and for four the original decision was varied. One review was still underway at the end of the reporting period. There were four appeals to the Victorian Civil and Administrative Tribunal for reviews of decisions made under the Act. One was withdrawn, for one the request was settled prior to a hearing, and two had not been completed at the end of the reporting period.

For the 12 months ending 30 June 2012, the Department processed 100 per cent of requests within statutory requirements. The average time taken to finalise requests was 34 days.

\*Access decisions made in 2011–12 include requests that were outstanding from the previous financial year.

### Publication requirements

The information required to be published pursuant to section 7 of the Act is either contained in the following pages or elsewhere in this report. This information relates to the following agencies:

- Department of Education and Early Childhood Development
- Merit Protection Boards
- Disciplinary Appeals Boards.

Queries about the availability of, and charges for, material prepared under Part II of the Act should be directed to the relevant authorised officer. (See table on page 158.)

### Categories of documents

The Department produces a large number of documents in a decentralised record-keeping environment. Accordingly, the Department does not maintain a single, consolidated list of detailed categories of documents. The Department maintains collections of policy files, transaction files and records and, where necessary,

personnel records. A variety of indexes and other search aids are used by agencies. In general, files and records are retrieved through subject descriptors or personal names.

The Merit Protection Boards maintain records of appeals and grievances received. The Disciplinary Appeals Boards maintain records of appeals lodged.

The following outlines the general categories of documents maintained.

### **Correspondence, administrative and policy documents**

The Department has a number of systems in place for recording, sharing and tracking these records.

The Merit Protection Boards are responsible for their own records. Regional offices and schools maintain their own record-keeping systems. These are largely independent of the systems used by the central administration.

### **Personnel documents**

The Department and the Merit Protection Boards maintain record-keeping systems for their employees including, where appropriate, records for members of the teaching service and the VPS.

### **Accounting records**

Accounting records are maintained on an electronic accounting system. The records deal with general ledger entries, accounts payable, payroll and other accounting functions. Some paper records are also kept.

## **Freedom of Information arrangements**

### **Access to records**

All requests for access to documents held by agencies are dealt with by the authorised officer of the appropriate agency. (See table on page 158.) Applicants seeking access to documents held by agencies should attempt to specify the topic of interest rather than the file series under which the applicant considers the document might exist. Assistance in specifying the topic is available from the authorised officer.

### **Forms of request for access**

Applicants are required by the Act to submit requests for access to documents in writing.

There is no specific application form. A letter or email clearly describing the document(s) sought is sufficient. It should specify that the application is a request made under the *Freedom of Information Act 1982* and should not form part of a letter or email on another subject. The applicant should provide the following additional information:

- name
- address
- telephone number (business hours)
- details of document(s) requested
- form of access required – copies of documents, inspection of file or other (specify).

Where the request is for access to documents about the applicant, personal identification will also be required.

## Correction of personal information

A request for correction or amendment of personal information contained in a document held by the agency must be made in writing. It should specify particulars of how and why the person making the request believes the information to be incorrect, incomplete, misleading or out of date, and specify the amendments they wish to have made.

## Fees and charges

An application fee is required unless evidence of hardship is provided. Applicants are advised that other charges may be made in accordance with the *Freedom of Information (Access Charges) Regulations 2004*. Details of the fee and access charges can be found at [www.foi.vic.gov.au](http://www.foi.vic.gov.au).

## Appeals

Applicants may appeal against a decision made in response to requests for access to documents and amendment of records, or against the cost levied for allowing access to documents. Information about the appropriate avenue of appeal will be conveyed to the applicant in a letter advising them of the initial decision. Applicants are advised to consult Part VI of the Act for further information about appeal rights.

Further information about Freedom of Information can be found on the Department's website at [www.education.vic.gov.au](http://www.education.vic.gov.au).

### Freedom of Information authorised officers

Agency	Authorised officer	Postal address	Telephone
Department of Education and Early Childhood Development	Mr Neil Morrow	GPO Box 4367 Melbourne 3001	(03) 9637 2670
Merit Protection Boards	Ms June Weir	Level 9, 35 Spring Street Melbourne 3000	(03) 9651 0290
Disciplinary Appeals Boards	Ms June Weir	Level 9, 35 Spring Street Melbourne 3000	(03) 9651 0290

## Appendix 9 Statement of support to whistleblowers

The Department does not tolerate improper conduct by its employees or officers nor the taking of reprisals against those who come forward to disclose such conduct under the *Whistleblowers Protection Act 2001* (the Act).

The Department recognises the value of 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 a substantial risk to public health and safety or the environment. The alleged conduct must be serious enough to constitute, if proven, a criminal offence or reasonable grounds for dismissal to satisfy the Act.

The Department assessed four disclosures under the Act in 2011–12. Of these four disclosures:

- one was assessed as a protected disclosure
- three were assessed as not being protected disclosures.

No matters were declined because the complainant could not substantiate them.

No matters were awaiting substantiation by the complainant.

The protected disclosure was referred to the Ombudsman for determination as to whether it was a public interest disclosure. The Ombudsman assessed the protected disclosure as a public interest disclosure and investigation of the complaint was taken over by the Ombudsman. The complaint related to allegations of conflict of interest in the procurement process.

The Ombudsman found some of the allegations were substantiated and recommended that the Department consider disciplinary action, review its program of training and address issues of reporting and conflict of interest with relevant staff.

### Corrupt conduct

Corrupt conduct means:

- conduct that adversely affects the honest performance of functions
- the dishonest performance of functions or performance with inappropriate partiality
- conduct that amounts to a breach of public trust
- conduct that amounts to the misuse of information or material acquired in the course of one's duties
- a conspiracy or attempt to engage in the above conduct.

## The reporting system

### Contact persons within the Department

Disclosures of improper conduct or detrimental action by employees of the Department of Education and Early Childhood Development may be made directly to the following officers:

#### Protected Disclosure Coordinator

Mr Colin Twisse  
Executive Director  
Executive and Ministerial Services  
(03) 9637 3535

#### Protected Disclosure Officer

Mr Neil Morrow  
Manager FOI and Privacy  
(03) 9637 2670

All correspondence, telephone calls and emails from internal or external whistleblowers will be referred to the Protected Disclosure Coordinator. Where a person is contemplating making a disclosure and is concerned about confidentiality, he or she can call the Protected Disclosure Coordinator and request a meeting in a discreet location away from the workplace.

Employees can also obtain information about whistleblower policy and procedures from the Department's regional offices.

### Alternative contact persons

A disclosure about improper conduct or detrimental action by employees of the Department may also be made directly to the Ombudsman.

#### The Ombudsman Victoria

459 Collins Street  
Melbourne Victoria 3000 (DX 210174)  
[www.ombudsman.vic.gov.au](http://www.ombudsman.vic.gov.au)  
[ombudvic@ombudsman.vic.gov.au](mailto:ombudvic@ombudsman.vic.gov.au)  
(03) 9613 6222

## Appendix 10 Portfolio responsibilities

The Acts of Parliament currently administered by the Minister for Higher Education and Skills and Minister responsible for the Teaching Profession, the Minister for Education, and the Minister for Children and Early Childhood Development are outlined in the General Order, which was issued by the Premier on 22 February 2011.

This General Order is published on the website of the Department of Premier and Cabinet at the Machinery of Government page and can be accessed at <http://www.dpc.vic.gov.au/index.php/resources/legal/machinery-of-government>.

## Appendix 11 Contracts and consultancies

Under the *Financial Management Act 1994* the following distinction is made between contractors and consultants.

Contractors:

- provide goods, works or services that implement a decision
- perform all or part of a new or existing ongoing function to assist an agency carry out its defined activities and operational functions
- perform a function involving skills or perspectives that would normally be expected to reside within the Department but which the Department has decided to outsource.

Consultants:

- provide expert analysis and advice that facilitates decision-making
- perform a specific, one-off task or set of tasks
- perform a task involving skills or perspectives that would not normally be expected to reside within the Department.

### Disclosure of major contracts

The Department has disclosed all contracts greater than \$10 million in value that it entered into during 2011–12. The disclosed contracts can be viewed on the Victorian Government contracts publishing system at [www.contracts.vic.gov.au](http://www.contracts.vic.gov.au).

### Compliance with the Victorian Industry Participation policy

The *Victorian Industry Participation Policy Act 2003* requires public bodies and departments to report on the implementation of the Victorian Industry Participation Policy.

Departments are required to apply the policy in all tenders over \$3 million in metropolitan Melbourne and \$1 million in regional Victoria.

During 2011–12, 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 15 contracts to which the Victorian Industry Participation Policy applied, totalling \$99,441,160 in value. The contracts included 13 metropolitan contracts totalling \$85,097,809 in value and two regional contracts totalling \$14,343,351 in value.

The commitments under the policy included:

- an average level of local content of 88 per cent across the contracts
- 539 continuing and new FTE jobs and 85 continuing and new FTE apprenticeships/traineeships
- benefits to the Victorian economy through:
  - development and implementation of technology in schools
  - professional development for staff
  - skills development through work on infrastructure projects and participation in related training in OHS and various trade areas.

Under the State Capital Works program, the Department completed two contracts to which the Victorian Industry Participation Policy applied, totalling \$13,540,908 in value. The contracts were both metropolitan contracts.

Under the Building the Education Revolution program, the Department completed 38 contracts to which the Victorian Industry Participation Policy applied, totalling \$383,163,378 in value. The contracts included 21 metropolitan contracts totalling \$260,878,347 in value and 17 regional contracts totalling \$122,285,031 in value.

The commitments under the policy included:

- an average level of local content of 80 per cent across the contracts
- 3025 continuing and new FTE jobs and 308 continuing and new full-time equivalent apprenticeships/traineeships
- benefits to the Victorian economy through:
  - development and implementation of technology in schools
  - professional development for staff
  - skills development through work on infrastructure projects and participation in related training in OHS and various trade areas.

## Consultancies

In 2011–12, the Department did not engage any consultants with a total consultancy cost below \$10,000. The table below indicates the consultancies the Department entered into which cost \$10,000 or above.

### Details of consultancies over \$10,000

Consultant	Purpose of consultancy	Start date*	End date	Total approved project fee (excluding GST)	Expenditure 2011–12 (excluding GST)	Future expenditure (excluding GST)
Rufus Black	To provide strategic advice to the Secretary in relation to Positioning for Strategic Renewal Project.	29 February 2012	28 December 2012	\$104,545	\$76,570	\$27,975

\*Start date indicates approval date of consultancy by delegate.

## Appendix 12 Other statutory requirements

### ***Building Act 1993***

The Department conforms with the requirements of the *Building Act 1993* and other statutory obligations with respect to the construction of new educational facilities and modernisation. The school modernisation program and building compliance program progressively ensure that existing buildings comply with relevant legislative requirements.

### **Purchasing and contracting**

The Department promotes consistent rules on probity and ethics in all of its purchasing and contracting arrangements, in line with the Victorian Government Purchasing Board's policy on probity. These rules ensure an equitable and sound purchasing process, and the provision of equal opportunity for all parties. Compliance with these rules is guaranteed through routine internal audits and an accredited purchasing process.

The Department promotes staff attendance at training courses in purchasing, tendering and contracting, and ensures that probity and ethics are discussed at each session.

### **National Competition Policy**

In 1995, the Commonwealth, State and Territory governments agreed to implement the National Competition Policy to promote greater competition and encourage economic growth. Three requirements of the policy are:

- legislative reviews to eliminate restrictions on competition
- assessment of new legislation and regulation to ensure continued compliance with the policy
- competitive neutrality to ensure consistency in pricing of goods and services.

The Department has complied with the requirements of the National Competition Policy and is continuing to report to the Department of Treasury and Finance as required regarding implementation.

### **Legislative reviews**

The Department did not undertake any reviews of legislation under the National Competition Policy in 2011–12.

### **Assessment of new legislation and regulations**

All new legislation and regulations enacted within the portfolio during 2011–12 were subject to an assessment against National Competition Policy requirements to ensure continued compliance with the policy.

### **Competitive neutrality**

Competitive neutrality requires government businesses to ensure, where services may compete with the private sector, that any advantages arising from their government ownership are removed if they are not in the public interest. The Department was not involved in any complaints for the year 2011–12.

## Information privacy

The Department is committed to protecting the privacy of personal and health information. Personal and health information is collected and used by the Department to provide services or carry out statutory functions.

All of the Department's central and regional offices, schools and funded services have been provided with tools to assist with compliance and assisted with tailored privacy advice as required.

All the Department's funded service providers are obliged contractually and by Victoria's privacy laws to ensure that they comply with the requirements of the legislation.

The Department's Information Privacy policy is reviewed periodically and is made widely available.

The Department works closely with the Office of the Victorian Privacy Commissioner and the Health Services Commissioner in providing privacy advice and assistance, resources and reference materials to ensure ongoing compliance across the Department.

The Department's Freedom of Information and Privacy Unit investigates and responds to privacy complaints. Complaints are generally resolved at a local level. Some privacy complaints may be conciliated at the Office of the Victorian Privacy Commissioner or the Office of the Victorian Health Services Commissioner.

## Appendix 13 Risk management attestation

I, Richard Bolt, certify that the Department of Education and Early Childhood Development has risk management processes consistent with the Australian – New Zealand – International Risk Management Standard ISO 31000:2009 and these processes are in place for the material aspects of the Department's operations. An internal control system is in place that enables the executive to understand, manage and satisfactorily control risk exposures.

Enhanced risk management processes will be further deployed across the Department in the coming year.

The Portfolio Audit Committee verifies this assurance and that the risk profiles of the Department of Education and Early Childhood Development have been critically reviewed within the last 12 months.



Richard Bolt  
Secretary  
26 August 2012

## Appendix 14 Disclosure index and additional information

### Report of operations

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## Financial report

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## Additional information

Consistent with the requirements of the *Financial Management Act 1994*, the Department has retained material on the following items, which are available on request (subject to freedom of information requirements, if applicable):

- a statement that declarations of pecuniary interests have been duly completed by all relevant officers of the Department
- details of shares held by senior officers as nominees or held beneficially in a statutory authority or subsidiary
- details of publications produced by the Department about the Department and how these can be obtained
- details of changes in prices, fees, charges, rates and levies charged by the Department
- details of any major external reviews carried out on the Department
- details of major research and development activities undertaken by the Department
- details of overseas visits undertaken, including a summary of the objectives and outcomes of each visit
- details of major promotional, public relations and marketing activities undertaken by the Department to develop community awareness of the Department and its services
- details of assessments and measures undertaken to improve the occupational health and safety of employees
- a general statement on industrial relations within the Department and details of time lost through industrial accidents and disputes
- a list of major committees sponsored by the Department, the purpose of each committee and the extent to which those purposes have been achieved
- consultancies and contractors engaged by the Department.

This information is available on request from:

Secretary  
Department of Education and Early Childhood Development  
GPO Box 4367  
Melbourne Victoria 3001

## Acronyms and abbreviations

AAS	Australian Accounting Standard
AASB	Australian Accounting Standards Board
ABLES	Abilities Based Learning and Educational Support
ABS	Australian Bureau of Statistics
ACFE	Adult, Community and Further Education
ACFEB	Adult, Community and Further Education Board
AEDI	Australian Early Development Index
AEL	Access to Early Learning
AMES	Adult Multicultural Education Services
ANF	Australian Nursing Federation
ANZSOG	Australia and New Zealand School of Government
BER	Building the Education Revolution
BP4	Budget Paper No. 4
CAE	Centre for Adult Education
CECV	Catholic Education Commission of Victoria
CLIL	Content and Language Integrated Learning
CPSU	Community and Public Sector Union
DEECD	Department of Education and Early Childhood Development
DTF	Department of Treasury and Finance
DWG	Designated work groups
EMS	Environmental Management System
ESK	Early Start Kindergarten
FTE	Full-time equivalent
FWA	Fair Work Australia
GAAP	Generally accepted accounting principles
GST	Goods and Services Tax
HSR	Health and safety representatives
IFRIC	International Financial Reporting Interpretations Committee
ILPIC	Innovative Languages Provision in Clusters
ISV	Independent Schools Victoria
KMP	Key management personnel

LOTE	Language(s) other than English
LSL	Long service leave
MCH	Maternal and Child Health
NAIDOC	National Aborigines and Islanders Day Observance Committee
NAPLAN	National Assessment Program – Literacy and Numeracy
NASWD	National Agreement for Skills and Workforce Development
NCVER	National Centre for Vocational Education Research
OCI	Other comprehensive income
OHS	Occupational health and safety
OHSMS	Occupational Health and Safety Management System
PPP	Public private partnerships
RDR	Reduced disclosure requirements
RTW	Return to work
SES	Socioeconomic status
SSV	School Sport Victoria
TAFE	Tertiary and Further Education
VCAA	Victorian Curriculum and Assessment Authority
VCAL	Victorian Certificate of Education
VIT	Victorian Institute of Teaching
VPS	Victorian Public Service
VRQA	Victorian Registration and Qualifications Authority
VSC	Victorian Skills Commission
WWW	Working with children









