

Department of Education and Early Childhood Development

Annual Report 2013–14



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Development
Melbourne
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The Hon. Martin Dixon MP
Minister for Education

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

The Hon. Nick Wakeling MP
Minister for Higher Education and Skills

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 2014.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Richard Bolt', with a stylized, cursive script.

Richard Bolt
Secretary

October 2014

Contents

| | |
|---|------------|
| Report of operations—year in review | 1 |
| Mission | 1 |
| Values | 1 |
| Secretary's report | 1 |
| About this report | 3 |
| Purpose and functions | 3 |
| Structural changes to the Department during 2013–14 | 4 |
| Objectives, indicators and outputs | 4 |
| Progress towards objectives and indicators | 6 |
| Performance against output performance measures | 12 |
| Discontinued operation | 21 |
| Other activities and initiatives | 21 |
| Five-year financial summary | 21 |
| Current year financial review | 23 |
| Report of operations—governance and organisational structure | 24 |
| Ministers | 24 |
| Senior executives | 25 |
| Organisational structure | 29 |
| Portfolio Audit and Risk Committee | 31 |
| Statutory authorities | 32 |
| Financial statements | 33 |
| Notes to the financial statements | 43 |
| Appendices | 117 |

Report of operations—year in review

Mission

The Department's mission for 2013–14 was:

The Department of Education and Early Childhood Development exists to support Victorians to build prosperous, socially engaged, happy and healthy lives. We do this by supporting lifelong learning and healthy development, strengthening families and helping to equip people with the skills and knowledge for a twenty-first-century economy and society.

The Department's mission has been refined in 2014–15 to highlight that the provision of high-quality education, training, development, wellbeing and child health services is fundamental in building a society that has strong economic growth, productivity and employment, better health outcomes and greater social cohesiveness. The Department's mission can be found in 2014–15 State Budget Paper No. 3 *Service Delivery*.

Values

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

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

Secretary's report

In 2013–14, the Department made important progress towards the Government's ten-year goal to raise educational achievement to world-leading levels, to grow Victoria's prosperity and liveability. We enabled the delivery of education services to many Victorians, and implemented service improvements and reforms across the portfolio.

The Department's remit is broad—we fund, provide, or constitute learning and development services from maternal and child health to kindergarten to school to vocational and higher education.

In **early childhood education and care**, the Department managed an increase from 10 to 15 hours of four-year-old kindergarten across the state, including through capital grant funding of facilities, and did considerable work to secure continued Commonwealth funding in 2015 for the additional five hours. We have also progressively rolled out the *National Quality Framework for Early Childhood Education* to raise the quality and learning focus of early childhood services. Our focus will now turn to implementing the recently-announced *Early Years Strategic Plan*.

In **school education**, the last 12 months has seen school achievement outcomes maintained, and modest gains in engagement and wellbeing. We progressed reforms set out in *Towards Victoria as a Learning Community* and *New Directions to Action: World Class Teaching and School Leadership*. Over 2013–14, this has included stronger autonomy and accountability, including a new performance and development system for principals and teachers in government schools.

The \$12.2 billion, six-year school funding agreement with the Commonwealth was negotiated by the Department with central agencies, and signed by Premier Napthine in

August 2013. Good progress was made on a medium-term prioritisation of school capital requirements.

The first group of Year 9 students spent six weeks in Beijing, Nanjing and Shanghai under the *Young Leaders to China* program. The feedback from students, parents and staff was very positive.

We developed a range of **cross-portfolio strategies** including *Aiming High*, a strategy for gifted and talented children and young people, and an action plan for vulnerable children as part of the Government's *Vulnerable Children: Our Shared Responsibility 2012–2022*. Progress was made on developing better services for vulnerable cohorts, including Koorie students and students with a disability.

In **vocational education and training (VET)**, the Department further refined the demand-driven training system to make Victoria's Training Guarantee more fiscally sustainable and better targeted to areas of skill shortage or specialisation. Victoria now has the highest participation rate in subsidised training in Australia (16.1 per cent of the population, compared to a national average of 11.9 per cent), reflecting the highest per-capita training budget of any state.

Good progress was made on developing a stronger and more sustainable technical and further education (TAFE) sector. The \$200 million TAFE Structural Adjustment Fund supported innovation, collaboration, structural reform and business transformation across TAFE institutes. The Department facilitated Board-led mergers between Central Gippsland and Advance TAFEs, and between Bendigo and Kangan institutes along the Calder corridor. We are continuing to work with TAFEs to transform their businesses to meet student, business and community needs.

Our focus will now turn to increasing the quality and relevance of VET through improvements in training products, teaching, supports for student decision-making and performance information.

The Department provided leadership to **whole-of-government priorities** through the Children Services Coordination Board and the Community Sector Reform Council, through the design and implementation of Children and Youth Area Partnerships, and through integrated infrastructure planning in growth areas led by the Melbourne Planning Authority. We also provided leadership to **national reform**, through the ministerial councils covering the education portfolio.

Organisationally, the Department focused on consolidation after a significant reorganisation and renewal that was completed in 2012–13. The merging of early years and school education policy in the Early Childhood and Schools Education Group reflects our goal to provide an integrated approach to students' education from 0 to 18 years of age.

In summary, the Department made significant progress in the early implementation of our reform plans. To evaluate their impact, we will implement a new **system performance framework** in 2014–15 that measures outcomes across the lifelong learning service continuum.

I thank the staff in schools, other service providers, the Department and statutory authorities for their continued commitment and skill. It is a great pleasure to lead and support their contribution to the lives and prospects of so many Victorians.

Richard Bolt
Secretary

About this report

In accordance with Ministerial Financial Reporting Direction (FRD) 30A that annual reports be 'reports of the financial and business operations of an entity, produced to comply with relevant Victorian legislation and pronouncements,' material not required under relevant legislation and pronouncements is not included in this report. An index which identifies the Department's compliance with statutory disclosure requirements is provided on page 119.

Purpose and functions

The Department of Education and Early Childhood Development gained its current form in 2013 following a structural reorganisation. At June 2014, two groups were focused on life stages: the Early Childhood and School Education Group and the Higher Education and Skills Group. Four Groups provided cross-functional support: Regional Services, Infrastructure and Finance, People and Executive Services, and Strategy and Review Groups. The new structure is designed to:

- improve the level of service
- enable the Department to deliver its strategic plan and undertake ongoing policy-development work
- ensure services are cost-effective
- cease duplicated or inefficient functions
- consolidate functions where this will be more efficient and aligns with strategy.

The Department plays a significant role as system designer, purchaser, regulator, and provider of system services across Victoria's learning and development system, and owner-operator of government schools. The Department influences outcomes across all education and early childhood sectors and service systems, including non-government schools and universities. Each of the Department's roles is outlined below.

System designer

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

Owner-operator

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

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

Purchaser

The Department funds and holds to account service providers including early childhood intervention services, kindergartens, maternal and child health services, non-government schools, and training providers.

System services

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

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

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

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

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

Regulator

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

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

The Victorian Registration and Qualifications Authority is the statutory authority responsible for ensuring that employers of apprentices and trainees and providers of education and training (including course and qualification owners) meet quality standards, and that information is readily available to support choice in education and training.

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

Structural changes to the Department during 2013–14

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

Objectives, indicators and outputs

The Department's objectives, and indicators¹ for each objective, are set out in 2013–14 State Budget Paper No. 3 *Service Delivery* and shown in Table 1.

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

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

During 2013–14, the Department has focussed on developing *Productivity* indicators including unit costs of service, as shown in Table 2, enabling the Department to meet its commitment to reporting these in this report.

The Department's progress towards its objectives and indicators is reported under Progress towards Objectives and Indicators on page 6.

For each output, there are a range of performance measures. The Department's performance against its output performance measures is reported under Performance against Output Performance Measures on page 12.

Table 1—Departmental objectives, indicators and linked outputs

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

Table 2—Departmental unit cost indicators

| Objective | Indicators | Outputs |
|---|--|--|
| Productivity | | |
| Increase the productivity of our services | \$ per kindergarten student per year (or early childhood intervention services or maternal and child health) | Strategy, Review and Regulation |
| | | Early Childhood Development |
| | \$ per primary school student per year | School Education—Primary |
| | \$ per secondary school student per year | School Education—Secondary |
| | \$ per VET student contact hour | Support Services Delivery |
| | | Support for Students with Disabilities |
| | | Higher Education and Skills |

Progress towards objectives and indicators

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

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

In 2014–15, the Department will finalise a review of its indicators to ensure they are effectively tracking our progress. This review will draw on best-available evidence and identify gaps in existing data collections to strengthen our monitoring of performance. The Department's *2014–18 Strategic Plan*, currently being developed, outlines strategies to improve performance for all Departmental objectives.

Achievement

For *Achievement*, Victoria has seen improved results in the triennial Australian Early Development Index in 2012 compared with 2009, alongside implementing a number of reforms for early childhood services.

While results from the National Assessment Program—Literacy and Numeracy (NAPLAN) indicate that the proportion of Victorian students meeting the expected national standard in literacy and numeracy has remained stable and is consistently above the Australian average, results from the triennial Programme for International Student Assessment (PISA) confirm that the performance of Victorian students in reading and mathematics literacy have not improved between 2009 and 2012.

In 2013 there were 220,200 vocational completions. While this was eight per cent lower than 2012, the 2013 result was 17 per cent higher than in 2011 and nearly two thirds (65 per cent) higher than in 2009.

The Department is aware of issues associated with under-reporting of completions by some training providers and has implemented a new calculation method. This information will provide better estimates of completions to supplement reporting at a system and provider level. The method is complementary to the approach used by the National Centre for Vocational Education and Research for national reporting.

Engagement

Engagement with early childhood services remained strong in 2013–14, with almost all newborns participating in the first maternal and child health consultation to which they are entitled, increasing participation in later consultations, and a participation rate in kindergarten in the year before school of 98.2 per cent.

Student attendance at schools was similar to previous years, and the percentage of students reporting that their teachers provided a stimulating learning environment remained stable. To improve students' engagement in school and the learning environment, the Department's *2014–18 Strategic Plan* will have a strong focus on making secondary schools more engaging.

In 2013 there were 645,000 enrolments in government-subsidised training in Victoria. While this represents a four per cent decrease compared with 2012, it was 18 per cent higher than in 2011 and 71 per cent higher than in 2009. In 2013 there were 484,300 students¹ enrolled in government-subsidised training, a decrease of five per cent compared with 2012 but 13 per cent higher than in 2011, and 62 per cent higher than in 2009.

This significant growth in government-subsidised training activity in recent years was not always in areas of industry need or in training that would provide more secure employment opportunities. In response, the Government released the *Refocusing Vocational Training in Victoria* reform package in May 2012. The highest subsidy levels under the package are allocated to training where the contribution to the economy is assessed as high, and where government subsidy is seen as essential to enable delivery of and participation in training.

While there was a decrease in overall government-subsidised enrolments in 2013 compared with 2012, there was an increase in the number of government-subsidised enrolments in specialised and skills-shortage occupations², providing training of greater benefit to the economy. In 2013 there were 190,600 government-subsidised enrolments in specialised or skills-shortage occupations, an increase from 162,100 in 2012.

Wellbeing

For *Wellbeing*, indicators show positive trends in student opinion, particularly students' feeling of connectedness to their school and that their school provides a safe and orderly environment for learning. In the middle years of secondary school, the growth in connectedness has occurred from a very low base, and further improvements will be pursued.

The level of student satisfaction with the quality of vocational training appeared to decline slightly in 2013 but was statistically similar to the 2012 result.

Productivity

Productivity is an important performance outcome, as understanding the cost of our services is essential to making a balanced assessment of their value. In 2014–15, the Department will assess whether our services deliver value for money by considering rates of increase in *Achievement*, *Engagement* and *Wellbeing* against the unit cost of service provision.

Between 2009 and 2012, the standard per-capita rate paid by the Victorian Government for funded kindergarten increased by approximately 50 per cent. This reflects increased contact hours following the Victorian Government's commitment to providing access to at least 600 hours per year of quality kindergarten services for children in the year before school.

The unit cost per school student remained fairly stable between 2009 and 2012, while the unit cost per VET student contact hour gradually decreased from \$12.60 per hour in 2009 to \$10.60 per hour in 2012 reflecting productivity and efficiency improvements.³

¹ A student may be enrolled in more than one training course resulting in a difference between the number of enrolments and the number of students enrolled.

² The combined government-subsidised enrolments in skills-shortage occupations and in specialised occupations. These categories of training are not mutually exclusive—an occupation may be both skills-shortage and specialised—but is counted only once in the combined measure.

³ Unit cost per student contact hour. Calculated by the Productivity Commission and includes both Commonwealth and State funding with a series of adjustments made to ensure comparability across jurisdictions.

Achievement

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

| Indicators | Unit of measure | 2009 | 2010 | 2011 | 2012 | 2013 |
|--|-----------------|---------|---------|---------|---------|---------|
| Early childhood development | | | | | | |
| Children developmentally 'on track' on the Australian Early Development Index language and cognitive skills domains | | | | | | |
| Proportion of children developmentally 'on track' on the Australian Early Development Index ¹ language and cognitive skills domains | per cent | 84.0 | — | — | 84.0 | — |
| School education | | | | | | |
| Students meeting the expected standard in national and international literacy and numeracy assessments² | | | | | | |
| Year 3 NAPLAN Proportion of students at or above the National Minimum Standard—Literacy | per cent | 95.2 | 95.4 | 95.3 | 95.2 | 96.0 |
| Year 3 NAPLAN Proportion of students at or above the National Minimum Standard—Numeracy | per cent | 95.6 | 95.4 | 96.2 | 95.6 | 96.2 |
| Year 5 NAPLAN Proportion of students at or above the National Minimum Standard—Literacy | per cent | 94.2 | 94.2 | 94.3 | 94.1 | 96.5 |
| Year 5 NAPLAN Proportion of students at or above the National Minimum Standard—Numeracy | per cent | 95.5 | 95.7 | 95.6 | 95.0 | 94.4 |
| Year 7 NAPLAN Proportion of students at or above the National Minimum Standard—Literacy | per cent | 95.4 | 96.2 | 95.8 | 95.5 | 95.6 |
| Year 7 NAPLAN Proportion of students at or above the National Minimum Standard—Numeracy | per cent | 96.0 | 96.1 | 95.8 | 95.0 | 95.7 |
| Year 9 NAPLAN Proportion of students at or above the National Minimum Standard—Literacy | per cent | 94.3 | 93.3 | 94.0 | 93.0 | 94.3 |
| Year 9 NAPLAN Proportion of students at or above the National Minimum Standard—Numeracy | per cent | 96.3 | 94.8 | 94.6 | 95.0 | 92.2 |
| Proportion of Year 4 students reaching the international benchmarks (PIRLS) ^{3,4} —Reading | per cent | — | — | 80.0 | — | — |
| Proportion of Year 4 students reaching the international benchmarks (TIMSS) ^{4,5} —Mathematics | per cent | — | — | 75.0 | — | — |
| Proportion of Year 8 students reaching the international benchmarks (TIMSS) ^{5,6} —Mathematics | per cent | — | — | 65.0 | — | — |
| Proportion of 15-year-old students in achieving level 3 or above in PISA Reading literacy ⁷ | per cent | 66.0 | — | — | 67.0 | — |
| Proportion of 15-year-old students in achieving level 3 or above in PISA Mathematical literacy ⁷ | per cent | 64.0 | — | — | 58.0 | — |
| Higher education and skills | | | | | | |
| VET course completions | | | | | | |
| VET completions ⁸ | number | 133,400 | 152,600 | 187,500 | 238,500 | 220,200 |
| Year 12 or equivalent completion rates of young people | | | | | | |
| Year 12 or a non-school qualification at Certificate II level or above of young people 20–24 years ⁹ | per cent | 86.8 | 88.1 | 86.1 | 88.0 | 90.1 |

¹ Source: Australian Early Development Index 2009 and 2012. Data collected every three years.

² Victorian government and non-government schools.

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

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

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

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

⁷ Programme for International Student Assessment (PISA). Data collected every three years. In Australia, the national agreed baseline, as agreed in the Measurement Framework for Schooling in Australia, is Level 3. Sources: Thomson, S., De Bortoli, L., Nicholas, M., Hillman, K., Buckley, S. (2011). Challenges for Australian education: results from PISA 2009: the PISA 2009 assessment of students' reading, mathematical and scientific literacy, ACER and Thomson, S., De Bortoli, L., Buckley, S. (2013). PISA 2012: how Australia measures up: The PISA 2012 assessment of students' mathematical, scientific and reading literacy, ACER.

⁸ Government-subsidised and TAFE fee-for-service. Data rounded. Likely to be an undercount of actual completions between 2009 and 2013 due to variations in administrative practices by Victorian training organisations in identifying, recording and reporting qualification completion and variations in student intent and behaviour in completing qualifications. Source: Department of Education and Early Childhood Development internal administrative data.

⁹ Survey estimates, subject to statistical error. Source: ABS Survey of Education and Work (cat.no. 6227.0.55.003).

Engagement

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

| Indicators | Unit of measure | 2009 | 2010 | 2011 | 2012 | 2013 |
|---|-----------------|---------|---------|---------|---------|---------|
| Early childhood development | | | | | | |
| Participation in a kindergarten service in the year before school | | | | | | |
| Kindergarten participation rate for first year enrolments | per cent | 92.7 | 95.1 | 94.6 | 97.9 | 98.2 |
| Participation in Maternal and Child Health Services¹ | | | | | | |
| Home consultation | per cent | 99.8 | 100 | 100 | 100 | — |
| 12 months | per cent | 80.3 | 81.9 | 80.7 | 82.0 | — |
| 3.5 years | per cent | 63.1 | 62.8 | 64.4 | 66.5 | — |
| School education | | | | | | |
| Students with acceptable levels of school attendance² | | | | | | |
| Average rate of student attendance at Year 5 | per cent | 93 | 93 | 93 | 93 | 93 |
| Average rate of student attendance at Year 6 | per cent | 93 | 93 | 93 | 93 | 93 |
| Average rate of student attendance at Years 7–10 | per cent | 90 | 90 | 90 | 90 | 90 |
| Average rate of student attendance at Years 11–12 | per cent | 91 | 92 | 92 | 92 | 92 |
| Students with a positive opinion of their teachers providing a stimulating learning environment^{2,3} | | | | | | |
| Proportion of Year 5–6 students who agree or strongly agree that their school provides a stimulating learning environment | per cent | 55.9 | 59.2 | 60.9 | 62.7 | 63.4 |
| Proportion of Year 7–10 students who agree or strongly agree that their school provides a stimulating learning environment | per cent | 15.2 | 17.1 | 18.5 | 21.4 | 21.2 |
| Proportion of Year 11–12 students who agree or strongly agree that their school provides a stimulating learning environment | per cent | 14.4 | 16.5 | 17.5 | 20.3 | 21.1 |
| Higher education and skills | | | | | | |
| VET enrolments by age and gender⁴ | | | | | | |
| 15–19 years | number | 76,000 | 88,300 | 108,700 | 120,500 | 104,600 |
| 20–24 years | number | 59,200 | 71,400 | 87,800 | 100,900 | 96,300 |
| 25–44 years | number | 102,400 | 112,600 | 148,500 | 180,200 | 178,700 |
| 45–64 years | number | 52,900 | 60,200 | 77,100 | 96,400 | 92,900 |
| Under 15, over 64 and not stated | number | 9,200 | 6,700 | 8,100 | 11,800 | 11,800 |
| Female | number | 140,900 | 161,600 | 208,500 | 251,900 | 226,300 |
| Male | number | 157,300 | 176,400 | 220,700 | 257,200 | 257,400 |
| VET enrolments by administrative regions^{4,5} | | | | | | |
| South-western | number | 115,800 | 139,400 | 202,900 | 267,800 | 253,300 |
| North-western | number | 80,300 | 84,700 | 101,500 | 124,400 | 116,400 |
| North-eastern | number | 78,200 | 84,800 | 100,900 | 110,400 | 115,000 |
| South-eastern | number | 90,000 | 104,300 | 128,100 | 157,100 | 152,100 |

¹ Figures for the 2009–10 financial year are reported under 2009, for 2010–11 under 2010, for 2011–12 under 2011, and for 2012–13 under 2012. Results for 2013–14 were not available at the time of publication.

² Victorian government schools.

³ Derived from multiple questions. Only students who responded 'agree' or 'strongly agree' on all relevant questions are included. Other students gave mixed or opposing views. Source: Department of Education and Early Childhood Development Attitudes to School Survey.

⁴ Government-subsidised places. Data rounded. Source: Department of Education and Early Childhood Development internal administrative data.

⁵ As some students are enrolled in more than one administrative region, enrolments by administrative region should not be summed as this will result in double counting.

Wellbeing

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

| Indicators | Unit of measure | 2009 | 2010 | 2011 | 2012 | 2013 |
|---|-----------------|------|------|------|------|------|
| Early childhood development | | | | | | |
| Children developmentally 'on track' on the Australian Early Development Index social competence and emotional maturity domains¹ | | | | | | |
| Children developmentally 'on track' on the Australian Early Development Index social competence domain | per cent | 77.6 | — | — | 78.6 | — |
| Children developmentally 'on track' on the Australian Early Development Index emotional maturity domain | per cent | 77.3 | — | — | 79.3 | — |
| School education² | | | | | | |
| Students feeling connected to their school | | | | | | |
| Proportion of Year 5–6 students who agree or strongly agree that they feel connected to their school | per cent | 60.0 | 62.9 | 64.9 | 66.1 | 66.6 |
| Proportion of Year 7–10 students who agree or strongly agree that they feel connected to their school | per cent | 27.4 | 29.0 | 31.2 | 33.8 | 33.6 |
| Proportion of Year 11–12 students who agree or strongly agree that they feel connected to their school | per cent | 22.2 | 23.9 | 24.8 | 27.2 | 27.8 |
| Students with a positive opinion about their school providing a safe and orderly environment for learning | | | | | | |
| Proportion of Year 5–6 students who agree or strongly agree that their school is 'safe' | per cent | 56.7 | 61.0 | 63.9 | 63.8 | 63.6 |
| Proportion of Year 7–10 students who agree or strongly agree that their school is 'safe' | per cent | 51.6 | 55.3 | 58.1 | 59.1 | 58.8 |
| Proportion of Year 11–12 students who agree or strongly agree that their school is 'safe' | per cent | 58.7 | 61.7 | 63.9 | 65.5 | 65.7 |
| Proportion of Year 5–6 students who agree or strongly agree that other students are disruptive in class | per cent | 16.5 | 15.0 | 13.5 | 14.2 | 14.4 |
| Proportion of Year 7–10 students who agree or strongly agree that other students are disruptive in class | per cent | 28.1 | 27.4 | 26.2 | 26.5 | 26.5 |
| Proportion of Year 11–12 students who agree or strongly agree that other students are disruptive in class | per cent | 20.8 | 20.3 | 18.8 | 18.7 | 18.0 |
| Higher education and skills | | | | | | |
| Level of student satisfaction with VET | | | | | | |
| Proportion of graduates satisfied with the overall quality of training ³ | per cent | 87.9 | 86.2 | 87.8 | 87.6 | 85.4 |

¹ Source: Australian Early Development Index 2009 and 2012. Data collection for the index is undertaken every three years.

² Victorian government schools. Derived from multiple questions. Only students who responded 'agree' or 'strongly agree' on all relevant questions are included. Other students gave mixed or opposing views. Source: Department of Education and Early Childhood Development Attitudes to School Survey.

³ Survey estimates, subject to statistical error. Source: Student Outcomes Survey, National Centre for Vocational Education Research 2012, Australian VET statistics: student outcomes 2012 (item 2572).

Productivity

Increase the economic and social return on expenditure on the Department of Education and Early Childhood Development's services.

The following table reports progress against the *Productivity* indicators in the 2013–14 State Budget Paper No. 3 *Service Delivery*. In 2014–15 State Budget Paper No. 3 *Service Delivery*, these indicators have been moved to the *Engagement* objective, where they more appropriately sit.

| Indicators | Unit of measure | 2009 | 2010 | 2011 | 2012 | 2013 |
|---|-----------------|--------|---------|---------|---------|---------|
| Higher education and skills | | | | | | |
| Enrolments by skills-shortage category courses¹ | | | | | | |
| Government-subsidised enrolments in skills shortage occupations | number | 91,200 | 105,300 | 127,600 | 151,800 | 154,300 |
| Enrolments by specialised category courses | | | | | | |
| Government-subsidised enrolments in specialist occupations | number | 58,800 | 64,200 | 71,100 | 79,500 | 90,300 |

The following table reports unit costs, fulfilling the commitment the Department made in the *Department of Education and Early Childhood Development Annual Report 2012–13*.

| Indicators | Unit of measure | 2009 | 2010 | 2011 | 2012 | 2013 |
|--|--------------------|-----------|-----------|-----------|------------------|-------------------|
| Early childhood development² | | | | | | |
| Dollar per child aged 0 to 3 years receiving a maternal and child health service per financial year³ | | | | | | |
| Minimum funding available to every child (provides 6.75 hours of maternal and child health service for each child aged 0 to 3 years) ⁴ | \$ per child | \$529.7 | \$543.2 | \$560.3 | \$605.9 | \$618.0 |
| Dollar per kindergarten student per financial year in the year prior to school^{3,5} | | | | | | |
| Minimum funding available to the majority of children (approximately 94 per cent in 2013) who access a kindergarten program in the year prior to school ⁶ | \$ per child | \$1,904.0 | \$1,826.0 | \$1,883.0 | \$2,001.0 | \$2,061.0 |
| School Education—Primary | | | | | | |
| Dollar per primary school student per financial year^{3,7,8} | | | | | | |
| Victorian government real recurrent expenditure (including User Cost of Capital) per FTE student in primary schools (2011–12 dollars) | \$ per FTE student | 11,725.8 | 11,629.3 | 11,763.0 | n/a ⁹ | n/a ¹⁰ |
| School Education—Secondary | | | | | | |
| Dollar per secondary school student per financial year^{3,7,8} | | | | | | |
| Victorian government real recurrent expenditure (including User Cost of Capital) per FTE student in secondary schools (2011–12 dollars) | \$ per FTE student | 15,009.7 | 14,896.1 | 15,032.0 | n/a ⁹ | n/a ¹⁰ |
| Higher education and skills | | | | | | |
| Dollar per VET student contact hour per calendar year^{3,8} | | | | | | |
| Victorian government real recurrent expenditure per annual hour (2012 dollars) | \$ per hour | 12.6 | 11.7 | 11.3 | 10.6 | n/a ¹⁰ |

¹ Data rounded. Source: Department of Education and Early Childhood Development internal administrative data.

² Reflects the Victorian Government expenditure on early childhood services available to all children (that is, universal expenditure) and does not include the significant resourcing provided to deliver a range of targeted services for specific cohorts of children.

³ Figures for the 2009–10 financial year are reported under 2009, 2010–11 under 2010, 2011–12 under 2011, and 2012–13 under 2012.

⁴ Additional loadings are also made available to children living in rural or low socioeconomic areas. Additional resourcing of the delivery of this service is provided through matched local government funding.

⁵ Reflects the standard per capita rate at the end of the relevant financial year.

⁶ A small proportion of children (approximately six per cent in 2013) who access a kindergarten program in a non-government school receive less (between \$503 and \$1,633 in 2013). Additional loadings are provided for children based on characteristics including living in a rural area, Aboriginal or Torres Strait Islander status, or being holders of health care or pension cards or refugee or humanitarian visas. Additional resourcing of the delivery of program is provided through parental fees and service fundraising.

⁷ Victorian government and non-government schools.

⁸ Source: Productivity Commission Report on Government Services 2014, Tables 3A.51, 4A.12 and 5A.19

⁹ Figures for School Education—Primary and School Education—Secondary not available for 2012.

¹⁰ Reports on Government Services are published in January each year; 2013 results not available at time of publication.

Performance against output performance measures

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

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

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

Strategy, Review and Regulation

The Strategy, Review and Regulation output group develops, plans and monitors strategic policy settings across all stages of learning. It also includes intergovernmental negotiations as well as research, data and performance evaluations. This output group also supports regulation that ensures quality education and training is delivered and contributes to all the Department's objectives of *Achievement, Engagement, Wellbeing and Productivity*.

| Performance measures | Unit of measure | 2013–14 Target | 2013–14 Actual |
|---|-----------------|----------------|----------------|
| Quality | | | |
| Stakeholder satisfaction with the Victorian Registration and Qualifications Authority and its services | per cent | 60 | 73 |
| <i>This performance measure relates to the 2013 calendar year. The 2013–14 Actual is higher than the 2013–14 Target due to the success of Victorian Registration and Qualifications Authority business improvement initiatives.</i> | | | |
| Quantity | | | |
| Participants benefiting from initiatives to increase the supply of trained/qualified teachers | number | 640 | 652 |
| Cost | | | |
| Total output cost | \$ million | 99.9 | 88.4 |
| <i>The 2013–14 Actual is lower than the 2013–14 Target primarily due to the delay of various projects.</i> | | | |

Early Childhood Development

The Early Childhood Development output group provides funding for a range of services that support children in the early years, including kindergarten and children's services, maternal and child health, and early intervention services for children with a disability. These outputs make a significant contribution to the Government's key outcomes in early childhood services. This group and its outputs contribute towards providing and improving services to support all the Department's objectives of *Achievement, Engagement, Wellbeing and Productivity*.

| Performance measures | Unit of measure | 2013–14 Target | 2013–14 Actual |
|---|-----------------|----------------|----------------|
| Quality | | | |
| Families who are satisfied with the Early Childhood Intervention Services provided | per cent | 90 | 90 |
| <i>The 2013–14 Actual was not available at the time of publication so the figure given is the Expected Outcome published in 2014–15 State Budget Paper No.3 Service Delivery.</i> | | | |
| Funded kindergarten services assessed under the National Quality Framework that have a quality assurance process | per cent | 100 | 100 |
| <i>This performance measure relates to the 2013 calendar year.</i> | | | |

| Performance measures | Unit of measure | 2013–14 Target | 2013–14 Actual |
|--|-----------------|----------------|----------------|
| Quantity | | | |
| Children funded to participate in kindergarten <i>This performance measure includes second-year participants.</i> | number | 71,000 | 73,933 |
| Kindergarten participation rate <i>This performance measure relates to the 2013 calendar year. This performance measure excludes second-year participants.</i> | per cent | 95 | 98.2 |
| Maternal and child health clients with children aged 0 to 1 year receiving enhanced maternal and child health services <i>The 2013–14 Actual was not available at the time of publication so the figure given is the Expected Outcome published in 2014–15 State Budget Paper No.3 Service Delivery. The 2013–14 Actual is expected to be higher than the 2013–14 Target due to municipal councils providing services above the funded target cohort of 10 per cent of the population of families with a child aged 0 to 1 years.</i> | per cent | 10 | 15 |
| Number of Early Childhood Intervention Service places and packages funded annually <i>The 2013–14 Actual was not available at the time of publication so the figure given is the Expected Outcome published in 2014–15 State Budget Paper No.3 Service Delivery.</i> | number | 11,258 | 11,258 |
| Total number of Maternal and Child Health Service clients (aged 0 to 1 year) <i>The 2013–14 Actual was not available at the time of publication so the figure given is the Expected Outcome published in 2014–15 State Budget Paper No.3 Service Delivery.</i> | number | 73,000 | 73,000 |
| Total number of children receiving Early Childhood Intervention Services <i>The 2013–14 Actual was not available at the time of publication so the figure given is the Expected Outcome published in 2014–15 State Budget Paper No.3 Service Delivery. The 2013–14 Actual is expected to be higher than the 2013–14 Target due to additional funding and continued growth in the number of children receiving Early Childhood Intervention Services.</i> | number | 14,000 | 14,628 |
| Timeliness | | | |
| Children aged 0 to 1 month enrolled at maternal and child health services from birth notifications <i>The 2013–14 Actual was not available at the time of publication so the figure given is the Expected Outcome published in 2014–15 State Budget Paper No.3 Service Delivery.</i> | per cent | 98.5 | 99 |
| Cost | | | |
| Total output cost <i>The 2013–14 Actual is lower than the 2013–14 Target primarily due to lower-than-expected Commonwealth receipts for the Universal Access program.</i> | \$ million | 543 | 513.9 |

School Education

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

School Education—Primary

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

Except where indicated, these performance measures relate to:

- the 2013 calendar year rather than the 2013–14 financial year
- government and non-government schools.

| Performance measures | Unit of measure | 2013–14 Target | 2013–14 Actual |
|---|-----------------|----------------|----------------|
| Quality | | | |
| Parent satisfaction with primary schooling on a 100-point scale | 100-point scale | 81 | 82 |
| <i>This performance measure relates to government schools.</i> | | | |
| Percentage of Indigenous students meeting the national minimum standard for numeracy in Year 3 (National Assessment Program Literacy and Numeracy—NAPLAN testing) | per cent | 89.4 | 88.7 |
| <i>NAPLAN results are subject to measurement error and, when interpreting results, a 95 per cent confidence interval of up to ± 4 percentage points needs to be considered.</i> | | | |
| Percentage of Indigenous students meeting the national minimum standard for numeracy in Year 5 (NAPLAN testing) | per cent | 83.9 | 85.6 |
| <i>NAPLAN results are subject to measurement error and, when interpreting results, a 95 per cent confidence interval of up to ± 4 percentage points needs to be considered.</i> | | | |
| Percentage of Indigenous students meeting the national minimum standard for reading in Year 3 (NAPLAN testing) | per cent | 87.8 | 87.5 |
| <i>NAPLAN results are subject to measurement error and, when interpreting results, a 95 per cent confidence interval of up to ± 4 percentage points needs to be considered.</i> | | | |
| Percentage of Indigenous students meeting the national minimum standard for reading in Year 5 (NAPLAN testing) | per cent | 83.9 | 91.4 |
| <i>The 2013–14 Actual is higher than the 2013–14 Target, which can be attributed to the focus on literacy state wide and the availability of online resources and professional development.</i> | | | |
| <i>NAPLAN results are subject to measurement error and, when interpreting results, a 95 per cent confidence interval of up to ± 4 percentage points needs to be considered.</i> | | | |
| Percentage of students meeting the national minimum standard for numeracy in Year 3 (NAPLAN testing) | per cent | 95 | 96.2 |
| <i>NAPLAN results are subject to measurement error and, when interpreting results, a 95 per cent confidence interval of up to ± 1 percentage point needs to be considered.</i> | | | |
| Percentage of students meeting the national minimum standard for numeracy in Year 5 (NAPLAN testing) | per cent | 95 | 94.4 |
| <i>NAPLAN results are subject to measurement error and, when interpreting results, a 95 per cent confidence interval of up to ± 1 percentage point needs to be considered.</i> | | | |
| Percentage of students meeting the national minimum standard for reading in Year 3 (NAPLAN testing) | per cent | 95 | 96 |
| <i>NAPLAN results are subject to measurement error and, when interpreting results, a 95 per cent confidence interval of up to ± 1 percentage point needs to be considered.</i> | | | |
| Percentage of students meeting the national minimum standard for reading in Year 5 (NAPLAN testing) | per cent | 94 | 96.5 |
| <i>NAPLAN results are subject to measurement error and, when interpreting results, a 95 per cent confidence interval of up to ± 1 percentage point needs to be considered.</i> | | | |
| Years 5–6 students' opinion of their connectedness with the school | number (1–5) | 4.3 | 4.4 |
| <i>This performance measure refers to government schools.</i> | | | |
| <i>Data is from the Attitudes to School Survey, where a higher score represents a higher level of connectedness.</i> | | | |

| Performance measures | Unit of measure | 2013–14 Target | 2013–14 Actual |
|--|-----------------|----------------|----------------|
| Quantity | | | |
| Average Prep–Year 2 class size | number | 21 | 20.8 |
| <i>This performance measure relates to government schools. Class size data based on the February school census.</i> | | | |
| Average rate of student attendance at Year 5 | per cent | 94 | 93 |
| <i>This performance measure relates to government schools. The attendance rate covers all absences, including those due to illness and approved family holidays.</i> | | | |
| Average rate of student attendance at Year 6 | per cent | 94 | 93 |
| <i>This performance measure relates to government schools. The attendance rate covers all absences, including those due to illness and approved family holidays.</i> | | | |
| Investment in non-government schools (primary) | \$ million | 320.5 | 324.7 |
| <i>This performance measure relates to the financial year.</i> | | | |
| Number of Assistant Principals, aspiring leaders and leadership teams participating in leadership development programs | number | 700 | 949 |
| <i>This performance measure relates to government schools. The 2013–14 Actual is higher than the 2013–14 Target due to an increase in the number of courses provided and delivery from a dedicated facility, reducing venue hire costs.</i> | | | |
| Number of Principals participating in statewide, centrally funded leadership development programs | number | 350 | 380 |
| <i>This performance measure relates to government schools. The 2013–14 Actual is higher than the 2013–14 Target due to an increase in the number of courses provided and delivery from a dedicated facility reducing venue hire costs.</i> | | | |
| Statewide computer to student ratio: primary | ratio | 1:2.5 | 1:1.72 |
| <i>This performance measure relates to government schools. The 2013–14 Actual is lower (better) than the 2013–14 Target due to the flow-through effects of the timing of school purchases with State information and communications technology funding programs and local schools funding initiatives.</i> | | | |
| Cost | | | |
| Total output cost | \$ million | 4,072.7 | 4,143.4 |
| <i>This performance measure relates to the financial year.</i> | | | |

School Education—Secondary

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

Except where indicated, these performance measures relate to:

- the 2013 calendar year rather than the 2013–14 financial year
- government and non-government schools.

| Performance measures | Unit of measure | 2013–14 Target | 2013–14 Actual |
|--|-----------------|----------------|----------------|
| Quality | | | |
| Average rate of student attendance in Years 11 and 12 | per cent | 91 | 92 |
| <i>This performance measure relates to government schools.</i> | | | |
| Average rate of student attendance in Years 7–10 | per cent | 91 | 90 |
| <i>This performance measure relates to government schools. The attendance rate covers all absences, including those due to illness and approved family holidays.</i> | | | |

| Performance measures | Unit of measure | 2013–14 Target | 2013–14 Actual |
|--|-----------------|----------------|----------------|
| Enrolments in units of accredited vocational programs in schools as a proportion of total VCE unit enrolments in schools | per cent | 8.6 | 9 |
| Median VCE study score <i>This performance measure relates to government schools.</i> | number | 29 | 29 |
| Parent satisfaction with secondary schooling on a 100-point scale <i>This performance measure relates to government schools.</i> | 100-point scale | 73 | 75 |
| Percentage of Indigenous students meeting the national minimum standard for numeracy in Year 7 (NAPLAN testing) <i>NAPLAN results are subject to measurement error and, when interpreting results, a 95 per cent confidence interval of up to ±4 percentage points needs to be considered.</i> | per cent | 85.5 | 86.1 |
| Percentage of Indigenous students meeting the national minimum standard for numeracy in Year 9 (NAPLAN testing) <i>NAPLAN results are subject to measurement error and, when interpreting results, a 95 per cent confidence interval of up to ±4 percentage points needs to be considered.</i> | per cent | 80.6 | 75.8 |
| Percentage of Indigenous students meeting the national minimum standard for reading in Year 7 (NAPLAN testing) <i>NAPLAN results are subject to measurement error and, when interpreting results, a 95 per cent confidence interval of up to ±4 percentage points needs to be considered.</i> | per cent | 86.9 | 86.2 |
| Percentage of Indigenous students meeting the national minimum standard for reading in Year 9 (NAPLAN testing) <i>NAPLAN results are subject to measurement error and, when interpreting results, a 95 per cent confidence interval of up to ±4 percentage points needs to be considered.</i> | per cent | 81.9 | 84 |
| Percentage of Victorian Certificates of Applied Learning satisfactorily completed by school students <i>The 2013–14 Actual is higher than the 2013–14 Target due to improvements in the quality of provision in Victorian Certificate of Applied Learning for a senior secondary certificate.</i> | per cent | 75 | 78.9 |
| Percentage of Year 9 students reaching the top two bands (Bands 9 and 10) in NAPLAN numeracy <i>NAPLAN results are subject to measurement error and, when interpreting results, a 95 per cent confidence interval of up to ±1 percentage point needs to be considered. The scale for each domain is divided into ten bands to cover the full range of student achievement in the tests. The bands map the increasing complexity of the skills assessed by NAPLAN. Students in Year 9 are assessed between Bands 5 and 10.</i> | per cent | 24 | 25.2 |
| Percentage of Year 9 students reaching the top two Bands (Bands 9 and 10) in NAPLAN reading <i>NAPLAN results are subject to measurement error and, when interpreting results, a 95 per cent confidence interval of up to ±1 percentage point needs to be considered. The scale for each domain is divided into ten bands to cover the full range of student achievement in the tests. The bands map the increasing complexity of the skills assessed by NAPLAN. Students in Year 9 are assessed between Bands 5 and 10.</i> | per cent | 20.4 | 20.7 |
| Percentage of school leavers completing a VCE VET certificate program in a school progressing to further education, training or work | per cent | 91.6 | 95.6 |
| Percentage of school leavers completing an Intermediate or Senior Victorian Certificate of Applied Learning in a school progressing to further education, training or work | per cent | 82.9 | 85.1 |
| Percentage of students meeting the national minimum standard for numeracy in Year 7 (NAPLAN testing) <i>NAPLAN results are subject to measurement error and, when interpreting results, a 95 per cent confidence interval of up to ±1 percentage point needs to be considered.</i> | per cent | 95 | 95.7 |

| Performance measures | Unit of measure | 2013–14 Target | 2013–14 Actual |
|--|-----------------|----------------|----------------|
| Percentage of students meeting the national minimum standard for numeracy in Year 9 (NAPLAN testing) | per cent | 94 | 92.2 |
| <i>NAPLAN results are subject to measurement error and, when interpreting results, a 95 per cent confidence interval of up to ±1 percentage point needs to be considered.</i> | | | |
| Percentage of students meeting the national minimum standard for reading in Year 7 (NAPLAN testing) | per cent | 95 | 95.6 |
| <i>NAPLAN results are subject to measurement error and, when interpreting results, a 95 per cent confidence interval of up to ±1 percentage point needs to be considered.</i> | | | |
| Percentage of students meeting the national minimum standard for reading in Year 9 (NAPLAN testing) | per cent | 93 | 94.3 |
| <i>NAPLAN results are subject to measurement error and, when interpreting results, a 95 per cent confidence interval of up to ±1 percentage point needs to be considered.</i> | | | |
| Statewide rate of transition from Year 10 to Year 11 | per cent | 97 | 98.2 |
| <i>Data based on the February school census. This performance measure relates to government schools.</i> | | | |
| Years 7–9 students' opinion of their connectedness with the school | number (1–5) | 3.6 | 3.7 |
| <i>This performance measure relates to government schools. Data is from the Attitudes to School Survey, where a higher score represents a higher level of connectedness.</i> | | | |
| Quantity | | | |
| Investment in non-government schools (secondary) | \$ million | 337.2 | 339.3 |
| <i>This performance measure relates to the financial year.</i> | | | |
| Number of certificate enrolments in accredited vocational programs in schools | number | 50,000 | 57,028 |
| <i>The 2013–14 Actual is higher than the 2013–14 Target due to higher-than-expected demand.</i> | | | |
| Number of school students enrolled in Victorian Certificate of Applied Learning | number | 15,900 | 17,373 |
| <i>The 2013–14 Actual is higher than the 2013–14 Target due to higher-than-expected demand.</i> | | | |
| Number of school students participating in accredited vocational programs | number | 39,000 | 44,859 |
| <i>The 2013–14 Actual is higher than the 2013–14 Target due to higher-than-expected demand.</i> | | | |
| Number of school students satisfactorily completing at least one Victorian Certificate of Applied Learning certificate | number | 9,200 | 10,157 |
| <i>The 2013–14 Actual is higher than the 2013–14 Target due to an increasing number of students undertaking and completing a Victorian Certificate of Applied Learning at Intermediate and Senior levels as it becomes more established as an alternative qualification to the VCE.</i> | | | |
| Number of school-based apprentices/trainees | number | 4,500 | 3,566 |
| <i>The 2013–14 Actual is lower than the 2013–14 Target due to lower demand for some traineeships reflecting funding prioritisation into apprenticeships and traineeships of a higher public value.</i> | | | |
| Statewide computer to student ratio: secondary | ratio | 1:1.5 | 1:1.04 |
| <i>This performance measure relates to government schools. The 2013–14 Actual is lower (better) than the 2013–14 Target due to the flow-through effects of the timing of school purchases with State information and communications technology funding programs and local schools funding initiatives.</i> | | | |
| Cost | | | |
| Total output cost | \$ million | 3,507.7 | 3,513.4 |
| <i>This measure relates to the financial year</i> | | | |

Higher Education and Skills

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

Except where indicated, these performance measures relate to the 2013 calendar year rather than the 2013–14 financial year.

| Performance measures | Unit of measure | 2013–14 Target | 2013–14 Actual |
|--|------------------|----------------|----------------|
| Quality | | | |
| Participation rate of 15–24 year olds in training and further education in Victoria | per cent | 36.6 | 33.2 |
| <p><i>The 2013–14 Actual is lower than the 2013–14 Target because the target was based on 2012–13 delivery. The significant growth in government-subsidised training activity up to 2012–13 was not always in areas of industry and economic need. In response, the Refocusing Vocational Training in Victoria reform package was introduced to rebalance public investment to better target areas of greatest public benefit and future jobs growth. In 2014–15 Budget Paper No.3 Service Delivery, this performance measure has been moved from quality to quantity to better reflect the nature of the measure.</i></p> | | | |
| Participation rate of 25–64 year olds in training and further education in Victoria | per cent | 12.8 | 12.3 |
| <p><i>The 2013–14 Actual is lower than the 2013–14 Target because the target was based on 2012–13 delivery. The significant growth in government-subsidised training activity up to 2012–13 was not always in areas of industry and economic need. In response, the Refocusing Vocational Training in Victoria reform package was introduced to rebalance public investment to better target areas of greatest public benefit and future jobs growth. In 2014–15 Budget Paper No.3 Service Delivery, this performance measure has been moved from quality to quantity to better reflect the nature of the measure.</i></p> | | | |
| Percentage of VET graduates who rate quality of training as four or more out of five | per cent | 88.5 | 85.4 |
| <p><i>The 2013–14 Actual is lower than the 2013–14 Target as the measure is sourced from a relatively small sample of VET graduates, which may have affected the result.</i></p> | | | |
| Successful training completions as measured by module load completion rate | per cent | 83.5 | 82.4 |
| <p><i>The 2013–14 Actual is lower than the 2013–14 Target due to a decrease in the module load completion rate by students who were not in the workforce.</i></p> | | | |
| VET graduates in employment six months following graduation | per cent | 78.5 | 77.6 |
| <p><i>The variation between the 2013–14 Actual and the 2013–14 Target is not statistically significant due to survey 95 per cent confidence intervals of ± 1.7 percentage points.</i></p> | | | |
| Quantity | | | |
| Annual government-funded module enrolments | number (million) | 5.8 | 5.6 |
| <p><i>The 2013–14 Actual is lower than the 2013–14 Target because the target was based on 2012–13 delivery when there was high demand for training.</i></p> | | | |
| Government-funded student contact hours of training and further education provided | number (million) | 189 | 183 |
| <p><i>The 2013–14 Actual is lower than the 2013–14 Target because the target was based on 2012–13 delivery when there was high demand for training.</i></p> | | | |
| Number of apprenticeship/traineeship commencements by new employees | number | 51,000 | 41,725 |
| <p><i>This performance measure relates to the financial year.</i> <i>The 2013–14 Actual is lower than the 2013–14 Target due to changes to Commonwealth government incentives, as well as changes to Victorian subsidy arrangements for traineeship courses which were introduced to rebalance public investment to better target areas of greatest public benefit and future jobs growth.</i></p> | | | |

| Performance measures | Unit of measure | 2013–14 Target | 2013–14 Actual |
|---|-----------------|----------------|----------------|
| Number of apprenticeships/trainees who qualify for the completion bonus | number | 7,000 | 6,268 |
| <i>This performance measure relates to the financial year.</i> <i>The 2013–14 Actual is lower than the 2013–14 Target because it continues to reflect the higher number of eligible apprentices and trainees who completed their apprenticeships or traineeships ahead of time in 2011–12. This initiative is being phased out and only applies to apprentices and trainees who commenced prior to July 2011.</i> | | | |
| Number of government-funded course enrolments in qualifications at diploma level or above | number | 94,000 | 68,000 |
| <i>The 2013–14 Actual is lower than the 2013–14 Target because the target was based on 2012–13 performance data which did not include variations in demand following the Commonwealth Government's implementation of a demand-driven system for public universities in 2012. This policy change uncapped the number of undergraduate Commonwealth-supported places public universities were able to offer, providing students with greater choice between a VET or a higher education course, leading to an increase in enrolments in Bachelor courses and a decrease in enrolments in VET Diploma courses.</i> | | | |
| Number of pre-accredited module enrolments government-funded through the Adult Community and Further Education (ACFE) Board—Adult Community Education organisations and Adult Education Institutes | number | 33,000 | 45,256 |
| <i>The 2013–14 Actual is higher than the 2013–14 Target due to the allocation of additional funds to pre-accredited training during this period and delivery of shorter courses to better reflect the intent of pre-accredited delivery.</i> | | | |
| Cost | | | |
| Total output cost | \$ million | 2,268.2 | 2,406.6 |
| <i>This performance measure relates to the financial year.</i> <i>The 2013–14 Actual is higher than the 2013–14 Target primarily due to additional funding associated with the Victorian Training Guarantee. This has been partially offset by the deconsolidation of the dual-sector TAFEs from the general government sector as a result of the passage of the Education and Training Reform Amendment (Dual Sector Universities) Act 2013.</i> | | | |

Support Services Delivery

The Support Services Delivery output group covers the Department's Regional Services Group (the former Regional Support Group) and provides student welfare and support, the Education Maintenance Allowance, student transport (excluding transport for special needs students) and health services. This output group contributes towards providing and improving services to support all the Department's objectives of *Achievement, Engagement, Wellbeing and Productivity*.

Except where indicated, these performance measures relate to the 2013 calendar year rather than the 2013–14 financial year.

| Performance measures | Unit of measure | 2013–14 Target | 2013–14 Actual |
|--|-----------------|----------------|----------------|
| Quality | | | |
| School satisfaction with student support services | per cent | 80 | 90.5 |
| <i>This performance measure relates to government schools.</i> <i>The 2013–14 Actual is higher than the 2013–14 Target due to the impact of the Safe and Caring Schools policy on the Student Support Services program during the period of the school surveys.</i> | | | |
| Quantity | | | |
| Investment in student transport (excludes special need students) | \$ million | 45.4 | 43.8 |
| <i>This performance measure relates to the financial year.</i> <i>This performance measure includes government and non-government schools.</i> | | | |
| Investment in student welfare and support | \$ million | 210.6 | 210.9 |
| <i>This performance measure relates to the financial year.</i> <i>This performance measure includes government and non-government schools.</i> | | | |

| Performance measures | Unit of measure | 2013–14 Target | 2013–14 Actual |
|--|-----------------|----------------|----------------|
| Prep-aged students assessed by school nurses | number | 57,500 | 63,955 |
| <i>This performance measure includes government and non-government schools. The 2013–14 Actual is higher than the 2013–14 Target due to an increase in population and Prep enrolments.</i> | | | |
| Provision of Education Maintenance Allowance | \$ million | 41.2 | 38.0 |
| <i>This performance measure relates to the financial year. The 2013–14 Actual is lower than 2013–14 Target due to a lower-than-expected number of parents qualifying for a Centrelink concession card and consequently being eligible for the Education Maintenance Allowance. This number varies from year to year and is driven by various external factors such as the unemployment rate, the economic climate, and Centrelink's concession card eligibility policies.</i> | | | |
| School students (government) supported by conveyance allowance | number | 10,500 | 10,770 |
| School students (non-government) supported by conveyance allowance | number | 33,000 | 32,580 |
| <i>The 2013–14 Actual is lower than the 2013–14 Target due to the introduction of an online application system which has enabled greater accuracy in determining the number of eligible students.</i> | | | |
| Schools allocated a nurse through the Secondary School Nursing Program | number | 193 | 197 |
| <i>This performance measure relates to government schools.</i> | | | |
| Schools funded for primary welfare officers | number | 807 | 804 |
| <i>This performance measure relates to government schools. This performance measure for 2013–14 relates to the 2014 calendar year. The target is based on an estimate of the number of schools eligible for funding for primary welfare officers. The lower 2013–14 Actual is due to school closures and mergers which could not be known at the time the target was set.</i> | | | |
| Cost | | | |
| Total output cost | \$ million | 297.2 | 292.8 |
| <i>This performance measure relates to the financial year.</i> | | | |

Support for Students with Disabilities

The Support for Students with Disabilities output group covers the Program for Students with Disabilities, transport for special needs students and welfare and support services for students with special needs. This output group contributes towards providing and improving services to support all the Department's objectives of *Achievement, Engagement, Wellbeing and Productivity*.

Except where indicated, these performance measures relate to the 2013 calendar year rather than the 2013–14 financial year. These performance measures relate to government schools.

| Performance measures | Unit of measure | 2013–14 Target | 2013–14 Actual |
|---|-----------------|----------------|----------------|
| Quality | | | |
| Parent satisfaction with special education on a 100-point scale | 100-point scale | 85 | 85 |
| Quantity | | | |
| Eligible special school students provided with appropriate travel | number | 8,300 | 8,182 |
| <i>The 2013–14 Target was based on the expectation that additional services would be provided to service a new specialist school. The 2013–14 Actual is lower due to a number of factors including the delay in opening a new specialist school and parental choice of transport.</i> | | | |
| Students funded under the disabilities program in government schools as a proportion of the total student population | per cent | 4 | 4 |
| Cost | | | |
| Total output cost | \$ million | 773.6 | 777.3 |
| <i>This performance measure relates to the financial year.</i> | | | |

Discontinued operation

There were no discontinued operations under the Department's output structure.

Other activities and initiatives

Up-to-date information on the Department's activities and initiatives is available at www.education.vic.gov.au/about/programs.

The Department's strategic directions and most recent strategic plan are available at www.education.vic.gov.au/about/department.

Five-year financial summary

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

Other agencies within the portfolio report separately and therefore their results are not included within the controlled financial transactions of the Department. These entities include the Adult, Community and Further Education Board, Adult Migrant English Services, the Victorian Curriculum and Assessment Authority, the Victorian Institute of Teaching, the Victorian Registration and Qualifications Authority, the Victorian Skills Commission (wound up 31 December 2012) and TAFE institutes.

Table 3 provides information on the Department's financial result for the financial year just completed and comparative information for the preceding four financial years.

Table 3—Five-year financial summary

| | 2013–14 \$m | 2012–13 ¹ \$m | 2011–12 \$m | 2010–11 ² \$m | 2009–10 \$m |
|---|-----------------|-----------------------------|-----------------|-----------------------------|-----------------|
| Operating revenue | | | | | |
| Revenue from State Government | 10,517.1 | 10,382.3 | 10,216.9 | 8,877.6 | 7,522.1 |
| Other revenue | 749.9 | 734.8 | 676.3 | 671.9 | 705.4 |
| Total income from transactions | 11,267.0 | 11,117.0 | 10,893.2 | 9,549.5 | 8,227.5 |
| Total expenses from transactions | 11,091.1 | 11,028.1 | 10,990.7 | 9,542.0 | 8,204.6 |
| Net result from transactions | 176.0 | 88.9 | (97.4) | 7.5 | 22.9 |
| Total other economic flows | (4.2) | 34.6 | (77.7) | 6.7 | (0.6) |
| Net result for period | 171.7 | 123.5 | (175.1) | 14.2 | 22.3 |
| Net cash flow from operations | 379.0 | 451.9 | 141.6 | 297.3 | 71.1 |
| Total assets | 17,053.0 | 16,348.2 | 15,839.1 | 16,197.9 | 14,476.5 |
| Total liabilities | 2,132.8 | 2,065.1 | 2,117.6 | 2,221.5 | 1,838.7 |
| Net assets | 14,920.1 | 14,283.1 | 13,721.6 | 13,976.4 | 12,637.8 |

¹ Figures for 2012–13 have been revised.

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

Current year financial review

Financial performance

The Department's net result from transactions for 2014 is a surplus of \$176.0 million, compared with a surplus of \$88.9 million in 2013. With the inclusion of the other economic flows of \$4.2 million loss, the net result for the year is a surplus of \$171.7 million, compared to a surplus of \$123.5 million in 2013.

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

The Department's growth in expenditure mainly reflects increased payroll expenditure due to the implementation of the 2013 Enterprise Bargaining Agreement for teachers.

Balance sheet

The Department's net asset base as at 30 June 2014 was \$14.9 billion, comprising total assets of \$17.1 billion and total liabilities of \$2.1 billion.

The major assets of the Department are schools property, plant and equipment; these assets represent 86 per cent (\$14.7 billion) of the total assets of the Department. In 2014, the value of the Department's property, plant and equipment increased by \$511.4 million mainly due to a building revaluation increment. This increment comes as a result of a refinement to fair value methodology in measuring economic obsolescence as required in the newly adopted AASB 13 *Fair Value Measurement*.

Liabilities of the Department consist mainly of payables and employee benefit provisions, totalling \$2.1 billion, and represents an increase of \$67.7 million during 2014, mainly as a result of an increase in provision due to a change in the discount rates used for calculating the liability and the salary increase under the teachers' Enterprise Bargaining Agreement.

Cash flows

The increase in the net cash flows from operations is due mainly to the increase in schools' third party revenue and the changes in prepayments, receivables and payables arising from the timing of cash payments and receipts against these items.

Report of operations—governance and organisational structure

Ministers

The Department supports three ministers: the Hon. Martin Dixon MP, Minister for Education, the Hon. Wendy Lovell MLC, Minister for Children and Early Childhood Development, and the Hon. Nick Wakeling MP, Minister for Higher Education and Skills.

Minister for Education

The Hon. Martin Dixon MP

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

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

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

Minister for Children and Early Childhood Development

The Hon. Wendy Lovell MLC

The Hon. Wendy Lovell MLC 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.

Minister for Higher Education and Skills

The Hon. Nick Wakeling MP

The Hon. Nick Wakeling MP has been Minister for Higher Education and Skills since 17 March 2014.

Minister Wakeling has a strong understanding of the employment and skills needs of Victorians after spending 15 years working in industrial relations.

Minister Wakeling is committed to ensuring all Victorians have access to quality higher education and skills training that will lead to employment.

His responsibilities include ensuring that the training system meets the needs of industry and employers; ensuring that funding is directed to areas of skills shortage;

and supporting apprentices, trainees and their employers. Minister Wakeling has also overseen a strong governance framework for the training sector.

The Hon. Peter Hall MLC

Minister for Higher Education and Skills and Minister responsible for the Teaching Profession (retired 17 March 2014)

The Hon. Peter Hall MLC was Minister for Higher Education and Skills and Minister responsible for the Teaching Profession from 2 December 2010 to 17 March 2014.

Senior executives

The Department is led by the Secretary who reports to the Minister for Education, the Minister for Children and Early Childhood Development, and the Minister for Higher Education and Skills.

Secretary

Mr Richard Bolt

Richard Bolt has had a diverse career in public service, policy research, public advocacy and engineering.

Prior to joining the Department, Richard was Secretary of the Department of Primary Industries (2006 to 2011) with responsibility for agriculture, energy, fisheries, mining and forestry.

During his public service career, Richard has led work on energy industry regulation, national energy market reform, carbon trading design, transport security, agriculture science and policy, and education reform. Before joining the public service, Richard's work in advocacy and research covered defence, foreign affairs, industrial relations, communications, environmental protection and consumer protection.

Richard holds a bachelor's degree in Electrical Engineering from the South Australian Institute of Technology (now the University of South Australia), a master's degree in Public Policy and Management from Monash University, and a Graduate Diploma in Company Directorship.

Executive Board

The Department is managed by an Executive Board comprising the Secretary, the head of each of the Department's six groups, and the Chief Executive Officer of the Victorian Curriculum and Assessment Authority. The Executive Board is the ultimate governance and decision-making body for the Department. It is accountable for:

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

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

Monique Dawson commenced as Deputy Secretary, People and Executive Services Group in March 2012. As Deputy Secretary, Monique's leadership and guidance encompasses human resources, communications, stakeholder engagement, cabinet, legal services, ministerial support, information management, and audit and risk.

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

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

Deputy Secretary, Infrastructure and Finance Services Group

Mr Jim Miles

Jim Miles commenced as Deputy Secretary, Infrastructure and Finance Services Group in March 2012. Prior to his appointment, Jim acted as Executive Director for the Office of Resources and Infrastructure. In both roles, Jim has been responsible for managing the Departmental budget process and financial monitoring and reporting, and for delivering large-scale financial and asset-management projects.

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

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

Deputy Secretary, Strategy and Review Group

Mr Simon Kent

Simon Kent joined the Department in April 2013 as Deputy Secretary, Strategy and Review Group. As Deputy Secretary, Simon works with colleagues throughout the Department and more widely to support a lifelong learning agenda and to improve learning and development outcomes for all Victorians. Prior to joining the Department, he was the Director, Social Policy Branch, in Victoria's Department of Premier and Cabinet.

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

Deputy Secretary, Early Childhood and School Education Group

Dr Sonia Sharp

Sonia Sharp joined the Department in August 2012 as Deputy Secretary, Early Childhood Development. She took up a new portfolio that combined the School Education and Early Childhood Development Groups in April 2013.

Building on a career within education and children's services that spans 30 years, she has worked in both urban and rural regions of the UK, having taught in Derbyshire, Leeds and Barnsley; worked as an educational psychologist in Barnsley, Lincolnshire and Buckinghamshire; and held senior leadership roles in Birmingham, Leeds, Rotherham and Sheffield. Sonia has been instrumental in driving significant reform to build an integrated approach to education from birth to young adulthood, inclusive of social services, health, and youth services, in order to improve outcomes for children and young people.

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

Sonia has published a number of books and articles and is known internationally for her work on tackling bullying in schools.

Deputy Secretary, Regional Services Group

Mr Nicholas Pole

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

Nicholas has more than 28 years' experience across the education, welfare and public sectors, and a reputation for leading and implementing reform. Prior to joining the Department, he was Deputy Secretary, Special Education and Canterbury Earthquake Recovery for the New Zealand Ministry of Education.

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

Deputy Secretary, Higher Education and Skills Group
Ms Kym Peake

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

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

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

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

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

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

John has overseen the continuing development of the Victorian Certificate of Education as a Year 12 credential of international status, the full recognition of VET within the Victorian Certificate of Education, and the implementation of the Victorian Certificate of Applied Learning as an additional vocational pathway for senior secondary students. Under his leadership, the Victorian Curriculum and Assessment Authority has considerably expanded its international work, especially increasing the number of schools who are working with international partners to offer the Victorian Certificate of Education.

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

John holds a Bachelor of Commerce and a Diploma of Education, and is a Fellow of the Australian College of Educators.

Standing subcommittees

During 2013–14, the Executive Board had five standing subcommittees:

Budget and Infrastructure Committee

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

The Committee's focus includes the Department and the statewide statutory authorities (the Adult, Community and Further Education Board, the Victorian Curriculum and Assessment Authority and the Victorian Registration and Qualifications Authority) that are primarily funded through the Department.

Early Childhood and School Education Standing Committee

During 2013–14, the Early Childhood and School Education Committee was responsible for leading and implementing learning, development and wellbeing improvement strategies for children and young people aged 0–18 years, and ensuring alignment across the Department. The committee identified projects resulting from key reform statements, coordinated the development of policy options and initiatives, and oversaw monitoring, reporting and communication with regions, schools and stakeholders.

Policy and Performance Standing Committee

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

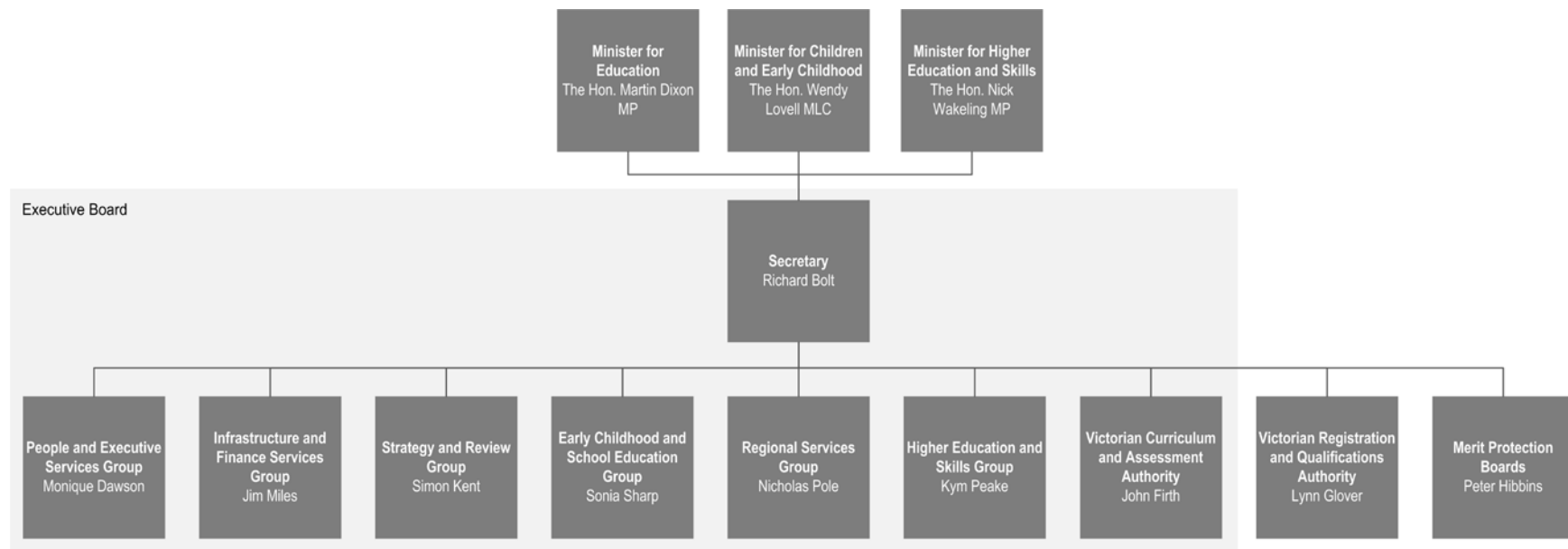
People and Culture Standing Committee

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

Service Planning and Delivery Standing Committee

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

Organisational structure



People and Executive Services Group

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

Infrastructure and Finance Services Group

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

Strategy and Review Group

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

Early Childhood and School Education Group

The Early Childhood and School Education Group focuses on the learning, development and wellbeing of children and young people aged 0–18 years. It develops and coordinates the Department's early childhood and school policy and programs to deliver high-quality education and support in government and non-government schools, maternal and child health, kindergarten and playgroup programs, Early Childhood Intervention Services, Aboriginal services, integrated children's services, and school nursing, as well as licensing and monitoring more than 4000 children's services.

The group supports the development of a high-quality workforce in government schools; facilitates parent and community engagement; and focuses on supporting the learning, wellbeing, health and engagement of all children and young people.

Regional Services Group

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

Higher Education and Skills Group

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

Portfolio Audit and Risk Committee

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

As one of the outcomes of an ongoing review of the committee's role and responsibilities, the committee's name has been changed from the Portfolio Audit Committee to the Portfolio Audit and Risk Committee. The new name will better represent the breadth of the committee's remit and the increasing profile of risk management in governance and compliance frameworks.

The committee comprises four independent members and two internal members:

Ms Fiona Bennett

Chair, independent member

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

She is a Chartered Accountant with extensive experience in commercial and financial management, governance, risk management and auditing. She has held senior executive positions at BHP Billiton Ltd and Coles Group Ltd, and has been Chief Financial Officer of several organisations in the health sector.

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

Ms Jan Begg

Independent member

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

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

Mr Stuart Gooley

Independent member

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

More recently, Stuart has been involved in school council finance and audit committees. He is currently a Board member of Trinity College at the University of Melbourne and a Director of The Stem Cell Foundation of Australia and a private manufacturing company.

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

Ms Carol Pagnon

Independent member

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

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

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

Ms Monique Dawson

Internal member

Monique Dawson's biography is on page 25.

Mr Dean Tighe

Internal member

Dean Tighe joined the Department in 2004 from the Department of Treasury and Finance and is Executive Director, Resources Strategy Division, Infrastructure and Finance Services Group with 13 staff. Dean has responsibility for embedding an integrated approach to resourcing within the Department, linking investment, savings, implementation and evaluation, and leading the infrastructure strategy for the three departmental portfolios. Dean also has responsibility for the Department's provision-planning function, developing the Department's land-acquisition and new-schools priorities.

Statutory authorities

The Department works in conjunction with the following statutory authorities:

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

Reports of the Children's Services Coordination Board, Disciplinary Appeals Boards, Merit Protection Boards and Victorian Children's Council are included as Appendix 10 of this report.

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

Financial statements

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.

Contents

| | |
|--|-----------|
| Accountable Officer's and Chief Finance Officer's declaration | 35 |
| Victorian Auditor-General's Office Independent Auditor's Report | 36 |
| Comprehensive operating statement for the financial year ended 30 June 2014 | 39 |
| Balance sheet as at 30 June 2014 | 40 |
| Statement of changes in equity for the financial year ended 30 June 2014 | 41 |
| Cash flow statement for the financial year ended 30 June 2014 | 42 |
| Notes to the financial statements | 43 |

Accountable Officer's and Chief Finance Officer's declaration

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

We further state that, in our opinion, the information set out in the comprehensive operating statement, balance sheet, statement of changes in equity, cash flow statement and accompanying notes presents fairly the financial transactions during the year ended 30 June 2014 and financial position of the Department at 30 June 2014.

Valuation of School Building Assets

The Department has adopted the fair valuations of its school buildings as determined and advised by the Valuer-General Victoria, the State's expert valuer. This includes an adjustment for economic obsolescence as required under AASB 13 *Fair Value Measurement* and is based on expected permanent excess capacity (excess floor space) in the government school system (Note 1(M)). The key valuation assumptions and judgments the Valuer-General used in calculating economic obsolescence have been determined as appropriate by the Department.

As supported by the Victorian Valuer-General and external accounting advice, the Department's economic obsolescence adjustment ensures that the value of its school buildings fairly presents the realisable economic benefit and service potential for achieving the Department's objective of delivering educational outcomes to the Victorian community. Current and forecast student enrolment data measures demand for educational services and provides information on the capacity required of the school buildings to fulfil this objective. The student enrolment data used to determine economic obsolescence is consistently applied throughout the Department for key planning, asset investment and funding decisions.

The Department, along with the Valuer-General, considers that a failure to make this adjustment for economic obsolescence would overstate the value of assets by \$1,581 million on a replacement cost basis. A school with forecast enrolments well below its built capacity provides less educational benefit than a school of the same capacity and full enrolments. In calculating fair value, the Valuer-General determines as obsolete, the permanent excess space not required to enable the Department to deliver the required educational outcomes. The Department believes a failure to adjust for this excess capacity would result in a misrepresentation of the remaining realisable education service potential of its school building assets.

A similar adjustment was made and agreed by previous Auditors General in past years since the introduction of International Financial Reporting Standards from 1 January 2005. Before AASB 13 became effective this year, fair value defined by AASB 116 *Property, Plant and Equipment* did not make specific reference to an adjustment for obsolescence. Therefore, the Department made the adjustment for obsolescence under AASB 136 *Impairment of Assets*. The 'impairment adjustment' under AASB 136 and 'revaluation increment/decrement' under AASB 13 represent a consistent notion and the accounting effects are consistent. A reclassification from 'impairment' to 'fair value' has been made as is required for comparability in these accounts (Note 1(W)). The Department has received independent external accounting advice to support this approach.

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

We authorise the attached financial statements for issue on 19 September 2014.



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



R. Bolt
Secretary
Department of Education and Early Childhood
Development

Melbourne
19 September 2014

Melbourne
19 September 2014

Victorian Auditor-General's Office Independent Auditor's Report

VAGO

Victorian Auditor-General's Office

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INDEPENDENT AUDITOR'S REPORT

To the Secretary, Department of Education and Early Childhood Development

The Financial Report

The accompanying financial report for the year ended 30 June 2014 of the Department of Education and Early Childhood Development which comprises the comprehensive operating statement, balance sheet, statement of changes in equity, cash flow statement, notes comprising a summary of significant accounting policies and other explanatory information, and the accountable officer's and chief finance officer's declaration has been audited.

The Secretary's Responsibility for the Financial Report

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

Auditor's Responsibility

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

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

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

Independence

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

Auditing in the Public Interest

Independent Auditor's Report (continued)

Basis for Qualified Opinion

As set out in Note 1(M) and the accountable officer's and chief finance officer's declaration, the Department measures the fair value of school buildings at depreciated replacement cost adjusted for economic obsolescence where there is floor space in excess of teaching requirements. Excess teaching space is solely measured based on student enrolment data.

I disagree with the appropriateness and application of this accounting policy. The Department's policy for measuring the fair value of school buildings, specifically the economic obsolescence adjustment, is not appropriate as it does not result in financial information that is relevant and reliable. It is my opinion that any adjustment to the fair value of the Department's school buildings due to economic obsolescence should be not based on student enrolment data alone.

The Department's approach to the assessment of economic obsolescence of school buildings results in the significant write down of taxpayer investments in school buildings which are continuing to deliver educational outcomes and significantly less funding for the renewal of school buildings.

The Department was also unable to provide me with sufficient appropriate audit evidence to fully support the appropriateness of some of its key valuation assumptions and judgements that it and the Victorian Valuer-General have used to adjust the fair value of school buildings due to economic obsolescence.

Consequently, the Department has not fully substantiated that the total economic obsolescence adjustment of \$1.58 billion to the carrying value of school buildings at 30 June 2014 is fairly presented. It is therefore not practicable to determine whether this adjustment to the fair value of school buildings, and consequential adjustments to the related depreciation charges, accumulated depreciation and physical asset revaluation reserve, are fairly stated.

As set out in Note 1(F) and 1(W), and the accountable officer's and chief finance officer's declaration, the Department has revised its accounting policy to measure the fair value of school buildings for 2013–14 in accordance with AASB 13 *Fair Value Measurement* and now recognises adjustments for schools having space in excess of teaching requirements as an adjustment directly to fair value. This contrasts with the Department's prior period accounting policy which recognised and measured the impairment of school buildings in accordance with AASB 136 *Impairment of Assets*.

In my opinion, the Department's reclassification of the total prior period's impairment of \$2.15 billion as a fair value adjustment in the financial statements means the comparative figures are not presented fairly in accordance with AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*, which requires the Department to correct material prior period errors retrospectively by restating the comparative amounts.

Contrary to the assertion in the accountable officer's and chief finance officer's declaration, 'similar adjustments' were not agreed in prior periods. The Department was first advised about my Office's concerns with its impairment policy in 2012. In its 2012–13 financial report, the Department committed to review its policy and method for impairing school buildings. I also expressed my concerns about the Department's approach to impairing school buildings in my November 2013 *Portfolio Departments and Associated Entities: Results of the 2012–13 Audits* report to Parliament.

Further, I disagree with the Department's assertion that economic obsolescence under AASB 13 *Fair Value Measurement* and impairment under AASB 136 *Impairment of Assets* represent a consistent notion. In my opinion, these are different accounting concepts which have different recognition and measurement requirements under their respective Australian Accounting Standards.

Independent Auditor's Report (continued)

Qualified Opinion

In my opinion, except for the effects of the matters described in the Basis for Qualified Opinion paragraphs above, 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 2014 and 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 2014 included both in the Department of Education and Early Childhood Development's annual report and on the website. The Secretary of the Department of Education and Early Childhood Development 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
2 October 2014

John Doyle
Auditor-General

Comprehensive operating statement for the financial year ended 30 June 2014

| | Note | 2014 \$m | 2013 \$m |
|--|------|-------------------|-------------------|
| Income from transactions | | | |
| Output appropriations | 6(a) | 10,516.9 | 10,375.8 |
| Special appropriations | 6(b) | 0.2 | 6.5 |
| Interest income | | 19.9 | 25.7 |
| Grants | 4(a) | 17.6 | 25.8 |
| Sales of goods and services | 4(b) | 204.7 | 168.1 |
| Other income | 4(c) | 507.6 | 515.2 |
| Total income from transactions | | 11,267.0 | 11,117.0 |
| Expenses from transactions | | | |
| Employee expenses | 4(d) | (5,177.8) | (5,043.1) |
| Depreciation and amortisation | 4(e) | (297.8) | (285.3) |
| Interest expense | | (14.2) | (14.1) |
| Grants and other expense transfers | 4(f) | (1,540.4) | (2,149.2) |
| Capital asset charge | | (1,266.3) | (1,258.1) |
| Other operating expenses | 4(g) | (2,794.6) | (2,278.4) |
| Total expenses from transactions | | (11,091.1) | (11,028.1) |
| Net result from transactions (net operating balance) | | 176.0 | 88.9 |
| Other economic flows included in net result | | | |
| Net gain/(loss) on non-financial assets | 5(a) | 7.1 | (14.7) |
| Net gain/(loss) on financial instruments | 5(b) | (1.4) | 19.6 |
| Other gains/(losses) from other economic flows | 5(c) | (9.9) | 29.7 |
| Total other economic flows included in net result | | (4.2) | 34.6 |
| Net result | | 171.7 | 123.5 |
| Other economic flows—other comprehensive income—items that will not be classified to net result | | | |
| Changes in physical asset revaluation surplus | 16 | 567.9 | 456.0 |
| Total other economic flows—other comprehensive income | | 567.9 | 456.0 |
| Comprehensive result | | 739.6 | 579.5 |

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

Balance sheet as at 30 June 2014

| | Note | 2014 \$m | 2013 \$m |
|---|------|-----------------|-----------------|
| Assets | | | |
| Financial assets | | | |
| Cash and deposits | 7 | 622.3 | 593.5 |
| Receivables | 8 | 1,363.5 | 1,210.6 |
| Other financial assets | 7 | 210.2 | 174.1 |
| Total financial assets | | 2,196.0 | 1,978.3 |
| Non-financial assets | | | |
| Non-financial physical assets classified as held for sale or distribution | 9 | 112.0 | 125.5 |
| Intangible assets | 10 | 28.8 | 43.6 |
| Property, plant and equipment | 11 | 14,697.7 | 14,186.4 |
| Prepayments | | 18.4 | 14.5 |
| Total non-financial assets | | 14,856.9 | 14,370.0 |
| Total assets | | 17,053.0 | 16,348.2 |
| Liabilities | | | |
| Payables | 12 | 644.2 | 621.9 |
| Borrowings | 13 | 191.6 | 194.8 |
| Provisions | 14 | 1,273.2 | 1,230.2 |
| Unearned income | 1(x) | 23.8 | 18.3 |
| Total liabilities | | 2,132.8 | 2,065.1 |
| Net assets | | 14,902.1 | 14,283.1 |
| Equity | | | |
| Accumulated surplus/(deficit) | | 1,381.3 | 1,209.6 |
| Physical asset revaluation surplus | 16 | 4,800.5 | 4,232.6 |
| Contributed capital | | 8,738.4 | 8,840.9 |
| Net worth | | 14,920.1 | 14,283.1 |
| 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 2014

| | Note | Physical asset revaluation surplus \$m | Accumulated surplus/ (deficit) \$m | Contributed capital \$m | Total \$m |
|--|------|--|---|-------------------------------|-----------------|
| Balance at 1 July 2012 | | 3,776.6 | 1,086.1 | 8,858.9 | 13,721.6 |
| Net result for the year | | — | 123.5 | — | 123.5 |
| Other comprehensive income for the year | | 456.0 | — | — | 456.0 |
| Capital appropriations | | — | — | 36.4 | 36.4 |
| Contributed capital transfers in | | — | — | 11.8 | 11.8 |
| Contributed capital transfers (out) | | — | — | (66.4) | (66.4) |
| Administrative restructure—net assets change | 1(e) | — | — | 0.3 | 0.3 |
| Balance at 30 June 2013 | | 4,232.6 | 1,209.6 | 8,840.9 | 14,283.1 |
| Net result for the year | | — | 171.7 | — | 171.7 |
| Other comprehensive income for the year | | 567.9 | — | — | 567.9 |
| Capital appropriations | | — | — | 78.2 | 78.2 |
| Contributed capital transfers in | | — | — | 0.2 | 0.2 |
| Contributed capital transfers (out) | | — | — | (181.0) | (181.0) |
| Balance at 30 June 2014 | | 4,800.5 | 1,381.3 | 8,738.4 | 14,920.1 |

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 2014

| | Note | 2014 \$m | 2013 \$m |
|---|------|-------------------|-------------------|
| Cash flows from operating activities | | | |
| <i>Receipts</i> | | | |
| Receipts from Government | | 10,374.1 | 10,357.5 |
| Receipts from other entities | | 738.9 | 716.7 |
| Goods and Services Tax recovered from the ATO | | 321.4 | 338.2 |
| Interest received | | 19.9 | 25.7 |
| Total receipts | | 11,454.3 | 11,438.0 |
| <i>Payments</i> | | | |
| Payments of grants and other transfers | | (1,540.4) | (2,149.2) |
| Payments to suppliers and employees | | (8,239.8) | (7,552.0) |
| Goods and Services Tax paid to the ATO | | (14.7) | (12.7) |
| Capital asset charge | | (1,266.3) | (1,258.1) |
| Interest and other costs of finance paid | | (14.2) | (14.1) |
| Total payments | | (11,075.4) | (10,986.1) |
| Net cash flows from operating activities | 22 | 379.0 | 451.9 |
| Cash flows from investing activities | | | |
| Purchases of non-financial assets | | (388.0) | (444.3) |
| Net proceeds from/(payments for) investments | 1(e) | (36.1) | 14.8 |
| Sales of plant and equipment | | 3.8 | 1.1 |
| Net cash flows from/(used in) investing activities | | (420.3) | (428.4) |
| Cash flows from financing activities | | | |
| Owner contributions received | | 78.5 | 48.5 |
| Owner contributions paid | | — | (66.4) |
| Repayment of finance leases | | (8.4) | (8.2) |
| Net cash flows from/(used in) financing activities | | 70.1 | (26.1) |
| Net increase/(decrease) in cash and deposits | | 28.7 | (2.6) |
| Cash and deposits at the beginning of the financial year | | 593.5 | 596.2 |
| Cash and deposits at the end of the financial year | 7 | 622.3 | 593.5 |

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

Notes to the financial statements

Contents

| | | |
|----------------|---|------------|
| Note 1 | Summary of significant accounting policies | 45 |
| Note 2 | Departmental (controlled) outputs | 68 |
| Note 3 | Administered (non-controlled) items | 73 |
| Note 4 | Net result from transactions (net operating balance) | 75 |
| Note 5 | Other economic flows included in net result | 77 |
| Note 6 | Summary of compliance with annual parliamentary and special appropriations | 78 |
| Note 7 | Cash and deposits/other financial assets | 79 |
| Note 8 | Receivables | 80 |
| Note 9 | Non-financial physical assets classified as held for sale or distribution | 81 |
| Note 10 | Intangible assets | 82 |
| Note 11 | Property, plant and equipment—Education purpose group | 83 |
| Note 12 | Payables | 88 |
| Note 13 | Borrowings | 89 |
| Note 14 | Provisions | 91 |
| Note 15 | Superannuation | 92 |
| Note 16 | Physical asset revaluation surplus | 93 |
| Note 17 | Financial instruments | 93 |
| Note 18 | Ministers and accountable officers (Responsible persons) | 100 |
| Note 19 | Remuneration of executives and payments to other personnel (that is, contractors with significant management responsibilities) | 102 |
| Note 20 | Contingent assets and contingent liabilities | 104 |
| Note 21 | Commitments for expenditure | 105 |
| Note 22 | Cash flow information | 107 |

| | |
|--|------------|
| Note 23 Subsequent events | 107 |
| Note 24 Annotated income agreements | 108 |
| Note 25 Trust account balances | 109 |
| Note 26 Glossary of terms and style conventions | 110 |

Note 1 Summary of significant accounting policies

These annual financial statements represent the audited general purpose financial statements for the Department of Education and Early Childhood Development (the Department) for the period ended 30 June 2014. The purpose of the report is to provide users with information about the Department's stewardship of resources entrusted to it.

(a) Statement of compliance

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

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

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

To gain a better understanding of the terminology used in this report, a glossary of terms and style conventions can be found in Note 26 Glossary of terms and style conventions.

These annual financial statements were authorised for issue by the Secretary of the Department on 19 September 2014.

(b) Basis of accounting preparation and measurement

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

Judgements, estimates and assumptions are required to be made about the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on professional judgements derived from historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

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

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

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

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

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

measurements such as non-financial physical assets held for sale, in accordance with the requirements of AASB 13 and relevant Financial Reporting Directions (FRDs) under the Financial Management Act.

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

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

For the purpose of fair value disclosures, the Department has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above. In addition, the Department determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

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

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

(c) Reporting entity

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

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

Its principal address is:

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

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

The financial statements include all the controlled activities of the Department. From 1 January 2013, revenue and expenses from the abolished former Victorian Skills Commission are recorded in the Department's results, and its net assets were transferred to the Department as contributed capital.

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

The financial statements include all transactions of the Department and the Victorian Government's primary and secondary schools. All transactions between the Department and these schools (that is, transactions with non-government schools are not eliminated) have been eliminated as required by Australian Accounting Standards.

Objectives and funding

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

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

The Department provides support and advisory services to the Minister for Education, Minister for Higher Education and Skills, 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.

Outputs of the Department

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

(d) Basis of consolidation

The financial statements exclude bodies within the Department's portfolio that are not controlled by the Department and therefore are not consolidated. Public bodies and activities that are administered (see explanation under Administered Items below) are also not controlled and not consolidated. In the process of preparing consolidated financial statements for the Department, all material transactions and balances between consolidated entities are eliminated.

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

Administered items

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

Administered incomes include taxes, fees, 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.

(e) Scope and presentation of financial statements

Comprehensive operating statement

The comprehensive operating statement comprises three components, being:

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

The 'net result from transactions' or 'net operating balance' is a key fiscal aggregate and is derived by income from transactions minus expenses from transactions. It is a summary measure of the ongoing sustainability of operations. It excludes gains and losses resulting from changes in price levels and other changes in the volume of assets. It is the component of the change in net worth that is due to transactions and can be attributed directly to government policies.

Other Economic Flows Included in Net Result are changes in the volume or value of an asset or liability that do not result from transactions. It includes:

- gains and losses from disposals, revaluations and impairments of non-financial physical and intangible assets
- fair value changes of financial instruments.

The Other Economic Flows—Other Comprehensive Income comprises items (including reclassification adjustments) that are not recognised in net result as required or permitted by other Australian Accounting Standards.

The component of Other Economic Flows—Other Comprehensive Income includes changes in physical asset revaluation surplus.

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

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

Balance sheet

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

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

Statement of changes in equity

The statement of changes in equity presents reconciliations of each non-owner and owner equity opening balance at the beginning of the reporting period to the closing balance at the end of the reporting period. It also shows separately changes due to amounts recognised in the Comprehensive Result and amounts recognised in Other Economic Flows—Other Comprehensive Income related to Transactions with Owner in its Capacity as Owner.

The Victorian Skills Commission was wound up on 31 December 2012 under the *Education Legislation Amendment (Governance) Act 2012*. The cessation of the Commission met the definition of an administrative arrangement as per FRD 119. The net assets transferred to the Department of Education and Early Childhood Development were treated as a contribution of capital by the Crown.

Cash flow statement

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

Proceeds from investments represent proceeds from term deposits with a maturity of three months or more at schools. The Department does not have information available from each school to determine proceeds data on a gross level; therefore investment proceeds have been disclosed on a net basis.

Rounding of amounts

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

(f) Changes in accounting policies

Subsequent to the 2012-13 reporting period, the following new and revised Standards have been adopted in the current period with their financial impact detailed as below.

AASB 13 Fair Value Measurement

AASB 13 establishes a single source of guidance for all fair value measurements. AASB 13 does not change when the Department is required to use fair value, but rather provides guidance on how to measure fair value under Australian Accounting Standards when fair value is required or permitted. The Department has considered the specific requirements relating to highest and best use, valuation premise, and principal (or most advantageous) market. The methods, assumptions, processes and procedures for determining fair value were revisited and adjusted where applicable. In light of AASB 13, the Department has reviewed the fair value principles as well as its current valuation methodologies in assessing the fair value, and the assessment has not materially changed the fair values recognised.

AASB 13 has provided greater clarity in regards to economic obsolescence which needs to be considered when measuring the fair value of an asset (see Note 1(m)). On this basis, the Department now recognises adjustments for space in excess of teaching requirements as an adjustment directly to fair value (depreciated replacement cost) rather than as previously recognised as an impairment adjustment. The Department believes this recognition better reflects the nature of the transactions being reported (see Note 1(w)).

Further clarity provided by AASB 13, when combined with newly available data in the form of long term enrolment forecasts at a school level has allowed for a refinement in the methodology in calculating fair value. Hence, there is a revision of the policy for financial year 2014. The Valuer-General Victoria calculated an adjustment for space in excess of teaching requirements (previously calculated by the Department) and considers the newly available long term data when assessing the permanency of change in fair value (see Note 1(m)).

AASB 13 has predominantly impacted the disclosures of the Department. It requires specific disclosures about fair value measurements and disclosures of fair values, some of which replace existing disclosure requirements in other standards, including AASB 7 *Financial Instruments: Disclosures*.

The disclosure requirements of AASB 13 apply prospectively and need not be applied in comparative information before first application. Consequently, the 2012-13 comparatives of these disclosures have not been provided, except for financial instruments, of which the fair value disclosures are required under AASB 7 *Financial Instruments: Disclosures*.

AASB 119 Employee benefits

In 2013–14, the Department has applied AASB 119 *Employee Benefits* (September 2011, as amended) and the related consequential amendments for the first time.

The revised AASB 119 changes the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligation and plan assets. As the current accounting policy is for the Department of Treasury and Finance to recognise and disclose the State's defined benefit liabilities in its financial statements, changes in defined benefit obligations and plan assets will have limited impact on the Department.

The revised standard also changes the definition of short-term employee benefits. These were previously benefits that were expected to be settled within twelve months after the end of the reporting period in which the employees render the related service, however, short-term employee benefits are now defined as benefits expected to be settled wholly within twelve months after the end of the reporting period in which the employees render the related service. As a result, accrued annual leave balances which were previously classified by the Department as short-term employee benefits no longer meet this definition and are now classified as long-term employee benefits. This has resulted in a change of measurement for the annual leave provision from an undiscounted to discounted basis.

The change in classification has not materially altered the measurement of annual leave provision, due to minimal accrued leave balances being expected to be settled beyond 12 months and therefore requiring present valuing.

Ex-gratia payment

Prior to the 2013–14 financial year, the Department classified 'ex-gratia payments' as all payments made by the Department to resolve legal matters (that is, settlement payments) except for those where payments had been ordered by the court (court ordered payments) and also to discretionary payments where there was no liability but the Minister authorised the payment.

In June 2013, the Department of Treasury and Finance issued FRD 11A Disclosure of Ex gratia expenses which narrowed the definition to voluntary payment of money or other non-monetary benefit (for example, a write-off) that is not made either to acquire goods, services or other benefits for the Department or to meet a legal liability, or to settle or resolve a possible legal liability of or claim against the Department. As a result of the revised FRD11A, most payments that the Department used to characterise as ex-gratia expenses under the previous understanding and definition, are now characterised and categorised as 'settlement payments'. Hence, the Department has no ex-gratia expenses for the 2013–14 financial year (see Note 4(g)).

(g) 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 to have certain income annotated to the annual appropriation. The income which forms part of a Section 29 agreement is recognised by the Department and the receipts paid into the consolidated fund as an administered item. At the point of income recognition, Section 29 provides for an equivalent amount to be added to the annual appropriation. Examples of receipts which can form part of a Section 29 agreement are Commonwealth specific purpose grants, the proceeds from the sale of assets and income from the sale of products and services.

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

Output appropriations

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

Special appropriations

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

Interest

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

Grants

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

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

Sales of goods and services

Income from the supply of services

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
- 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 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.

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

Other income

Other Income includes parents' voluntary contributions and other locally raised funds.

(h) Expenses from transactions

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

Employee expenses

See Note 1 (n) regarding employee benefits.

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

Superannuation

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

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

Depreciation and amortisation

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

The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period.

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

| Asset Class | Useful life Years | 2014 % | 2013 % |
|--|----------------------|-----------|-----------|
| Buildings—permanent | 40–60 | 1.7 | 1.7 |
| Buildings—relocatable and other improvements | 40 | 2.5 | 2.5 |
| Plant and equipment (including vehicles leased assets) | 3–10 | 10–33 | 10–33 |
| Capitalised software development costs | 3–10 | 10–33 | 10–33 |

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

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

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

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 and other transfer payments made to State owned agencies, local government, non-government schools, and community groups.

Capital asset charge

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

Other operating expenses

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

Supplies and services

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

Bad and doubtful debts

Bad and doubtful debts are assessed on a regular basis. Those bad debts considered as written off by mutual consent are classified as a transaction expense. Those written off unilaterally and the allowance for doubtful receivables are classified as other economic flows (see Note 1(l)).

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

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

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

Borrowing costs of qualifying assets

In accordance with the paragraphs of AASB 123 *Borrowing Costs Applicable to Not-for-profit Public Sector Entities*, the Department continues to recognise borrowing costs immediately as an expense, to the extent that they are directly attributable to the acquisition, construction or production of a qualifying asset.

(i) Other economic flows included in net result

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

Net gain/(loss) on non-financial assets

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

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

See Note 1 (m).

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

Any gain or loss on the disposal of non-financial assets is recognised at the date of disposal and is the difference between the proceeds and the carrying value of the asset at that time.

Impairment of non-financial assets

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

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

Recoverable amount for assets held primarily to generate net cash inflows is measured at the higher of the present value of future cash flows expected to be obtained from the asset and fair value less costs to sell.

See Note 1 (m) 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

See Note 1 (k).

Other gains/(losses) from other economic flows

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

- the revaluation of the present value of the annual leave and long service leave liability due to changes in the bond interest rate
- transfer of amounts from the reserves to accumulated surplus or net result due to disposal or derecognition or reclassification.

(j) 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 on-passing grants from other jurisdictions. The Department does not have control over these grants, and the income is not recognised in the Department's financial statements. Administered grants are disclosed in the schedule of administered items in Note 3.

(k) Financial instruments

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

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

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

The following refers to financial instruments unless otherwise stated.

Categories of non-derivative financial instruments

Loans and receivables

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

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

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

(l) Financial assets

Cash and deposits

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

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

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

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

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

Other financial assets

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

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

Impairment of financial assets

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

Receivables are assessed for bad and doubtful debts on a regular basis. Those bad debts considered as written off by mutual consent are classified as a transaction expense. Bad debts written off not by mutual consent and the allowance for doubtful receivables are classified as Other Economic Flows—Other Comprehensive Income in the net result.

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

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

(m) Non-financial assets

Non-financial assets classified as held for sale or distribution

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

This condition is regarded as met only when:

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

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

Property, plant and equipment

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

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 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.

Land and building revaluation

Revaluations of non-financial physical assets

Under the Financial Management Act and Victorian Government Policy FRD 103E Non-Financial Physical Assets, issued by the Department of Treasury and Finance, the Department undertook an independent revaluation of its non-current assets for the financial year ending 30 June 2013. See the Land and Building sections of this note and Note 11 for more detail.

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

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

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

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

Land

Land is measured initially at cost and subsequently revalued at fair value by the Valuer-General Victoria by physical inspection of the property every five years and takes highest and best use into consideration (the last being in June 2013). The value is based on an Active and Liquid Market value (at least three recent comparable sales are considered by the Valuer-General Victoria) and is further adjusted for community service obligations to reflect the specialised nature of the land being valued. It also takes into account the underlying zone (residential, commercial or industrial) and heritage issues in considering the highest and best use of land.

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

In a non-revaluation year, land is measured at each reporting date by applying industry indices to the values to ensure there has been no material movement. Where there has been a material movement (less than 10 per cent), the fair value is adjusted accordingly.

Buildings

Building assets are measured initially at cost and subsequently revalued at fair value by the Valuer-General Victoria by physical inspection of the property every five years and taking its highest and best use into consideration (the last being in June 2013). School buildings are specialised assets that have no feasible alternative use because they are restricted to providing education services. As such, there is little or no observable market evidence. As there is no available market-based evidence, school buildings and other improvements are valued under the Depreciated Replacement Cost method which represents the highest and best use.

Depreciated Replacement Cost is the current replacement cost of an asset less where applicable, accumulated depreciation calculated on the basis of such cost to reflect age and the already consumed or expired future economic benefits of the asset.

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

The Valuer-General Victoria measures Depreciated Replacement Cost by physically inspecting the assets every five years. The Department provides school data to the Valuer-General Victoria with a building description, size and age. The Valuer-General Victoria inspects all the building assets and each component of the school site is broken down by individual structure and valued accordingly. The physical inspection includes an adjustment for any physical deterioration and functional obsolescence of the building assets which aligns with the requirements of AASB 13 *Fair Value Measurement*.

Economic obsolescence is then assessed by the Valuer-General Victoria through reviewing school site buildings and is adjusted for where space is in excess of teaching requirements. For the Department, the economic benefit of school assets is assessed by the contribution these assets make to the Department achieving its objective of educating Victoria's children. The economic benefit is measured by the Valuer-General Victoria and considers current and future floor space for teaching requirements to achieve this objective (driven by enrolment numbers).

During the current financial year newly available long-term enrolment and related long-term space data (provided by the Department) is considered by the Valuer-General Victoria when assessing the permanency of excess space. This change in estimate has resulted in a significant movement in fair value for the financial year 30 June 2014 (see Note 11).

Student enrolment and space data is used by the Department for decision making regarding asset infrastructure, investment and planning strategies. There are however exceptional circumstances where factors other than enrolments have determined Government's asset infrastructure, and investment decisions. Recent examples include

the rebuilding of schools as promised by the Premier of the State for communities affected by the 2009 Black Saturday fires, and the Building the Education Revolution program where school buildings were built as part of a Commonwealth government initiative to stimulate the economy. These examples are exceptions to the Department's strategies and policies but are not considered in isolation when applying the economic obsolescence adjustment.

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

Other assets

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

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

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

Non-financial physical assets arising from finance leases

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

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

Non-financial physical assets constructed by the Department

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

Intangible assets

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

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

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

See Note 1(h) and (i).

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

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

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

Other non-financial assets

Prepayments

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

(n) Liabilities

Payables

Payables consist of:

- Contractual payables, such as accounts payable which represent liabilities for goods and services provided to the Department prior to the end of the financial year that are unpaid, and arise when the Department becomes obliged to make future payments in respect of the purchase of those goods and services. Contractual payables are classified as financial instruments and categorised as financial liabilities at amortised cost
- Statutory payables, such as GST and fringe benefits tax payables. Statutory payables are recognised and measured similarly to contractual payables, but are not classified as financial instruments and not included in the category of financial liabilities at amortised cost, because they do not arise from a contract.

Borrowings

All interest bearing liabilities are initially recognised at the fair value of the consideration received; less directly attributable transaction costs (see Note 1(o)).

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

Provisions

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

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

Employee benefits

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

Wages, salaries and annual leave

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

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

Any gain or loss following revaluation of the present value of long service leave liability measured at present value is recognised as a transaction, except to the extent that a gain or loss arises due to changes in bond interest rates for which it is then recognised as other economic flow. See Note 1 (i).

Long service leave

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

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

The components of this current long service leave liability are measured at present value, as the Department does not expect to wholly settle within 12 months.

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

Sabbatical leave

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

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

Liability for sabbatical leave is recognised in the provision for sabbatical leave. The provision is calculated by adding up the unpaid portion of the accrued salaries of all staff members who have commenced the scheme, plus on-costs. It is updated each year to reflect the increase in salary accruals during the year less the amount of salaries paid out to staff that have commenced sabbatical leave. The Department measures the sabbatical leave at present value because it is a long term employee benefit.

Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or when an employee decides to accept an offer of benefits in exchange for the termination of employment. 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 long service leave accrued while on long service leave taken in service) are recognised separately from provision for employee benefits.

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

(o) Leases

A lease is a right to use an asset for an agreed period of time in exchange for payment. Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and rewards incidental to ownership. Leases of property, plant and equipment are classified as finance infrastructure leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership from the lessor to the lessee. For service concession arrangements (see Note 1(s)), the commencement of the lease term is deemed to be the date of the asset is commissioned. All other leases are classified as operating leases.

Finance leases

Department as lessee

At the commencement of the lease term, finance leases are initially recognised as assets and liabilities at amounts equal to the fair value of the lease property or, if lower, the present value of the minimum lease payment, each determined at the inception of the lease. The lease asset is accounted for as a non-financial physical asset and depreciated over the shorter of the estimated useful life of the asset or the term of the lease.

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

Operating leases

Department as lessor

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

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

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

Department as lessee

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

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

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

(p) Equity

Contributions by owners

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

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

(q) Commitments

Commitments for future expenditure include operating and capital commitments arising from contracts. These commitments are disclosed by way of note (see Note 21) at their nominal value and inclusive of GST payable. In addition, where it is considered appropriate and provides additional relevant information to users, the net present values of significant individual projects are stated. These future expenditures cease to be disclosed as commitments once the related liabilities are recognised in the balance sheet.

(r) Contingent assets and contingent liabilities

Contingent assets and contingent liabilities are not recognised in the balance sheet, but are disclosed by way of a note (see Note 20) and, if quantifiable, are measured at nominal value. Contingent assets and liabilities are presented exclusive of GST receivable or payable respectively.

(s) Service concession arrangements

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

These service concession arrangements usually take one of two main forms. The Department's service concession arrangements pay the operator over the period of the arrangement, subject to specified performance criteria being met. At the date of commitment to the principal provisions of the arrangement, these estimated periodic payments are allocated between a component related to the design and construction or upgrading of the asset and components related to the ongoing operation and maintenance of the asset.

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

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

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

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

(t) Accounting for 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 which are recoverable from, or payable to the taxation authority, are presented as operating cash flow.

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

(u) 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.

(v) Events after reporting date

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

(w) Reclassification of financial information

AASB 13 *Fair Value Measurement* has provided greater clarity in regards to economic obsolescence which needs to be considered when measuring the fair value of an asset (see Note 1(m)). On this basis, the Department now recognises adjustments for space in excess of teaching requirements as an adjustment directly to fair value (depreciated replacement cost) rather than as previously recognised as an impairment adjustment. The Department believes this recognition better reflects the nature of the transactions being reported.

This has resulted in a reclassification of the relevant comparative information presented in the financial statements. The reclassification provides consistency with the current year recognition and therefore provides for better understanding and clarity to the users of these statements.

In accordance with the new accounting policy adopted by the Department, a cumulative adjustment for space in excess of teaching requirements of \$2.1 billion (over 9 years) has been reclassified as a fair value adjustment however there is no change to the net

value of the building asset class. The 2012–13 adjustment of \$107.4 million has no impact on the Balance Sheet but impacts disclosures in Notes 11 and 16.

(x) Correction of prior year error

The prior year accounting treatment of revenue balances at schools has been reviewed and it has been determined that the previous accounting treatment adopted did not accord to our revenue recognition policy and the requirements of Australian Accounting Standards.

This has resulted in a restatement of the relevant comparative information presented in the financial statements. The restatement has resulted in a net increase of \$5.1million to 2013 total income (and the net result from transactions); as well as an increase to net assets of the same amount.

The following comparative balances have been restated:

- decrease to income from transactions of \$93.7 million (income)
- decrease to schools receivables of (\$93.7) million (assets)
- decrease to unearned income for schools of \$98.8 million (liabilities)
- increase to income from transactions of (\$98.8) million (income)
- decrease to provision for doubtful debts of (\$11.7) million (liabilities disclosed in assets)
- increase to net gain on financial instruments of \$11.7 million (other economic flows).

(y) Australian accounting standards and interpretations issued that are not yet effective

Certain new Australian Accounting Standards and interpretations have been published that are not mandatory for the 30 June 2014 reporting period. The Department of Treasury and Finance assesses the impact of these new standards and advises the Department of their applicability and early adoption where applicable.

As at 30 June 2014, the following Australian Accounting Standards have been issued by the AASB, but are not mandatory for financial year ending 30 June 2014. The Department has not, and does not intend to, adopt these standards early.

| Standard/Interpretation | Summary | Applicable for annual reporting periods beginning on or after | Impact on Departmental financial statements |
|--|--|---|--|
| AASB 9 <i>Financial instruments</i> | This standard simplifies requirements for the classification and measurement of financial assets resulting from Phase 1 of the IASB's project to replace IAS 39 <i>Financial Instruments: Recognition and Measurement</i> (AASB 139 <i>Financial Instruments: Recognition and Measurement</i>). | 1 January 2017 | The preliminary assessment has identified that the financial impact of available-for-sale assets will now be reported through other comprehensive income and no longer recycled to the profit and loss. While the preliminary assessment has not identified any material impact arising from AASB 9, it will continue to be monitored and assessed. |

| Standard/Interpretation | Summary | Applicable for annual reporting periods beginning on or after | Impact on Departmental financial statements |
|---|--|---|--|
| AASB 128 <i>Investments in Associates and Joint Ventures</i> | <p>This revised Standard sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures.</p> <p>The AASB has issued an Australian Implementation Guidance for Not-for-Profit Entities—Control and Structured Entities that explains and illustrates how the principles in the Standard apply from the perspective of not-for-profit entities in the private and public sectors.</p> | 1 January 2014 (not-for-profit entities) | Current assessment indicates that there is limited impact on Victorian Public Sector entities. Ongoing work is being done to monitor and assess the impact of this standard. |
| AASB 11 <i>Joint Arrangements</i> | <p>This Standard deals with the concept of joint control, and sets out a new principles-based approach for determining the type of joint arrangement that exists and the corresponding accounting treatment.</p> <p>The new categories of joint arrangements under AASB 11 are more aligned to the actual rights and obligations of the parties to the arrangement.</p> | 1 January 2014 (not-for-profit entities) | This standard is not applicable to the Department. Should the Department be required in the future to report on Joint Arrangements under this standard and they will be done on the equity method. |
| AASB 12 <i>Disclosure of Interests in Other Entities</i> | <p>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 <i>Separate Financial Statements</i> and AASB 131 <i>Interests in Joint Ventures</i>.</p> | 1 January 2014 (not-for-profit entities) | The new standard is likely to require additional disclosures and ongoing work is being done to determine the extent of additional disclosures required in the future. |

| Standard/Interpretation | Summary | Applicable for annual reporting periods beginning on or after | Impact on Departmental financial statements |
|---|--|---|--|
| AASB 127 <i>Separate Financial Statements</i> | This revised Standard prescribes the accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements. | 1 January 2014 (not-for-profit entities) | Current assessment indicates that there is limited impact on Victorian Public Sector entities. Ongoing work is being done to monitor and assess the impact of this standard. |
| AASB 128 <i>Investments in Associates and Joint Ventures</i> | This revised Standard sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. | 1 January 2014 (not-for-profit entities) | Current assessment indicates that there is limited impact on Victorian Public Sector entities. Ongoing work is being done to monitor and assess the impact of this standard. |
| AASB 1055 <i>Budgetary Reporting</i> | AASB 1055 extends the scope of budgetary reporting that is currently applicable for the whole of government and general government sector to not-for-profit entities within the general government sector, provided that these entities present separate budget to the parliament. | 1 July 2014 | This Standard is not applicable as no budget disclosure is required. |
| AASB 1056 <i>Superannuation Entities</i> | AASB 1056 replaces AAS 25 <i>Financial Reporting by Superannuation Plans</i> . The standard was developed in light of changes in recent years, developments in the superannuation industry and Australia's adoption of IFRS. | 1 July 2016 | The standard was issued in June 2014. While preliminary assessment has not identified any material impact arising from AASB 1056, further work to assess the impact of this standard will be undertaken. |

In addition to the new standards above, the AASB has issued a list of amending standards that are not effective for the 2013–14 reporting period (as listed below). In general, these amending standards include editorial and references changes that are expected to have insignificant impacts on public sector reporting. The AASB Interpretation in the list below is also not effective for the 2013–14 reporting period and is considered to have insignificant impacts on public sector reporting.

- AASB 2010–7 *Amendments to Australian Accounting Standards Arising from AASB 9* (December 2010)
- AASB 2011–7 *Amendments to Australian Accounting Standards Arising from the Consolidation and Joint Arrangements Standards*
- 2013–1 *Amendments to AASB 1049 Relocation of Budgetary Reporting Requirements*

- 2013–3 Amendments to AASB 136 *Recoverable Amount Disclosures for Non-Financial Assets*
- 2013–4 *Amendments to Australian Accounting Standards—Novation of Derivatives and Continuation of Hedge Accounting*
- 2013–5 *Amendments to Australian Accounting Standards—Investment Entities*
- 2013–6 *Amendments to AASB 136 arising from Reduced Disclosure Requirements*
- 2013–7 *Amendments to AASB 1038 Arising from AASB 10 in Relation to Consolidation and Interests of Policy Holders*
- 2013–9 *Amendments to Australian Accounting Standards—Conceptual Framework, Materiality and Financial Instruments*
- AASB Interpretation 21—*Levies*.

Note 2 Departmental (controlled) outputs

A description of departmental outputs performed during the year ended 30 June 2014, and the objectives of these outputs, are summarised below.

(a) Strategy, Review and Regulation

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

(b) Early Childhood Development

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

(c) School Education

The school education output group consists of two outputs. The school education—primary output provides services to develop essential skills and learning experiences to engage young minds in prep to year 6 in government and non-government schools. The school education—secondary output delivers services in years 7 to 12 in government and non-government schools; and consolidates literacy and numeracy competencies including creative and critical thinking, as well as physical, social, emotional and intellectual development in adolescence. It also provides education services as well as varied pathways and support for transition across sectors to further study or employment.

This output group contributes towards providing and improving services to support all the Department's objectives of achievement, engagement, wellbeing and productivity.

(d) Higher Education and Skills

The higher education and skills output responds to the labour and skills needs of individuals and industry. This output covers the system design, contracting and monitoring of vocational education and training services. It also involves the development and implementation of effective strategies for accredited and pre-

accredited vocational education and training through adult community education. This output group contributes towards providing and improving services to support all the Department's objectives of achievement, engagement, wellbeing and productivity.

(e) Support Services Delivery

The support services delivery output group covers the regional support group and provides student welfare and support, Education Maintenance Allowance, student transport (excluding transport for special needs students) and health services. This output group contributes towards providing and improving services to support all the Department's objectives of achievement, engagement, wellbeing and productivity.

(f) Support for Students with Disabilities

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

Table 4—Departmental outputs schedule—controlled income and expenses for the year ended 30 June 2014

| | Strategy, Review and Regulation \$m | Early Childhood Development \$m | School Education \$m | Higher Education and Skills \$m | Support Services Delivery \$m | Support for Students with Disabilities \$m | Departmental total \$m |
|--|--|--|----------------------------|--|--|---|------------------------------|
| Income from transactions | | | | | | | |
| Output appropriations | 81.4 | 513.4 | 7,033.3 | 1,826.4 | 286.0 | 776.4 | 10,516.9 |
| Special appropriations | — | — | 0.2 | — | — | — | 0.2 |
| Interest | — | — | 19.9 | — | — | — | 19.9 |
| Grants | 0.7 | 0.4 | 15.4 | 1.1 | — | — | 17.6 |
| Sales of goods and services | 2.1 | 0.1 | 201.3 | 0.3 | — | 0.9 | 204.7 |
| Other income | 1.8 | — | 497.0 | 2.1 | 6.7 | — | 507.6 |
| Total income from transactions | 86.0 | 513.9 | 7,767.1 | 1,829.9 | 292.7 | 777.3 | 11,267.0 |
| Expenses from transactions | | | | | | | |
| Employee expenses | (41.7) | (51.5) | (4,277.6) | (36.4) | (165.9) | (604.9) | (5,177.8) |
| Depreciation and amortisation | (3.9) | (4.1) | (274.8) | (2.9) | (1.1) | (11.0) | (297.8) |
| Interest expenses | — | — | (14.2) | — | — | — | (14.2) |
| Grants and other payments | (17.9) | (21.9) | (744.3) | (673.8) | (76.4) | (6.0) | (1,540.4) |
| Capital asset charge | (0.4) | (2.4) | (1,005.9) | (215.6) | (0.1) | (41.9) | (1,266.3) |
| Other operating expenses | (22.1) | (433.9) | (1,322.9) | (853.0) | (49.2) | (113.5) | (2,794.6) |
| Total expenses from transactions | (86.0) | (513.9) | (7,639.6) | (1,781.6) | (292.8) | (777.3) | (11,091.1) |
| Net result from transactions (net operating balance) | — | — | 127.6 | 48.3 | — | — | 176.0 |
| Other economic flows included in net result | | | | | | | |
| Net gain/(loss) on non-financial assets | — | 0.2 | 3.3 | — | 0.3 | 3.3 | 7.1 |
| Net gain/(loss) on financial instruments | — | — | (1.4) | — | — | — | (1.4) |
| Other gains/(losses) from other economic flows | (0.1) | (0.1) | (8.2) | (0.1) | (0.3) | (1.2) | (9.9) |
| Total other economic flows included in net result | (0.1) | 0.1 | (6.4) | (0.1) | — | 2.2 | (4.2) |
| Net result | (0.1) | 0.1 | 121.2 | 48.3 | — | 2.2 | 171.7 |
| Other economic flows—other comprehensive income | | | | | | | |
| Changes in physical asset revaluation surplus | — | 47.6 | 399.3 | — | 6.2 | 114.7 | 567.9 |
| Total other economic flows—other comprehensive income | — | 47.6 | 399.3 | — | 6.2 | 114.7 | 567.9 |
| Comprehensive result | (0.1) | 47.8 | 520.5 | 48.3 | 6.2 | 116.9 | 739.6 |

Table 5—Departmental outputs schedule—controlled assets and liabilities as at 30 June 2014

| | Strategy, Review and Regulation \$m | Early Childhood Development \$m | School Education \$m | Higher Education and Skills \$m | Support Services Delivery \$m | Support for Students with Disabilities \$m | Departmental total \$m |
|-------------------------------------|---|--|----------------------------|--|--|--|------------------------------|
| Assets | | | | | | | |
| Financial assets | 13.0 | 53.6 | 1,693.1 | 181.3 | 70.4 | 184.6 | 2,196.0 |
| Non-financial assets | 7.6 | 83.0 | 13,322.5 | 4.8 | 121.5 | 1,317.5 | 14,856.9 |
| Total assets | 20.7 | 136.6 | 15,015.6 | 186.1 | 191.9 | 1,502.1 | 17,053.0 |
| Liabilities | | | | | | | |
| Liabilities | 13.6 | 27.2 | 1,755.2 | 57.3 | 65.1 | 214.4 | 2,132.8 |
| Total liabilities | 13.6 | 27.2 | 1,755.2 | 57.3 | 65.1 | 214.4 | 2,132.8 |
| Net assets/(liabilities) | 7.0 | 109.4 | 13,260.4 | 128.8 | 126.8 | 1,287.7 | 14,920.1 |

Table 6—Departmental outputs schedule—controlled income and expenses for the year ended 30 June 2013

| | Strategy, Review and Regulation \$m | Early Childhood Development \$m | School Education \$m | Higher Education and Skills \$m | Support Services Delivery \$m | Support for Students with Disabilities \$m | Departmental total \$m |
|--|--|--|----------------------------|--|--|---|------------------------------|
| Income from transactions | | | | | | | |
| Output appropriations | 89.8 | 522.0 | 6,752.3 | 1,992.3 | 300.9 | 718.4 | 10,375.8 |
| Special appropriations | — | — | 2.6 | 3.8 | — | — | 6.5 |
| Interest income | — | — | 25.7 | — | — | — | 25.7 |
| Grants | 0.7 | 0.1 | 20.3 | 4.8 | — | — | 25.8 |
| Sales of goods and services | 2.3 | 0.1 | 164.9 | 0.3 | 0.2 | 0.3 | 168.1 |
| Other income | 0.6 | — | 509.9 | 0.8 | 3.8 | — | 515.2 |
| Total income from transactions | 93.4 | 522.1 | 7,475.7 | 2,002.1 | 304.9 | 718.8 | 11,117.0 |
| Expenses from transactions | | | | | | | |
| Employee expenses | (43.8) | (57.1) | (4,181.5) | (30.7) | (169.3) | (560.6) | (5,043.1) |
| Depreciation and amortisation | (4.1) | (4.0) | (261.4) | (3.0) | (1.4) | (11.4) | (285.3) |
| Interest expense | — | — | (14.1) | — | — | — | (14.1) |
| Grants and other expense transfers | (18.6) | (77.1) | (689.1) | (1,280.9) | (79.1) | (4.3) | (2,149.2) |
| Capital asset charge | (0.4) | (2.4) | (997.0) | (216.6) | (0.1) | (41.5) | (1,258.1) |
| Other operating expenses | (26.5) | (381.4) | (1,303.7) | (410.9) | (55.0) | (100.9) | (2,278.4) |
| Total expenses from transactions | (93.4) | (522.1) | (7,446.8) | (1,942.1) | (304.9) | (718.8) | (11,028.1) |
| Net result from transactions (net operating balance) | — | — | 29.0 | 60.0 | — | — | 88.9 |
| Other economic flows included in net result | | | | | | | |
| Net gain/(loss) on non-financial assets | — | — | (13.2) | (0.1) | (0.1) | (1.2) | (14.7) |
| Net gain/(loss) on financial instruments | — | — | 11.6 | 8.0 | — | — | 19.6 |
| Other gains/(losses) from other economic flows | 0.3 | 0.3 | 24.6 | 0.2 | 1.0 | 3.3 | 29.7 |
| Total other economic flows included in net result | 0.2 | 0.3 | 23.0 | 8.1 | 0.9 | 2.1 | 34.6 |
| Net result | 0.2 | 0.3 | 51.9 | 68.1 | 0.9 | 2.1 | 123.5 |
| Other economic flows—other comprehensive income | | | | | | | |
| Changes in physical asset revaluation surplus | — | — | 413.7 | — | 3.6 | 38.7 | 456.0 |
| Total other economic flows—other comprehensive income | — | — | 413.7 | — | 3.6 | 38.7 | 456.0 |
| Comprehensive result | 0.2 | 0.3 | 465.6 | 68.1 | 4.5 | 40.8 | 579.5 |

Table 7—Departmental outputs schedule—controlled assets and liabilities as at 30 June 2013

| | Strategy, Review and Regulation | Early Childhood Development | School Education | Higher Education and Skills | Support Services Delivery | Support for Students with Disabilities | Departmental total |
|---------------------------------|---------------------------------------|-----------------------------------|---------------------|-----------------------------------|---------------------------------|---|-----------------------|
| | \$m | \$m | \$m | \$m | \$m | \$m | \$m |
| Assets | | | | | | | |
| Financial assets | 12.5 | 48.6 | 1,520.9 | 171.1 | 67.7 | 157.5 | 1,978.3 |
| Non-financial assets | 8.5 | 37.9 | 12,924.6 | 74.3 | 115.6 | 1,209.0 | 14,370.0 |
| Total assets | 21.0 | 86.5 | 14,445.5 | 245.5 | 183.3 | 1,366.4 | 16,348.2 |
| Liabilities | | | | | | | |
| Liabilities | 13.8 | 26.2 | 1,715.1 | 48.6 | 65.0 | 196.5 | 2,065.1 |
| Total liabilities | 13.8 | 26.2 | 1,715.1 | 48.6 | 65.0 | 196.5 | 2,065.1 |
| Net assets/(liabilities) | 7.2 | 60.3 | 12,730.5 | 196.9 | 118.3 | 1,170.0 | 14,283.1 |

Note 3 Administered (non-controlled) items

In addition to the specific departmental operations which are included in the comprehensive operating statement, balance sheet, statement of changes in equity and cash flow statement, the Department administers or manages other activities on behalf of the State. All department's administered activities relate to school education output. The transactions relating to these activities are reported as administered items (see Note 1(d) and (j)).

| | Departmental total | |
|--|--------------------|------------------|
| | 2014 \$m | 2013 \$m |
| Administered income from transactions | | |
| <i>Commonwealth on-passing to non-government schools</i> | | |
| General recurrent grants | 2,356.6 | 2,128.3 |
| Other | 88.2 | 147.0 |
| Prizes and scholarships | 1.5 | 0.3 |
| Other income | 7.9 | 3.5 |
| Total administered income from transactions | 2,454.2 | 2,279.2 |
| Administered expenses from transactions | | |
| <i>Commonwealth on-passing to non-government schools</i> | | |
| General recurrent grants | (2,356.6) | (2,128.3) |
| Other | (88.0) | (147.1) |
| Prizes and scholarships | (1.6) | (2.5) |
| Amounts paid to Consolidated Fund | 12.5 | 33.5 |
| Other | (0.9) | (0.8) |
| Total administered expenses from transactions | (2,434.6) | (2,245.2) |
| Total administered net result from transactions (net operating balance) | 19.6 | 33.9 |
| Administered other economic flows included in the administered net result | | |
| Net gain/(loss) on non-financial assets | (18.4) | (35.7) |
| Total administered other economic flows | (18.4) | (35.7) |
| Administered net result | 1.2 | (1.7) |
| Administered other economic flows—other comprehensive income | | |
| Items that will not be classified to net result | — | — |
| Total administered other economic flows—other comprehensive income | — | — |
| Total administered comprehensive result | 1.2 | (1.7) |
| Administered financial assets | | |
| Receivables | 5.0 | 3.9 |
| Investments | 2.3 | 2.2 |
| Total administered financial assets | 7.3 | 6.2 |
| Administered non-financial assets | | |
| Property, plant and equipment | 8.3 | — |
| Total administered non-financial assets | 8.3 | — |
| Total administered assets | 15.6 | 6.2 |
| Administered liabilities | | |
| Total administered liabilities | — | — |
| Total administered net assets | 15.6 | 6.2 |

Note 4 Net result from transactions (net operating balance)

| | 2014 \$m | 2013 \$m |
|--|----------------|----------------|
| Income from transactions | | |
| <i>(a) Grants</i> | | |
| Other public bodies | 17.6 | 25.8 |
| Total grants | 17.6 | 25.8 |
| <i>(b) Sales of goods and services</i> | | |
| Schools revenue ¹ | 157.1 | 122.0 |
| Provision of services | 47.7 | 46.1 |
| Total sales of goods and services | 204.7 | 168.1 |
| <i>(c) Other income</i> | | |
| Schools revenue ² | 489.8 | 500.2 |
| Other revenue | 17.8 | 15.0 |
| Total other income | 507.6 | 515.2 |
| Expenses from transactions | | |
| <i>(d) Employee expenses</i> | | |
| Salaries and wages—Departmental employees | 3,967.3 | 3,898.5 |
| Salaries and wages—staff employed by school councils | 216.7 | 202.7 |
| Superannuation | 426.8 | 392.4 |
| Annual leave and long service leave expense | 272.2 | 272.3 |
| Other on-costs (fringe benefits tax, payroll tax and WorkCover levy) | 294.9 | 277.3 |
| Total employee expenses | 5,177.8 | 5,043.1 |
| <i>(e) Depreciation and amortisation</i> | | |
| <i>Depreciation</i> | | |
| Buildings | 216.8 | 193.5 |
| Plant and equipment | 62.8 | 66.4 |
| Total | 279.6 | 259.8 |
| <i>Amortisation</i> | | |
| Software | 18.2 | 25.4 |
| Total | 18.2 | 25.4 |
| Total depreciation and amortisation | 297.8 | 285.3 |

¹ Including non-profit trading operations.

² Including parents' voluntary contributions and other locally raised funds.

| | 2014 \$m | 2013 \$m |
|---|----------------|----------------|
| <i>(f) Grants and other expense transfers</i> | | |
| Grants to Victorian Curriculum and Assessment Authority | 43.2 | 42.6 |
| Grants to Victorian Registration and Qualifications Authority | 12.2 | 11.6 |
| Grants to Victorian Skills Commission ¹ | — | 889.7 |
| Grants to TAFE ¹ | 625.3 | 307.8 |
| Grants to Adult, Community and Further Education Board | 24.5 | 37.0 |
| Grants to non-government schools | | |
| —primary | 251.2 | 241.9 |
| —secondary | 376.8 | 374.0 |
| —other | 29.4 | 38.5 |
| Grants to external organisations | 119.0 | 146.0 |
| Conveyance and Education Maintenance Allowance payments | 58.9 | 60.2 |
| Total grants and other expense transfers | 1,540.4 | 2,149.2 |
| <i>(g) Other operating expenses</i> | | |
| <i>Supplies and services</i> | | |
| Administration | 233.4 | 220.9 |
| Maintenance | 356.3 | 388.6 |
| School requisites | 845.4 | 829.6 |
| Service agreement payments ¹ | 1,205.9 | 706.1 |
| Student transport | 63.6 | 56.8 |
| Rental expense relating to operating leases—Minimum lease payments | 17.5 | 19.4 |
| Total supplies and services | 2,722.1 | 2,221.4 |
| Fair value of assets and services provided free of charge or for nominal consideration | | |
| Rent provided free of charge—Victorian Curriculum and Assessment Authority | 2.4 | 1.9 |
| Rent provided free of charge—Victorian Registration and Qualifications Authority | 0.5 | 0.4 |
| Total fair value of assets and services provided free of charge or for nominal consideration | 2.9 | 2.3 |
| Victorian Auditor-General's Office audit fees | | |
| Audit of the financial statements | 0.5 | 0.5 |
| Total audit fees | 0.5 | 0.5 |
| Ex-gratia expenses ² | — | 0.2 |
| Other expenses | 69.1 | 54.1 |
| Total other operating expenses | 2,794.6 | 2,278.4 |

¹ The Victorian Skills Commission was wound up on 31 December 2012. The 2012–13 result represents six months of transactions of this entity. The service agreements payments to Registered Training Organisations (RTOs) and grants to TAFE were made directly from the Department since 1 January 2013.

² Ex-gratia expenses in 2012–13 financial year were 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*. (See Note 1(f)).

Note 5 Other economic flows included in net result

| | 2014 \$m | 2013 \$m |
|--|--------------|---------------|
| (a) Net gain/(loss) on non-financial assets | | |
| Net gain/(loss) on disposals of non-financial assets | 2.6 | 1.1 |
| Assets not previously recognised | 14.3 | 2.5 |
| Changes in fair value of non-financial assets held for sale | (9.8) | 9.8 |
| Impairment of non-financial assets ¹ | – | (28.1) |
| Total net gain/(loss) on non-financial assets | 7.1 | (14.7) |
| (b) Net gain/(loss) on financial instruments | | |
| Impairment of loans and receivables | (1.4) | 19.6 |
| Total net gain/(loss) on financial instruments | (1.4) | 19.6 |
| (c) Other gains/(losses) from other economic flows | | |
| Net gain/(loss) arising from revaluation of long service leave liability | (9.9) | 29.7 |
| Total other gains/(losses) from other economic flows | (9.9) | 29.7 |

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

Note 6 Summary of compliance with annual parliamentary and special appropriations

(a) Summary of compliance with annual parliamentary appropriations

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

| | Appropriation Act Annual appropriation | Advance from Treasurer | Section 3(2) | Section 29 | Financial Management Act 1994 Section 30 | Section 32 | Section 35 advances | Total parliamentary authority | Appropriations applied | Variance |
|-------------------------|--|---------------------------|--------------|--------------|---|--------------|------------------------|-------------------------------------|---------------------------|--------------------|
| | \$m | \$m | \$m | \$m | \$m | \$m | \$m | \$m | \$m | \$m |
| 2014 | | | | | | | | | | |
| <i>Controlled</i> | | | | | | | | | | |
| Provision for outputs | 9,603.8 | 204.2 | — | 514.2 | 31.7 | 220.0 | 175.0 | 10,748.9 | 10,516.9 | 232.0 ¹ |
| Additions to net assets | — | — | — | 117.6 | (31.7) | — | 2.5 | 88.4 | 78.2 | 10.2 ² |
| Total | 9,603.8 | 204.2 | — | 631.8 | — | 220.0 | 177.5 | 10,837.4 | 10,595.2 | 242.2 |
| 2013 | | | | | | | | | | |
| <i>Controlled</i> | | | | | | | | | | |
| Provision for outputs | 9,546.0 | 226.6 | 50.3 | 631.5 | 56.8 | 119.7 | — | 10,630.8 | 10,375.8 | 255.1 ³ |
| Additions to net assets | — | — | — | 58.1 | (56.8) | 34.0 | 1.0 | 36.4 | 36.4 | — |
| Total | 9,546.0 | 226.6 | 50.3 | 689.6 | — | 153.8 | 1.0 | 10,667.2 | 10,412.1 | 255.1 |

¹ The provision of outputs variance of \$232.0 million primarily reflects the carryover of provisions of outputs appropriation related to initiatives including the Universal Access to Early Education and the More Support for Students with Disabilities National Partnerships and the rollout of maintenance funding to schools following the condition assessment process. The lapsed Treasurer Advance and the section 35 advance also contribute to the variance.

² The additions to net assets variance of \$10.2 million relates to the carryover of additions to net assets for the implementation of remedial capital works in schools.

³ The provision of outputs variance of \$255.1 million reflects \$220.1 million carryover of provisions of outputs appropriation primarily related to the Commonwealth National Partnership Programs including Universal Access, Digital Education Revolution and More Support for Students with Disabilities. In addition, \$35.0 million of appropriation funding was not drawn down primarily due to a rephrasing of training delivery funding in line with the Memorandum of Understanding with the Department of Treasury and Finance.

(b) Summary of compliance with special appropriations

| Authority Controlled | Purpose | Appropriations 2014 \$m | applied 2013 \$m |
|--|--|----------------------------|---------------------|
| Section 5.6.8 of the Education and Training Reform Act | Volunteers workers compensation | 0.2 | 0.2 |
| Section 10 of the Financial Management Act | National Partnership Joint Group Training Program | — | 3.2 |
| Section 10 of the Financial Management Act | Industry and Indigenous Skills Centre Program | — | 0.7 |
| Section 10 of the Financial Management Act | Investing in Focus Schools Projects Government Schools | — | 2.2 |
| Section 10 of the Financial Management Act | Investing in Focus Schools Projects Non-Government Schools | — | 0.2 |
| Total | | 0.2 | 6.5 |

Note 7 Cash and deposits/other financial assets

| | 2014 \$m | 2013 \$m |
|--------------------------------|--------------|--------------|
| Amounts held by schools | 471.5 | 487.0 |
| Bank accounts held in trust | 142.7 | 106.6 |
| Other bank accounts | 8.1 | 0.0 |
| Total cash and deposits | 622.3 | 593.5 |

(a) 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.

(b) Other financial assets

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 \$210.2 million (2013: \$174.1 million).

Note 8 Receivables

| | Note | 2014 \$m | 2013 \$m |
|---|------|----------------|----------------|
| Current receivables | | | |
| Statutory | | | |
| Amounts owing from Victorian Government ¹ | | 1,078.0 | 918.5 |
| GST receivables | | 36.5 | 43.8 |
| Total | | 1,114.5 | 962.2 |
| Contractual | | | |
| Schools' receivables | 1(x) | — | — |
| Other debtors ² | | 65.3 | 75.1 |
| Total | | 65.3 | 75.1 |
| Allowance for doubtful debts ² | | (5.2) | (2.4) |
| Total current receivables | | 1,174.6 | 1,035.0 |
| Non-current receivables | | | |
| Statutory | | | |
| Amounts owing from Victorian Government ¹ | | 179.1 | 168.7 |
| Contractual | | | |
| Other debtors ² | | 9.8 | 7.0 |
| Total non-current receivables | | 188.9 | 175.7 |
| Aggregate carrying amount of receivables | | | |
| Current | | 1,174.6 | 1,035.0 |
| Non-current | | 188.9 | 175.7 |
| Total aggregate carrying amount of receivables | | 1,363.5 | 1,210.6 |

(a) Movement in the allowance for doubtful debts

| | Note | 2014 \$m | 2013 \$m |
|---|------|--------------|--------------|
| Balance at beginning of the year | | (2.4) | (13.3) |
| (Increase)/decrease in allowance recognised in surplus or deficit | | (2.7) | (0.9) |
| Balance at end of the year | | (5.2) | (2.4) |

¹ 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.

² The average credit period on sales of goods and services is 30 days. No interest is charged on other receivables for the first 30 days from the date of the invoice. An allowance has been made for estimated irrecoverable amounts from the sale of goods debtors when there is objective evidence that an individual receivable is impaired. The increase/decrease was recognised in the operating result for the current financial year.

(b) Ageing analysis of contractual receivables

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

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

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

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

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

| | 2014 \$m | 2013 \$m |
|--|--------------|--------------|
| Buildings | 28.3 | 2.7 |
| Land | 83.6 | 53.4 |
| Plant and equipment | 0.1 | 0.2 |
| Intangible assets | — | 69.2 |
| Total non-financial physical assets classified as held for sale or distribution | 112.0 | 125.5 |

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

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

| | Carrying amount as at 30 June 2014 \$m | Fair value measurement at end of reporting period using: | | |
|---------------------|--|---|----------------|----------------|
| | | Level 1 \$m | Level 2 \$m | Level 3 \$m |
| Buildings | 28.3 | — | — | 28.3 |
| Land ¹ | 83.6 | — | 75.1 | 8.5 |
| Plant and equipment | 0.1 | — | — | 0.1 |
| Total | 112.0 | — | 75.1 | 36.9 |

¹ Land held for sale is carried at fair value less costs to disposal.

(c) Reconciliation of movements in non-financial assets held for sale or distribution

| 2014 | Buildings | Land | Plant and equipment | Intangible Assets | Total |
|---|-------------|-------------|---------------------|-------------------|--------------|
| | \$m | \$m | \$m | \$m | \$m |
| Opening balance | 2.7 | 53.4 | 0.2 | 69.2 | 125.5 |
| Disposals/ distribution | – | – | – | (69.2) | (69.2) |
| Transfer to/(from) assets held for sale | 25.6 | 30.2 | (0.1) | – | 55.7 |
| Closing balance | 28.3 | 83.6 | 0.1 | – | 112.0 |

Note 10 Intangible assets

| | Note | 2014 \$m | 2013 \$m |
|--|------|---------------|---------------|
| Software | | | |
| Opening balance | | 89.5 | 93.3 |
| Additions | | 3.5 | 32.4 |
| Disposals | | (0.5) | – |
| Impairment ¹ | | – | (36.1) |
| Closing balance | | 92.6 | 89.5 |
| Accumulated amortisation | | | |
| Opening balance | | (45.9) | (31.2) |
| Amortisation expense | 4(e) | (18.2) | (25.4) |
| Disposals | | 0.4 | – |
| Impairment ¹ | | – | 10.7 |
| Closing balance | | (63.8) | (45.9) |
| Net book value at end of financial year | | 28.8 | 43.6 |

¹ The annual impairment review performed by the Department on intangible assets for 2013, resulted in an impairment of the Ultrahet driven by management noting considerable uncertainty as to its future use.

Note 11 Property, plant and equipment—Education purpose group^{1,2}

| | 2014 \$m | 2013 \$m |
|--|-----------------|-----------------|
| Land | | |
| At cost | 55.6 | — |
| At fair value | 7,027.9 | 7,148.8 |
| Total land | 7,083.5 | 7,148.8 |
| Buildings | | |
| At cost | 154.0 | — |
| Less accumulated depreciation | (0.4) | — |
| Total | 153.7 | — |
| At fair value | 6,853.7 | 6,431.4 |
| Less accumulated depreciation | (124.8) | — |
| Total | 6,728.9 | 6,431.4 |
| Leasehold buildings—at fair value | 192.8 | 205.7 |
| Leasehold improvements—at fair value | 3.2 | 1.9 |
| Less accumulated depreciation | (12.9) | (9.4) |
| Total | 183.1 | 198.2 |
| Total buildings | 7,203.7 | 6,639.0 |
| Less total accumulated depreciation | (138.1) | (9.4) |
| Total written down value of buildings | 7,065.6 | 6,629.7 |
| Plant and equipment | | |
| At fair value | 751.0 | 725.0 |
| Less accumulated depreciation | (629.9) | (589.5) |
| Total | 121.1 | 135.5 |
| Plant and equipment under finance lease | 17.6 | 17.5 |
| Less accumulated amortisation | (5.8) | (5.7) |
| Total | 11.9 | 11.8 |
| Total plant and equipment | 132.9 | 147.3 |
| Work in progress | | |
| Buildings | 359.3 | 231.7 |
| Plant and equipment | 56.4 | 29.0 |
| Total work in progress | 415.7 | 260.7 |
| Total property, plant and equipment | 14,697.7 | 14,186.4 |

¹ Property, plant and equipment are classified primarily by the 'purpose' for which the assets are used, according to one of six 'Purpose Groups' based upon government purpose classifications (GPC). All assets within a purpose group are further sub-categorised according to the asset's 'nature' (that is, buildings, plant and equipment, and so forth), with each sub-category being classified as a separate class of asset for financial reporting purposes.

² The Department owns heritage assets which are not separately disclosed as they cannot be separately identified at the time of reporting. These are included in the total amounts of this note.

(a) 2013 Independent valuation of land and buildings

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

Land was revalued on an Active and Liquid Market basis, (at least three recent comparable sales were considered by the Valuer-General Victoria) taking into account zoning restrictions and highest and best use.

School buildings and other improvements were revalued on depreciated replacement cost. Depreciated replacement cost is the current replacement cost of an asset less where applicable, accumulated depreciation calculated on the basis of such cost to reflect age and the already consumed or expired future use. (See Note 1 (m) on economic obsolescence).

(b) Reconciliations

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

| | Land \$m | Buildings \$m | Plant and equipment \$m | Work in progress \$m | Total \$m |
|--|----------------|------------------|-------------------------------|----------------------------|-----------------|
| 2014 | | | | | |
| Opening balance | 7,148.8 | 6,629.7 | 147.3 | 260.7 | 14,186.4 |
| Additions | 22.7 | 1.3 | 38.5 | 323.1 | 385.6 |
| Transfer to other Victorian government departments | (8.3) | — | — | — | (8.3) |
| Assets previously not recognised | (9.8) | 14.3 | — | — | 4.6 |
| Transfers to completed assets | — | 154.0 | 11.0 | (168.1) | (3.0) |
| Disposals | (48.2) | (50.7) | (1.2) | | (100.1) |
| Revaluation increments/(decrements) | 8.6 | 559.3 | — | — | 567.9 |
| Transfer (to)/from assets held for sale | (30.2) | (25.6) | 0.1 | — | (55.7) |
| Depreciation | — | (216.8) | (62.8) | — | (279.6) |
| Closing balance | 7,083.5 | 7,065.6 | 132.9 | 415.7 | 14,697.7 |
| 2013 | | | | | |
| Opening balance | 6,527.4 | 6,382.6 | 159.1 | 578.0 | 13,647.2 |
| Additions | 24.5 | — | 35.3 | 322.3 | 382.1 |
| Impairment adjustment | — | — | (2.4) | — | (2.4) |
| Transfers to completed assets | — | 587.2 | 23.4 | (639.6) | (29.0) |
| Disposals | (23.1) | (46.5) | (1.9) | — | (71.5) |
| Revaluation increments/(decrements) ¹ | 608.9 | (152.9) | — | — | 456.0 |
| Transfer (to)/from assets held for sale | 11.0 | 52.7 | 0.1 | — | 63.8 |
| Depreciation | — | (193.5) | (66.4) | — | (259.8) |
| Closing balance | 7,148.8 | 6,629.7 | 147.3 | 260.7 | 14,186.4 |

¹ The \$152.9m revaluation decrement was the result of \$45.5m physical revaluation fair value adjustment for 2013 plus \$107.4m reclassification of impairment to fair value to represent the economic obsolescence adjustment. (See Note 1(w))

Table 8 provides the fair value measurement hierarchy of the Department's Property, plant and equipment.

Table 8—Fair value measurement hierarchy for assets as at 30 June 2014

| | (\$m) Carrying amount as at 30 June 2014 | Fair value measurement at end of reporting period using ¹ : | | |
|---|---|---|----------------|----------------|
| | | Level 1 \$m | Level 2 \$m | Level 3 \$m |
| Land at fair value | | | | |
| Specialised land | 7,083.5 | — | — | 7,083.5 |
| Total of land at fair value | 7,083.5 | — | — | 7,083.5 |
| Buildings at fair value | | | | |
| Specialised buildings | 6,882.5 | — | — | 6,882.5 |
| Total of buildings at fair value | 6,882.5 | — | — | 6,882.5 |
| Plant and equipment at fair value | | | | |
| Plant and equipment | 121.1 | — | — | 121.1 |
| Total of plant and equipment at fair value | 121.1 | — | — | 121.1 |

Table 9—Reconciliation of Level 3 fair value

| 2014 | Specialised land (\$m) | Specialised buildings (\$m) | Plant and equipment (\$m) |
|---|------------------------------|-----------------------------------|---------------------------------|
| Opening balance | 7,148.8 | 6,431.4 | 135.5 |
| Purchases (sales) | (33.8) | (50.7) | 33.9 |
| Assets previously not recognised | (9.8) | 14.3 | — |
| Transfers to completed assets | — | 154.0 | 11.0 |
| Transfer (to)/from assets held for sale | (30.2) | (25.6) | 0.1 |
| Depreciations | — | (213.3) | (59.4) |
| Subtotal | 7,074.9 | 6,310.3 | 121.1 |
| Revaluation | 8.6 | 572.2 | — |
| Subtotal | 8.6 | 572.2 | — |
| Closing balance | 7,083.5 | 6,882.5 | 121.1 |

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

Table 10—Description of significant unobservable inputs to Level 3 valuations

| 2014 | Valuation technique | Significant unobservable inputs | Range | Sensitivity of fair value measurement to changes in significant unobservable inputs |
|--|------------------------------|--------------------------------------|--------------------------------|---|
| Specialised land¹ | Market approach | Community service obligation | 20–50 per cent | A significant increase or decrease in the community service obligation adjustment would result in a significantly lower (higher) fair value. |
| Specialised buildings² | Depreciated Replacement Cost | Direct cost per square metre | \$1,650–\$3,800/m ² | A significant increase or decrease in direct cost per square metre adjustment would result in a significantly higher or lower fair value. |
| | | Useful life of specialised buildings | 40–60 years | A significant increase or decrease in the estimated useful life of the asset would result in a significantly higher or lower valuation. |
| | | Enrolment data | Not applicable | A significant increase or decrease in the forecast student enrolment data would result in a significantly higher or lower valuation when determining economic obsolescence. |
| Plant and equipment | Depreciated Replacement Cost | Cost per unit | \$5,000–\$268,000 per unit | A significant increase or decrease in cost per unit would result in a significantly higher or lower fair value. |
| | | Useful life of Plant and Equipment | 3–10 years | A significant increase or decrease in the estimated useful life of the asset would result in a significantly higher or lower valuation. |

¹ Specialised Land refers to land that are owned by the Department with restricted service potential.

² Specialised Buildings are school buildings and improvements that are owned by the Department and restricted to provide education services.

Note 12 Payables

| | 2014 \$m | 2013 \$m |
|--|--------------|--------------|
| Current payables | | |
| <i>Contractual</i> | | |
| Salaries, wages and on-costs ¹ | 50.7 | 119.3 |
| Accrued payments to non-government schools | 191.7 | 166.7 |
| Accrued grants and transfer payments | 59.7 | 53.7 |
| Other accruals | 7.3 | 5.8 |
| Schools' creditors | 11.9 | 13.0 |
| Capital expenditure | 39.3 | 41.8 |
| Operating expenditure | 184.8 | 159.2 |
| Total | 545.4 | 559.6 |
| <i>Statutory</i> | | |
| Taxes payable | 49.5 | 47.0 |
| Advance from Public Account | 12.8 | 12.5 |
| Total current payables | 62.4 | 59.4 |
| Total current payables | 607.7 | 619.0 |
| Non-current payables | | |
| <i>Statutory</i> | | |
| Advance from Public Account | 36.4 | 2.9 |
| Total non-current payables | 36.4 | 2.9 |
| Total payables | 644.2 | 621.9 |

(a) Maturity analysis of contractual payables

See Table 13 in Note 17 for the ageing analysis of contractual payables.

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

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

¹ In April 2013, the Enterprise Bargaining Agreement for teachers, principals and education support staff was reached. The agreement, approved by the Fair Work Commission in July 2013, was effective from April 2013. Its impact was reflected in the payroll expenditure and payables in 2013.

Note 13 Borrowings

The Department's borrowings are made up of finance leases for public-private partnership arrangements and motor vehicles.

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

| | Minimum future lease payments | | Present value of minimum future lease payments | |
|---|-------------------------------|--------------|--|--------------|
| | 2014 \$m | 2013 \$m | 2014 \$m | 2013 \$m |
| Public-private partnership-related finance lease liabilities | | | | |
| Not longer than one year | 15.8 | 15.8 | 4.3 | 3.9 |
| Longer than one year but not longer than five years | 63.4 | 63.4 | 19.2 | 18.2 |
| Longer than five years | 261.3 | 277.2 | 160.4 | 165.8 |
| Motor vehicles lease liabilities payable | | | | |
| Not longer than one year | 4.1 | 4.0 | 3.8 | 3.7 |
| Longer than one year but not longer than five years | 4.0 | 3.4 | 3.8 | 3.2 |
| Minimum future lease payments | 348.6 | 363.7 | 191.6 | 194.8 |
| Less future finance charges | (157.0) | (169.0) | — | — |
| Present value of minimum lease payments | 191.6 | 194.8 | 191.6 | 194.8 |

Included in the financial statements as:

| | Minimum future lease payments | | Present value of minimum future lease payments | |
|--|-------------------------------|-------------|--|--------------|
| | 2014 \$m | 2013 \$m | 2014 \$m | 2013 \$m |
| Current borrowings finance lease liabilities | — | — | 8.1 | 7.2 |
| Non-current borrowings finance lease liabilities | — | — | 183.5 | 187.6 |
| Total aggregate carrying amount of borrowings | — | — | 191.6 | 194.8 |

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

| | 2014 \$m | 2013 \$m |
|---|--------------|--------------|
| Assets pledged as security | | |
| Motor vehicles under finance lease | 7.4 | 6.6 |
| Partnership Victoria in Schools assets | 187.5 | 203.4 |
| Total assets pledged as security | 194.9 | 210.0 |

The Department entered into a 26-year public–private partnership arrangement under Partnerships Victoria in Schools with Axiom Consortium for the financing, design, construction, and maintenance of 12 schools which have opened since 2011. The schools were constructed on sites that were purchased by the Department. At the end of the lease period, the Department will continue to own all the assets.

(a) Maturity analysis of borrowings

See Table 13 in Note 17 for the ageing analysis of borrowings.

(b) Nature and extent of risk arising from borrowings

See Note 17 for the nature and extent of risks arising from borrowings.

(c) Defaults and breaches

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

Note 14 Provisions

| | Note | 2014 \$m | 2013 \$m |
|--|-------|----------------|----------------|
| Current provisions | | | |
| <i>Employee benefits¹—annual leave</i> | | | |
| Unconditional and expected to be settled within 12 months ² | | 78.2 | 86.3 |
| Unconditional and expected to be settled after 12 months ² | | 7.3 | — |
| <i>Employee benefits¹—long service leave</i> | | | |
| Unconditional and expected to be settled within 12 months ² | | 120.1 | 127.6 |
| Unconditional and expected to be settled after 12 months ² | | 724.8 | 687.3 |
| Total | | 844.9 | 814.9 |
| <i>Employee benefits¹—other</i> | | | |
| Unconditional and expected to be settled within 12 months ² | | 3.4 | 7.9 |
| Total | 14(a) | 933.9 | 909.1 |
| Provisions related to employee benefit on-cost | | | |
| Unconditional and expected to be settled within 12 months ² | | 35.2 | 37.6 |
| Unconditional and expected to be settled after 12 months ² | | 122.1 | 113.1 |
| Total | 14(a) | 157.3 | 150.7 |
| Make-good ³ | 14(b) | 0.0 | 0.2 |
| Sabbatical leave | 14(b) | 1.3 | 1.3 |
| Total current provisions | | 1,092.4 | 1,061.2 |
| Non-current provisions | | | |
| Employee benefits ^{1,2} | 14(a) | 153.5 | 144.8 |
| Employee benefit on-costs ² | 14(a) | 25.6 | 23.8 |
| Make-good ³ | 14(b) | 1.7 | 0.3 |
| Total non-current provisions | | 180.8 | 169.0 |
| Total provisions | | 1,273.2 | 1,230.2 |

¹ Provisions for employee benefits consist of amounts for annual leave, long service leave and other employee benefits accrued by employees, not including on-costs.

² The amounts disclosed are discounted to present values.

³ In accordance with the lease agreements over the property facilities, the Department must remove any leasehold improvements from the leased buildings and restore the premises to its original condition at the end of the lease term.

(a) Employee benefits and related on-costs

| | Note | 2014 \$m | 2013 \$m |
|---|-------|----------------|----------------|
| Current employee benefits | | | |
| Annual leave entitlements | | 85.5 | 86.3 |
| Long service leave entitlements | | 844.9 | 814.9 |
| Other | | 3.4 | 7.9 |
| Total | | 933.9 | 909.1 |
| Non-current employee benefits | | | |
| Long service leave entitlements | | 153.5 | 144.8 |
| Total employee benefits | | 1,087.4 | 1,054.0 |
| On-costs | | | |
| Current on-costs | | 157.3 | 150.7 |
| Non-current on-costs | | 25.6 | 23.8 |
| Total on-costs | 14(b) | 182.8 | 174.5 |
| Total employee benefits and related on-costs | | 1,270.2 | 1,228.4 |

(b) Movements in provisions

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

| | On-costs \$m | Make good \$m | Sabbatical leave \$m | Total \$m |
|---|-----------------|------------------|----------------------------|--------------|
| Carrying amount at start of year | 174.5 | 0.5 | 1.3 | 176.2 |
| Increase/(decrease) in allowance recognised in surplus or deficit | 54.3 | 1.3 | — | 55.6 |
| Payments and other sacrifices of economic benefits | (46.0) | — | — | (46.0) |
| Carrying amount at end of year | 182.8 | 1.7 | 1.3 | 185.8 |

Note 15 Superannuation

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

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

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

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

| Funds | Paid Contributions for the year 2014 \$m | Paid Contributions for the year 2013 \$m | Contributions outstanding at year end 2014 \$m | Contributions outstanding at year end 2013 \$m |
|---|--|--|--|--|
| State Superannuation Schemes (defined benefit scheme) | 111.0 | 120.2 | — | — |
| Vic Super (accumulation scheme) | 258.8 | 232.4 | — | — |
| State Employees Retirement Benefits Scheme (defined benefit scheme) | 2.6 | 2.8 | — | — |
| Other schemes | 54.4 | 37.0 | — | — |
| Total | 426.8 | 392.4 | — | — |

Note 16 Physical asset revaluation surplus

| | Note | 2014 \$m | 2013 \$m |
|--|------|----------------|----------------|
| Physical asset revaluation surplus | | | |
| Balance at beginning of financial year | | 4,232.6 | 3,776.6 |
| Revaluation increment/(decrement) of land during the year | | 8.6 | 608.9 |
| Revaluation increment/(decrement) of buildings during the year | 1(w) | 559.3 | (152.9) |
| Balance at end of financial year | | 4,800.5 | 4,232.6 |

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

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

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

The Department's main financial risks include credit risk, liquidity risk and interest rate risk. The Department manages these financial risks in accordance with its financial risk management policy. Each school manages its financial risks in accordance with its policies as determined by its principal's along with School Council members.

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

The carrying amounts of the Department's contractual financial assets and financial liabilities by category are disclosed in Table 11.

Table 11—Categorisation of financial instruments

| | Note | 2014 \$m | 2013 \$m |
|--|------|--------------|--------------|
| Contractual financial assets—loans and receivables | | | |
| Cash and deposits—Department | 7 | 150.8 | 106.6 |
| Cash and deposits—Schools | 7 | 471.5 | 487.0 |
| Receivables | 8 | 69.9 | 79.7 |
| Term deposits | | 210.2 | 174.1 |
| Total contractual financial assets | | 902.4 | 847.3 |
| Contractual financial liabilities at amortised cost | | | |
| Payables | 12 | 545.4 | 559.6 |
| Lease liabilities | 13 | 191.6 | 194.8 |
| Total contractual financial liabilities | | 737.0 | 754.4 |

(b) Credit risk

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

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

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

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

Except as otherwise detailed in the following table, the carrying amount of contractual financial assets recorded in the financial statements, net of any allowances for losses,

represents the Department's maximum exposure to credit risk without taking account of the value of any collateral obtained.

Contractual financial assets that are either past due or impaired

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

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

Table 12—Ageing analysis of contractual financial assets¹

| | Carrying amount | Not past due and not impaired | Past due but not impaired | | | | Impaired financial assets |
|---------------|-----------------|-------------------------------|---------------------------|-------------|-----------------|------------------|---------------------------|
| | \$m | \$m | Less than 1 month | 1–3 months | 3 months–1 year | More than 1 year | \$m |
| 2014 | | | | | | | |
| Receivables | 69.9 | 53.2 | 9.8 | 3.5 | 3.3 | 0.2 | — |
| Term deposits | 210.2 | 210.2 | — | — | — | — | — |
| Total | 280.2 | 263.4 | 9.8 | 3.5 | 3.3 | 0.2 | — |
| 2013 | | | | | | | |
| Receivables | 79.7 | 32.8 | 24.0 | 20.9 | 2.0 | — | — |
| Term deposits | 174.1 | 174.1 | — | — | — | — | — |
| Total | 253.8 | 206.9 | 24.0 | 20.9 | 2.0 | — | — |

(c) Liquidity risk

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

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

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

¹ Ageing analysis of financial assets exclude the types of statutory receivables (for example, amounts owing from Victorian Government and GST input tax credit recoverable).

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

Table 13 discloses the contractual maturity analysis for the Department's contractual financial liabilities.

Table 13—Maturity analysis of contractual financial liabilities

| | Carrying amount | Nominal amount | Maturity dates | | | | |
|-------------------|-----------------|----------------|-------------------|------------|-----------------|-------------|----------------------|
| | | | Less than 1 month | 1–3 months | 3 months–1 year | 1–5 years | Greater than 5 years |
| | \$m | \$m | \$m | \$m | \$m | \$m | \$m |
| 2014 | | | | | | | |
| Payables | 545.4 | 545.4 | 544.9 | 0.4 | — | — | — |
| Lease liabilities | 191.6 | 348.6 | 2.0 | 3.1 | 14.8 | 67.3 | 261.3 |
| Total | 737.0 | 894.0 | 547.0 | 3.6 | 14.8 | 67.3 | 261.3 |
| 2013 | | | | | | | |
| Payables | 559.6 | 559.6 | 557.0 | 2.6 | — | — | — |
| Lease liabilities | 194.8 | 363.7 | 1.7 | 3.3 | 14.9 | 66.7 | 277.2 |
| Total | 754.4 | 923.3 | 558.7 | 5.9 | 14.9 | 66.7 | 277.2 |

(d) Market risk

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

Foreign currency risk

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

The Department is also exposed to foreign currency risk through purchases that are linked to currency other than the functional currency. Where the clauses of such purchases contracts are deemed to be an embedded derivative 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.

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 14. In addition, the Department's sensitivity to interest rate risk is set out in the Table 15.

Table 14—Interest rate exposure of financial instruments

| | Weighted average effective interest rate % | Carrying amount \$m | Interest rate exposure | | |
|----------------------------------|--|---------------------------|-------------------------------|----------------------------------|--------------------------------|
| | | | Fixed interest rate \$m | Variable interest rate \$m | Non-interest bearing \$m |
| 2014 | | | | | |
| Financial assets | | | | | |
| Cash and deposits— Department | — | 150.8 | — | — | 150.8 |
| Cash and deposits— schools | 4.4 | 471.5 | 96.0 | 375.4 | — |
| Receivables | — | 69.9 | — | — | 69.9 |
| Term deposits | 3.5 | 210.2 | 208.4 | 1.8 | — |
| Total | | 902.4 | 304.4 | 377.2 | 220.7 |
| Financial liabilities | | | | | |
| Payables | — | 545.4 | — | — | 545.4 |
| Lease liabilities | 6.5 | 191.6 | 191.6 | — | — |
| Total | | 737.0 | 191.6 | — | 545.4 |
| 2013 | | | | | |
| Financial assets | | | | | |
| Cash and deposits— Department | — | 106.6 | — | — | 106.6 |
| Cash and deposits— schools | 3.6 | 487.0 | 123.4 | 363.6 | — |
| Receivables | — | 79.7 | — | — | 79.7 |
| Term Deposits | 4.7 | 174.1 | 172.1 | 2.0 | — |
| Total | | 847.3 | 295.5 | 365.5 | 186.3 |
| Financial liabilities | | | | | |
| Payables | — | 559.6 | — | — | 559.6 |
| Lease liabilities | 6.6 | 194.8 | 194.8 | — | — |
| Total | | 754.4 | 194.8 | — | 559.6 |

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. A movement of 100 basis points up and down (2013: 100 down and 100 up) in market interest rates (AUD) is 'reasonably possible' over the next 12 months.

Table 15 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.

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

Table 15—Market risk exposure

| | Carrying amount \$m | Interest rate risk (-100 basis points) Net result \$m | (+100 basis points) Net result \$m |
|--|-------------------------------|---|---|
| 2014 | | | |
| Financial assets | | | |
| Cash and deposits—Department | 150.8 | — | — |
| Cash and deposits—Schools ¹ | 471.5 | (4.7) | 4.7 |
| Receivables | 69.9 | — | — |
| Term deposits ² | 210.2 | (2.1) | 2.1 |
| Financial liabilities | | | |
| Payables | 545.4 | — | — |
| Lease liabilities | 191.6 | — | — |
| Total increase/(decrease) | | (6.8) | 6.8 |
| 2013 | | | |
| Financial assets | | | |
| Cash and deposits—Department | 106.6 | — | — |
| Cash and deposits—Schools ³ | 487.0 | (4.9) | 4.9 |
| Receivables | 79.7 | — | — |
| Term deposits ⁴ | 174.1 | (1.7) | 1.7 |
| Financial liabilities | | | |
| Payables | 559.6 | — | — |
| Lease liabilities | 194.8 | — | — |
| Total increase/(decrease) | | (6.6) | 6.6 |

¹ Sensitivity of cash and equivalents: sensitivity impact on net result due to a +/-100 basis points movement in market interest rate is \$471.5 million x +/- 1 per cent = +/- \$4.7 million.

² Sensitivity of term deposits: sensitivity impact on net result due to a +/-100 basis points movement in market interest rate is \$210.2 million x +/- 1 per cent = +/- \$2.1 million.

³ Sensitivity of cash and equivalents: sensitivity impact on net result due to a +/-100 basis points movement in market interest rate is \$487.0 million x +/- 1 per cent = +/- \$4.9 million.

⁴ Sensitivity of term deposits: sensitivity impact on net result due to a +/-100 basis points movement in market interest rate is \$174.1 million x +/- 1 per cent = +/- \$1.7 million.

(e) Fair value

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

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

The Department considers that the carrying amount of financial instrument assets and liabilities recorded in the financial statements to be a fair approximation of their fair values, because of the short-term nature of the financial instruments and the expectation that they will be paid in full.

The Department's contractual financial assets and liabilities are measured at amortised cost; none of the classes of financial assets and liabilities are readily traded on organised markets in standardised form; hence the fair value disclosures are not required. (See Note 1(k), Loans and Receivables)

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, the following disclosures are made regarding responsible persons for the reporting period.

(a) Names

The persons who held the positions of ministers and accountable officers in the Department are as follows:

| | | |
|---|----------------------------|---------------------------------|
| Minister for Education | The Hon. Martin Dixon, MP | 1 July 2013 to 30 June 2014 |
| Minister for Children and Early Childhood Development | The Hon. Wendy Lovell, MLC | 1 July 2013 to 30 June 2014 |
| Minister for Higher Education and Skills | The Hon. Peter Hall, MLC | 1 July 2013 to 17 March 2014 |
| | The Hon. Nick Wakeling, MP | 17 March to 30 June 2014 |
| Minister responsible for the Teaching Profession | The Hon. Peter Hall, MLC | 1 July 2013 to 17 March 2014 |
| Secretary | Richard Bolt | 15 July 2013 to 11 January 2014 |
| | | 28 January to 30 June 2014 |

- 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 the absences of the Hon. Peter Hall, MLC for the period 5 to 8 July 2013, and 23 to 28 September 2013.

- The Hon. Peter Hall, MLC acted in the office of the Minister for Education during the absences of the Hon. Martin Dixon, MP for the period 13 to 31 July 2013, 30 August to 2 September 2013, and 29 September to 6 October 2013.
- The Hon. Nick Wakeling, MP acted in the office of the Minister for Education during the absences of the Hon. Martin Dixon, MP for the period 28 to 30 June 2014.
- The Hon. Martin Dixon, MP was responsible for the Teaching Profession portfolio from 17 March 2014 to 30 June 2014.
- Jim Miles acted in the office of Secretary during the approved leave of Richard Bolt for the period 1 to 14 July 2013.
- Sonia Sharp acted in the office of Secretary during the approved leave of Richard Bolt for the period 12 to 17 January 2014.
- Monique Dawson acted in the office of Secretary during the approved leave of Richard Bolt for the period 17 to 27 January 2014.

(b) Remuneration

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

| | 2014 Number | 2013 Number |
|---------------------|----------------|----------------|
| \$480,000–\$489,999 | – | 1 |
| \$500,000–\$509,999 | 1 | – |

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

(c) Related party transactions included in the reconciliation amount

The Secretary is an ex-officio member of the boards of the Victorian Registration and Qualification Authority and the Victorian Curriculum and Assessment Authority, to which the Department paid grants on normal commercial terms during the financial year.

The Secretary was an ex-officio member of the board of the Victorian Skills Commission for the period 1 July 2012 to 31 December 2012. As these roles are ex officio the Secretary receives no remuneration to perform these roles.

| | 2014 \$m | 2013 \$m |
|---|-------------|-------------|
| Grants paid during the year | | |
| Victorian Registration and Qualification Authority | 12.2 | 11.6 |
| Victorian Curriculum and Assessment Authority | 43.2 | 42.6 |
| Victorian Skills Commission | – | 889.7 |
| Rent provided free of charge during the year | | |
| Victorian Registration and Qualification Authority | 0.5 | 0.4 |
| Victorian Curriculum and Assessment Authority | 2.4 | 1.9 |

(d) Other transactions

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

Note 19 Remuneration of executives and payments to other personnel (that is, contractors with significant management responsibilities)

(a) Remuneration of executives

The numbers of executive officers who earned total remuneration more than \$100,000 per annum are shown in the table opposite in their relevant income bands. It includes executive officers employed by the Department and its statutory authorities including the Victorian Registration and Qualification Authority, Victorian Curriculum and Assessment Authority, and Victorian Skills Commission (from 1 July 2012 to 31 December 2012). Ministers and accountable officers are not included. The total remuneration of Executive Officers is shown in the first two columns in the table opposite in the relevant income bands. The base remuneration of executive officers is shown in the third and fourth columns. Base remuneration is exclusive of bonus payments, long-service leave payments, redundancy payments and retirement benefits.

| Income band | Total remuneration | | Base remuneration | |
|---------------------------------------|--------------------|------------------|-------------------|----------------|
| | 2014 Number | 2013 Number | 2014 Number | 2013 Number |
| \$50,000–\$59,999 | n/a ¹ | n/a ¹ | 1 | — |
| \$80,000–\$89,999 | n/a ¹ | n/a ¹ | — | 2 |
| \$100,000–\$109,999 | — | 3 | — | 2 |
| \$110,000–\$119,999 | 2 | — | 2 | — |
| \$120,000–\$129,999 | 2 | — | 1 | 1 |
| \$130,000–\$139,999 | — | 1 | 3 | 1 |
| \$140,000–\$149,999 | 2 | 3 | 3 | 4 |
| \$150,000–\$159,999 | 4 | 2 | 10 | 8 |
| \$160,000–\$169,999 | 9 | 9 | 7 | 8 |
| \$170,000–\$179,999 | 8 | 9 | 4 | 6 |
| \$180,000–\$189,999 | 2 | 4 | 3 | 9 |
| \$190,000–\$199,999 | 10 | 6 | 13 | 5 |
| \$200,000–\$209,999 | 10 | 8 | 10 | 10 |
| \$210,000–\$219,999 | 8 | 7 | 3 | 1 |
| \$220,000–\$229,999 | 2 | 3 | 6 | 3 |
| \$230,000–\$239,999 | 4 | 1 | 2 | 4 |
| \$240,000–\$249,999 | 4 | 3 | 2 | 1 |
| \$250,000–\$259,999 | 4 | 4 | 2 | 2 |
| \$260,000–\$269,999 | — | 1 | 1 | 1 |
| \$270,000–\$279,999 | — | 2 | — | 2 |
| \$280,000–\$289,999 | 1 | 3 | 2 | 1 |
| \$290,000–\$299,999 | 1 | 1 | — | 1 |
| \$300,000–\$309,999 | 1 | — | 1 | — |
| \$310,000–\$319,999 | — | 2 | — | 1 |
| \$320,000–\$329,999 | 1 | — | 1 | — |
| \$340,000–\$349,999 | 1 | — | 1 | — |
| \$360,000–\$369,999 | 1 | — | — | — |
| \$420,000–\$429,999 | — | 1 | — | — |
| \$430,000–\$439,999 | 1 | — | — | — |
| Total number | 78 | 73 | 78 | 73 |
| Total annualised employee equivalents | 76.10 | 69.14 | 76.10 | 69.14 |
| Total remuneration \$m | 16.1 | 14.9 | 15.2 | 13.8 |

¹ Not applicable.

(b) Payments to other personnel (that is, contractors with significant management responsibilities)

Payments have been made to other personnel, that is, contractors with significant management responsibilities. The contractors are responsible for planning, directing or controlling, directly or indirectly, of the Department's activities.

The number of other personnel to whom total expenses for the reporting period exceed \$100,000 (exclusive of GST) is shown in the table below in the relevant expense band.

| Expenses band | Total expenses (exclusive of GST) | |
|--|-----------------------------------|----------------|
| | 2014 Number | 2013 Number |
| \$370,000–\$379,999 | 1 | – |
| \$570,000–\$579,999 | – | 1 |
| Total expenses (exclusive of GST) \$m | 0.4 | 0.6 |

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:

(a) Quantifiable contingent liabilities

Table 16—Quantifiable contingent liabilities

| | 2014 \$m | 2013 \$m |
|--|-------------|-------------|
| Claims for damages | 46.9 | 32.6 |
| Total quantifiable contingent liabilities | 46.9 | 32.6 |

(b) Unquantifiable contingent liabilities

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

Indemnities are provided by the Department to:

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

Note 21 Commitments for expenditure

The following commitments have not been recognised as liabilities in the financial statements. All amounts shown in this note are nominal amounts inclusive of GST.

(a) Service concession (public-private partnership)-related commitments

The Department entered into a 26-year public-private partnership arrangement under Partnerships Victoria in Schools. The portions of the payments that relate to the right to use the assets are accounted for as finance leases and are disclosed in Note 13.

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

| | Present value 2014 \$m | Nominal value 2014 \$m | Present value 2013 \$m | Nominal value 2013 \$m |
|--|---------------------------------|---------------------------------|---------------------------------|---------------------------------|
| Operation and maintenance commitments | | | | |
| Partnerships Victoria in Schools | 99.8 | 224.5 | 98.3 | 229.3 |
| Total operation and maintenance commitments | 99.8 | 224.5 | 98.3 | 229.3 |

Operation and maintenance commitments are payable as follows:

| | 2014 \$m | 2013 \$m |
|--|--------------|--------------|
| Within one year | 8.6 | 8.1 |
| Later than one year but not later than five years | 35.0 | 33.6 |
| Later than five years | 180.9 | 187.6 |
| Total operation and maintenance commitments | 224.5 | 229.3 |

(b) Capital commitments

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

| | 2014 \$m | 2013 \$m |
|--|--------------|--------------|
| Within one year | 113.7 | 131.0 |
| Later than one year but not later than five years | 0.6 | — |
| Total capital commitments | 114.3 | 131.0 |

(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. Commitment on leased equipment for individual school is an estimated \$44.3 million.

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

| | 2014 \$m | 2013 \$m |
|---|--------------|-------------|
| Within one year | 40.0 | 38.8 |
| Later than one year but not later than five years | 39.8 | 32.6 |
| Later than five years | 33.4 | 24.0 |
| Total operating leases commitments | 113.2 | 95.4 |

(d) Other expenditure commitments

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

| | 2014 \$m | 2013 \$m |
|---|--------------|--------------|
| Within one year | 71.9 | 108.2 |
| Later than one year but not later than five years | 47.2 | 101.6 |
| Later than five years | — | 6.9 |
| Total other expenditure commitments | 119.1 | 216.7 |
| Total commitments for expenditure (inclusive of GST) | 571.1 | 672.4 |

Note 22 Cash flow information

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

| | 2014 \$m | 2013 \$m |
|--|--------------|--------------|
| Net result for the reporting period | 171.7 | 123.5 |
| Non-cash movements | | |
| Net (gain)/loss on sale of non-financial assets | (7.1) | 14.7 |
| Depreciation and amortisation | 297.8 | 285.3 |
| Movements in assets and liabilities | | |
| Decrease/(increase) in current receivables | (139.7) | 40.2 |
| Decrease/(increase) in prepayments | (3.9) | (2.0) |
| Decrease/(increase) in non-current receivables | (13.2) | (7.0) |
| Increase/(decrease) in current payables | 24.8 | 87.9 |
| Increase/(decrease) in other liabilities | 5.5 | (82.8) |
| Increase/(decrease) in current employee entitlements | 31.2 | (7.2) |
| Increase/(decrease) in non-current employee entitlements | 11.9 | (0.8) |
| Net cash inflow from operating activities | 379.0 | 451.9 |

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 income agreements

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

| | Note | 2014 \$m | 2013 \$m |
|--|------|--------------|--------------|
| Sales of goods and services | | | |
| Alarms | | 0.0 | 0.2 |
| Housing rent (input taxed) | | 1.1 | 1.0 |
| Total | | 1.1 | 1.2 |
| Asset sales | | | |
| Sale of land | | 80.5 | 33.0 |
| Total | | 80.5 | 33.0 |
| Commonwealth Specific Purpose Payments | | | |
| Digital Education Revolution | | — | 29.6 |
| Trade Training Centres | | 37.1 | 25.2 |
| National Skills and Workforce Development | | 349.7 | 343.6 |
| TAFE fee waivers for childcare qualifications | | 6.1 | 6.8 |
| Helping our Kids Understand Finances | | 0.2 | 0.1 |
| Improving Teacher Quality | | — | 4.5 |
| Low SES School Communities | | 20.5 | 66.7 |
| National Solar Schools Program | | 5.4 | 1.2 |
| More support for students with disabilities | | 14.8 | 14.9 |
| Youth Attainment and Transitions | | 8.5 | 17.0 |
| Universal access to early education | | 78.3 | 113.1 |
| Indigenous Early Childhood Development | | 3.8 | 3.0 |
| National Quality Agenda for Early Childhood Education and Care | | 2.3 | 5.1 |
| Training Places for Single and Teen parents | | 6.3 | 4.7 |
| Industry and Indigenous skills centre | | 0.1 | 0.2 |
| Joint group training program | | 3.2 | — |
| Improving Literacy and Numeracy—Government Schools | | 9.8 | 19.6 |
| Improving Literacy and Numeracy—Non Government Schools NP | | 3.9 | — |
| MoneySmart Teaching | | 0.1 | — |
| Total | | 550.2 | 655.5 |
| Total annotated income agreements | 6(a) | 631.8 | 689.6 |

Note 25 Trust account balances

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

| | Opening balance as at 1 July 2013 \$m | Total receipts \$m | Total payments \$m | Closing balance as at 30 June 2014 \$m |
|-----------------------------------|---|--------------------------|--------------------------|--|
| 2014 | | | | |
| <i>Controlled trusts</i> | | | | |
| State Treasury Trust | 99.3 | 77.8 | (44.4) | 132.7 |
| Commonwealth Treasury Trust | 7.3 | 7.6 | (4.9) | 10.0 |
| Total controlled trusts | 106.6 | 85.4 | (49.3) | 142.7 |
| <i>Administered trusts</i> | | | | |
| Prizes and scholarships | 2.4 | 1.5 | (1.6) | 2.3 |
| Commuter club | (0.1) | 0.5 | (0.5) | (0.1) |
| On-passing from the Commonwealth | 0.5 | 2,445.5 | (2,445.4) | 0.6 |
| Total administered trusts | 2.8 | 2,447.5 | (2,447.5) | 2.8 |
| | Opening balance as at 1 July 2012 \$m | Total receipts \$m | Total payments \$m | Closing balance as at 30 June 2013 \$m |
| 2013 | | | | |
| <i>Controlled trusts</i> | | | | |
| State Treasury Trust | 104.7 | 73.5 | (78.9) | 99.3 |
| Commonwealth Treasury Trust | 9.1 | 4.9 | (6.8) | 7.3 |
| Total controlled trusts | 113.8 | 78.4 | (85.7) | 106.6 |
| <i>Administered trusts</i> | | | | |
| Prizes and scholarships | 4.6 | 0.3 | (2.5) | 2.4 |
| Commuter club | – | 0.7 | (0.8) | (0.1) |
| On-passing from the Commonwealth | 0.6 | 2,276.4 | (2,276.5) | 0.5 |
| Total administered trusts | 5.2 | 2,277.5 | (2,279.8) | 2.8 |

There were no trust accounts opened and closed by the Department during 2014.

The State trust fund of the State of Victoria operates by virtue of Section 19 of the Financial Management Act.

The trust fund is comprised of individual trust accounts approved by the Minister for Finance under Section 19(1) of the Financial Management Act and trust accounts created by other Acts of Parliament.

Trust accounts are used as the legal mechanism to record and access moneys for specific, clearly-identified purposes and are not funded by State Appropriation unless

approved by the Department of Treasury and Finance or provided by specific legislation.

Note 26 Glossary of terms and style conventions

(a) Active and Liquid Market

Active liquid market refers to any market in which there are many buyers and sellers present and in which transactions can take place with relative ease and low costs.

(b) Actuarial gains or losses on superannuation defined benefit plans

Actuarial gains or losses are changes in the present value of the superannuation defined benefit liability resulting from:

- experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred)
- the effects of changes in actuarial assumptions.

(c) Amortisation

Amortisation is the expense which results from the consumption, extraction or use over time of a non-produced physical or intangible asset. This expense is classified as an other economic flow.

(d) Associates

Associates are all entities over which an entity has significant influence but not control, generally accompanying a shareholding and voting rights of between 20 per cent and 50 per cent.

(e) Borrowings

Borrowings refers to interest-bearing liabilities mainly raised from public borrowings raised through the Treasury Corporation of Victoria, finance leases and other interest-bearing arrangements. Borrowings also include non-interest-bearing advances from government that are acquired for policy purposes.

(f) Capital asset charge

The capital asset charge represents the opportunity cost of capital invested in the non-financial physical assets used in the provision of outputs.

(g) Commitments

Commitments include those operating, capital and other outsourcing commitments arising from non-cancellable contractual or statutory sources.

(h) Community service obligation

A community service obligation is an ongoing legislative requirement placed on an organisation by government to provide a benefit to an identified group that would not otherwise be provided by that organisation in the pursuit of its other objectives.

(i) Comprehensive result

The net result of all items of income and expense recognised for the period. It is the aggregate of operating result and other comprehensive income.

(j) Current grants

Amounts payable or receivable for current purposes for which no economic benefits of equal value are receivable or payable in return.

(k) Depreciation

Depreciation is an expense that arises from the consumption through wear or time of a produced physical asset. This expense is classified as a 'transaction' and so reduces the 'net result from transaction'.

(l) Depreciated replacement cost

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

(m) Economic obsolescence

Economic obsolescence is defined as a loss in value or reduction in the desirability or economic life of an asset caused by external factors. These external factors may be changes in optimum use, regulatory changes and technological changes.

(n) Effective interest method

The effective interest method is used to calculate the amortised cost of a financial asset or liability and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument, or, where appropriate, a shorter period.

(o) Employee benefits expenses

Employee benefits expenses include all costs related to employment including wages and salaries, fringe benefits tax, leave entitlements, redundancy payments, defined benefits superannuation plans, and defined contribution superannuation plans.

(p) Ex-gratia expenses

Ex-gratia expenses mean the voluntary payment of money or other non-monetary benefit (for example, a write off) that is not made either to acquire goods, services or other benefits for the entity or to meet a legal liability, or to settle or resolve a possible legal liability or claim against the entity.

(q) Financial asset

A financial asset is any asset that is:

- cash
- an equity instrument of another entity
- a contractual or statutory right:
 - to receive cash or another financial asset from another entity or
 - to exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity or
- a contract that will or may be settled in the entity's own equity instruments and is:
 - a non-derivative for which the entity is or may be obliged to receive a variable number of the entity's own equity instruments or
 - a derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments.

(r) Financial instrument

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial assets or liabilities that are not contractual (such as statutory receivables or payables that arise as a result of statutory requirements imposed by governments) are not financial instruments.

(s) Financial liability

A financial liability is any liability that is:

- a contractual obligation:
 - to deliver cash or another financial asset to another entity or
 - to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the entity or
- a contract that will or may be settled in the entity's own equity instruments and is:
 - a non-derivative for which the entity is or may be obliged to deliver a variable number of the entity's own equity instruments or
 - a derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments. For this purpose, the entity's own equity instruments do not include instruments that are themselves contracts for the future receipt or delivery of the entity's own equity instruments.

(t) Financial reporting directions (FRDs)

The FRDs are applicable to all entities defined as either a public body or a department under section 3 of the Financial Management Act, unless otherwise stated. The aims of FRDs are to ensure consistent application of accounting treatment across the Victorian public sector in compliance with that particular standard and also to impose other government non-financial policy and disclosure requirements.

(u) Financial statements

A complete set of financial statements comprises:

- a statement of financial position as at the end of the period
- a statement of profit or loss and other comprehensive income for the period
- a statement of changes in equity for the period
- a statement of cash flows for the period
- notes, comprising a summary of significant accounting policies and other explanatory information
- comparative information in respect of the preceding period as specified in paragraphs 38 of AASB 101 *Presentation of Financial Statements*
- a statement of financial position as at the beginning of the preceding period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements in accordance with paragraphs 41 of AASB 101.

(v) Functional obsolescence

Functional obsolescence is defined as a reduction or loss of an asset value due to a reduction in the usefulness or desirability of an asset because of its inability either to be upgraded or modified to serve the user's current needs or outdated functional capabilities.

(w) Grants and other transfers

Transactions in which one unit provides goods, services, assets (or extinguishes a liability) or labour to another unit without receiving approximately equal value in return. Grants can either be operating or capital in nature.

While grants to governments may result in the provision of some goods or services to the transferor, they do not give the transferor a claim to receive directly benefits of approximately equal value. For this reason, grants are referred to by the AASB as involuntary transfers and are termed non-reciprocal transfers. Receipt and sacrifice of approximately equal value may occur, but only by coincidence. For example, governments are not obliged to provide commensurate benefits, in the form of goods or services, to particular taxpayers in return for their taxes.

Grants can be paid as general purpose grants which refer to grants that are not subject to conditions regarding their use. Alternatively, they may be paid as specific purpose grants which are paid for a particular purpose and/or have conditions attached regarding their use.

(x) Grants for on-passing

All grants paid to one institutional sector (for example, a State general government entity) to be passed on to another institutional sector (for example, local government or a private non-profit institution).

(y) Intangible produced assets

See Produced Assets in this glossary.

(z) Intangible non-produced assets

See Non-produced Assets in this glossary.

(aa) Interest expense

Costs incurred in connection with the borrowing of funds includes interest on bank overdrafts and short- and long-term borrowings, amortisation of discounts or premiums relating to borrowings, interest component of finance leases repayments, and the increase in financial liabilities and non-employee provisions due to the unwinding of discounts to reflect the passage of time.

(bb) Interest income

Interest income includes unwinding over time of discounts on financial assets and interest received on bank term deposits and other investments.

(cc) Investment properties

Investment properties represent properties held to earn rentals or for capital appreciation or both. Investment properties exclude properties held to meet service delivery objectives of the State of Victoria.

(dd) Net result

Net result is a measure of financial performance of the operations for the period. It is the net result of items of income, gains and expenses (including losses) recognised for the period, excluding those that are classified as Other Economic Flows—Other Comprehensive Income.

(ee) Net result from transactions/net operating balance

Net result from transactions or net operating balance is a key fiscal aggregate and is income from transactions minus expenses from transactions. It is a summary measure of the ongoing sustainability of operations. It excludes gains and losses resulting from changes in price levels and other changes in the volume of assets. It is the component of the change in net worth that is due to transactions and can be attributed directly to government policies.

(ff) Net worth

Assets less liabilities, which is an economic measure of wealth.

(gg) Non-financial assets

Non-financial assets are all assets that are not 'financial assets'. It includes inventories, land, buildings, infrastructure, road networks, land under roads, plant and equipment, investment properties, cultural and heritage assets, intangible and biological assets.

(hh) Non-produced assets

Non-produced assets are assets needed for production that have not themselves been produced. They include land, subsoil assets, and certain intangible assets. Non-produced intangibles are intangible assets needed for production that have not themselves been produced. They include constructs of society such as patents.

(ii) Other economic flows included in net result

Other economic flows included in net result are changes in the volume or value of an asset or liability that do not result from transactions. It includes:

- gains and losses from disposals, revaluations and impairments of non-financial physical and intangible assets
- fair value changes of financial instruments and agricultural assets
- depletion of natural assets (non-produced) from their use or removal.

(jj) Other economic flows—other comprehensive income

Other Economic Flows—Other Comprehensive Income comprises items (including reclassification adjustments) that are not recognised in net result as required or permitted by other Australian Accounting Standards.

The components of Other Economic Flows—Other Comprehensive Income include:

- changes in physical asset revaluation surplus
- share of net movement in revaluation surplus of associates and joint ventures
- gains and losses on remeasuring available-for-sale financial assets.

(kk) Payables

Includes short- and long-term trade debt and accounts payable, grants, taxes and interest payable.

(ll) Physical obsolescence

Physical obsolescence is defined as a reduction or loss of an asset value as a result of its physical deterioration caused by wear and tear, increasing age or time and eventually obsolete.

(mm) Produced assets

Produced assets include buildings, plant and equipment, inventories, cultivated assets and certain intangible assets. Intangible produced assets may include computer software, motion picture films, and research and development costs (which does not include the start-up costs associated with capital projects).

(nn) Receivables

Includes amounts owing from government through appropriation receivable, short and long term trade credit and accounts receivable, accrued investment income, grants, taxes and interest receivable.

(oo) Sales of goods and services

Refers to income from the direct provision of goods and services and includes fees and charges for services rendered, sales of goods and services, fees from regulatory services and work done as an agent for private enterprises. It also includes rental income under operating leases and on produced assets such as buildings and entertainment, but excludes rent income from the use of non-produced assets such as land. User charges includes sale of goods and services income.

(pp) Supplies and services

Supplies and services generally represent cost of goods sold and the day-to-day running costs, including maintenance costs, incurred in the normal operations of the Department.

(qq) Transactions

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

(rr) Style conventions

Figures in the tables and in the text have been rounded. Discrepancies in tables between totals and sums of components reflect rounding. Percentage variations in all tables are based on the underlying unrounded amounts.

The notation used in the tables is as follows:

| | |
|---------|--------------------------|
| '_' | Zero, or rounded to zero |
| (xxx.x) | Negative numbers |
| 201x | Year |
| 201x–1x | Year period |

The financial statements and notes are presented based on the illustration for a government department in the *2013–14 Model Report for Victorian Government Departments*. The presentation of other disclosures is generally consistent with the other disclosures made in earlier publications of the Department's annual reports.

Appendices

Contents

| | |
|---|-----|
| Appendix 1—Disclosure index | 119 |
| Appendix 2—Budget portfolio outcomes | 121 |
| Appendix 3—Capital projects | 128 |
| Appendix 4—Occupational health and safety | 128 |
| Appendix 5—Workforce data | 133 |
| Appendix 6—Other disclosures and attestations | 138 |
| Appendix 7—Office-based environmental impacts | 149 |
| Appendix 8—Additional departmental information available on request | 156 |
| Appendix 9—Publications and major promotional activities | 156 |
| Appendix 10—Statutory authorities' reports | 157 |
| Appendix 11—Acronyms and abbreviations | 164 |

Appendix 1—Disclosure index

The annual report of the Department is prepared in accordance with all relevant Victorian legislation and pronouncements. This index has been prepared to facilitate identification of the Department's compliance with statutory disclosure requirements.

| Legislation | Requirement | Page |
|--|---|-------|
| Ministerial Directions | | |
| Report of operations—Financial Reporting Direction guidance | | |
| Charter and purpose | | |
| FRD 22E | Manner of establishment and the relevant Ministers | 3, 24 |
| FRD 22E | Objectives, functions, powers and duties | 3 |
| FRD 22E | Nature and range of services provided | 3 |
| Management and structure | | |
| FRD 22E | Organisational structure | 29 |
| Financial and other information | | |
| FRD 8B | Budget portfolio outcomes | 121 |
| FRD 10 | Disclosure index | 119 |
| FRD 12A | Disclosure of major contracts | 139 |
| FRD 15B | Executive officer disclosures | 137 |
| FRD 22E, SD 4.2(k) | Operational and budgetary objectives and performance against objectives | 6 |
| FRD 22E | Employment and conduct principles | 133 |
| FRD 22E | Occupational health and safety policy | 128 |
| FRD 22E | Summary of the financial results for the year | 23 |
| FRD 22E | Significant changes in financial position during the year | 23 |
| FRD 22E | Major changes or factors affecting performance | 23 |
| FRD 22E | Subsequent events | 107 |
| FRD 22E | Application and operation of <i>Freedom of Information Act 1982</i> | 139 |
| FRD 22E | Compliance with building and maintenance provisions of <i>Building Act 1993</i> | 140 |
| FRD 22E | Statement on National Competition Policy | 145 |
| FRD 22E | Application and operation of the <i>Protected Disclosure Act 2012</i> | 145 |

| Legislation | Requirement | Page |
|---|--|----------|
| Ministerial Directions | | |
| FRD 22E | Application and operation of the <i>Carers Recognition Act 2012</i> | 146 |
| FRD 22E | Details of consultancies valued at \$10,000 or greater | 139 |
| FRD 22E | Details of consultancies valued at less than \$10,000 | 139 |
| FRD 22E | Statement of availability of other information | 156 |
| FRD 24C | Reporting of office-based environmental impacts | 149 |
| FRD 25B | Victorian Industry Participation Policy disclosures | 138 |
| FRD 29 | Workforce Data disclosures | 133 |
| SD 4.5.5 | Risk management compliance attestation | 147 |
| SD 4.5.5.1 | Ministerial Standing Direction 4.5.5.1 compliance attestation | 148 |
| SD 4.2(g) | Specific information requirements | 1, 6, 21 |
| SD 4.2(j) | Sign-off requirements | i |
| Financial report | | |
| Financial statements required under Part 7 of the Financial Management Act | | |
| SD4.2(a) | Statement of changes in equity | 41 |
| SD4.2(b) | Operating statement | 39 |
| SD4.2(b) | Balance sheet | 40 |
| SD4.2(b) | Cash flow statement | 42 |
| Other requirements under Standing Directions 4.2 | | |
| SD4.2(c) | Compliance with Australian accounting standards and other authoritative pronouncements | 45 |
| SD4.2(c) | Compliance with Ministerial Directions | 45 |
| SD4.2(d) | Rounding of amounts | 49, 115 |
| SD4.2(c) | Accountable officer's declaration | 35 |
| SD4.2(f) | Compliance with Model Financial Report | i–156 |
| Other disclosures as required by FRDs in notes to the financial statements | | |
| FRD 9A | Departmental Disclosure of Administered Assets and Liabilities by Activity | 73 |
| FRD 11A | Disclosure of Ex-gratia Expenses | 76 |

| Legislation | Requirement | Page |
|-------------------------------|---|--------|
| Ministerial Directions | | |
| FRD 13 | Disclosure of Parliamentary Appropriations | 78 |
| FRD 21B | Disclosures of Responsible Persons, Executive Officers and other Personnel (Contractors with Significant Management Responsibilities) in the Financial Report | 100 |
| FRD 102 | Inventories | n/a |
| FRD 103D | Non-current Physical Assets | 83 |
| FRD 104 | Foreign Currency | 64 |
| FRD 106 | Impairment of Assets | 54, 56 |
| FRD 109 | Intangible Assets | 59, 82 |
| FRD 107 | Investment Properties | n/a |
| FRD 110 | Cash Flow Statements | 42 |
| FRD 112D | Defined Benefit Superannuation Obligations | 92 |
| FRD 113 | Investments in Subsidiaries, Jointly Controlled Entities and Associates | n/a |
| FRD 114A | Financial Instruments—General Government Entities and Public Non-financial Corporations | 93 |
| FRD 119A | Transfers through Contributed Capital | 41, 63 |
| Legislation | | |
| | <i>Building Act 1993</i> | 140 |
| | <i>Carers Recognition Act 2012</i> | 146 |
| | <i>Disability Act 2006</i> | 146 |
| | <i>Financial Management Act 1994</i> | 35 |
| | <i>Freedom of Information Act 1982</i> | 139 |
| | <i>Protected Disclosure Act 2001</i> | 145 |
| | <i>Victorian Industry Participation Policy Act 2003</i> | 138 |

Appendix 2—Budget portfolio outcomes

The budget portfolio outcomes provide a comparison between the actual Financial Statements of all general government sector entities within the portfolio and the forecast financial information published in the 2013–14 State Budget Paper No. 5 *Statement of Finances*. The budget portfolio outcomes comprise the operating

statements, balance sheets, cash flow statements, statements of equity and administered item statements.

The budget portfolio outcomes have been prepared on a consolidated basis and include all general government sector entities within the portfolio. Financial transactions and balances are classified into either controlled or administered categories as agreed with the Treasurer in the context of the published statements in 2013–14 State Budget Paper No. 5 *Statement of Finances*.

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

- Department of Education and Early Childhood Development (including government schools)
- Adult, Community and Further Education Board
- Victorian Curriculum and Assessment Authority
- Victorian Registration and Qualifications Authority
- Four universities with TAFE divisions until 31 December 2013 and 15 TAFE institutes.

Comprehensive operating statement for the year ended 30 June 2014

| | 2014 Actual \$m | 2014 Budget \$m | Variation % |
|--|--------------------|--------------------|--------------------|
| Income from transactions | | | |
| Output appropriations | 10,516.9 | 10,236.2 | 2.7 |
| Special appropriations | 0.2 | 26.5 | (99.2) |
| Interest | 32.3 | 46.1 | (29.9) |
| Sales of goods and services | 691.1 | 816.1 | (15.3) |
| Grants | 103.6 | 67.1 | 54.4 |
| Other income | 545.2 | 544.9 | 0.1 |
| Total income from transactions | 11,889.3 | 11,736.7 | 1.3 |
| Expenses from transactions | | | |
| Employee benefits | (6,083.8) | (6,241.6) | (2.5) |
| Depreciation and amortisation | (382.7) | (386.3) | (1.0) |
| Interest expense | (15.8) | (17.7) | (10.9) |
| Grants and other transfers | (835.7) | (814.3) | 2.6 |
| Capital asset charge | (1,266.3) | (1,266.3) | 0.0 |
| Other operating expenses | (3,151.7) | (2,835.9) | 11.1 |
| Total expenses from transactions | (11,735.9) | (11,562.2) | 1.5 |
| Net result from transactions (net operating balance) | 153.4 | 174.5 | (12.1) |
| Other economic flows included in net result | | | |
| Net gain/(loss) on non-financial assets ¹ | (846.2) | 0.3 | (312,539.3) |
| Net gain/(loss) on financial instruments | (5.1) | (0.2) | 2,703.3 |
| Other gains/(losses) from other economic flows | (8.6) | 0.1 | (7,337.6) |
| Total other economic flows included in net result | (859.9) | 0.2 | (416,699.2) |
| Net result | (706.5) | 174.7 | (504.5) |
| Other economic flows—other non-owner changes in equity | | | |
| Change in physical asset revaluation | 155.2 | 14.9 | 940.4 |
| Adjustment to accumulated surplus/(deficit) due to a change in accounting policy | (9.7) | — | n/a |
| Other | 374.0 | — | n/a |
| Total other economic flows—other non-owner changes in equity | 519.5 | 14.9 | 3,382.2 |
| Comprehensive result | (187.0) | 189.6 | (198.6) |

¹ The variance between the actual result and the published budget is due to the deconsolidation of the four dual sector TAFEs at 31 December 2013. The impact of this has been reflected in the revised budget.

Balance sheet as at 30 June 2014

| | 2014 Actual \$m | 2014 Budget \$m | Variation % |
|--|--------------------|--------------------|----------------|
| Assets | | | |
| Financial assets | | | |
| Cash and deposits | 801.6 | 940.4 | (14.8) |
| Receivables | 1,321.5 | 1,214.4 | 8.8 |
| Other financial assets | 424.5 | 360.0 | 17.9 |
| Total financial assets | 2,547.6 | 2,514.8 | 1.3 |
| Non-financial assets | | | |
| Non-financial assets classified as held for sale, including disposal group assets | 121.9 | 123.2 | (1.1) |
| Property, plant and equipment | 16,613.2 | 16,928.4 | (1.9) |
| Intangible assets | 108.6 | 83.5 | 30.0 |
| Inventories | 3.8 | 4.8 | (22.2) |
| Biological assets | 3.1 | 4.4 | (30.2) |
| Investment properties | 31.0 | 17.1 | 80.7 |
| Other | 29.8 | 25.6 | 16.5 |
| Total non-financial assets | 16,911.3 | 17,187.1 | (1.6) |
| Total assets | 19,458.9 | 19,701.8 | (1.2) |
| Liabilities | | | |
| Payables | 605.9 | 648.9 | (6.6) |
| Borrowings | 220.5 | 244.0 | (9.7) |
| Provisions | 1,423.1 | 1,515.8 | (6.1) |
| Total liabilities | 2,249.5 | 2,408.8 | (6.6) |
| Net assets | 17,209.4 | 17,293.0 | (0.5) |
| Equity | | | |
| Accumulated surplus/(deficit) | 2,186.8 | 2,722.9 | (19.7) |
| Reserves | 5,739.5 | 5,022.2 | 14.3 |
| Contributed capital | 9,283.1 | 9,547.9 | (2.8) |
| Net worth | 17,209.4 | 17,293.0 | (0.5) |

Statement of cash flows for the year ended 30 June 2014

| | 2014 Actual \$m | 2014 Budget \$m | Variation % |
|---|--------------------|--------------------|----------------|
| Cash flows from operating activities | | | |
| <i>Receipts</i> | | | |
| Receipts from Government | 10,617.4 | 10,324.7 | 2.8 |
| Receipts from other entities | 820.8 | 810.9 | 1.2 |
| Interest received | 32.3 | 46.1 | (29.9) |
| Goods and Services Tax recovered from the ATO | 7.3 | (0.1) | (9,584.0) |
| Dividends received | 2.8 | 3.5 | (18.9) |
| Other receipts | 454.6 | 547.6 | (17.0) |
| Total receipts | 11,935.4 | 11,732.7 | 1.7 |
| <i>Payments</i> | | | |
| Payments of grants and other transfers | (802.2) | (812.5) | (1.3) |
| Payments to suppliers and employees | (9,380.5) | (9,033.7) | 3.8 |
| Capital asset charge | (1,266.3) | (1,266.3) | 0.0 |
| Interest and other costs of finance paid | (15.8) | (17.7) | (10.9) |
| Goods and Services Tax paid to the ATO | — | — | n/a |
| Total payments | (11,464.8) | (11,130.3) | 3.0 |
| Net cash flows from/(used in) operating activities | 470.6 | 602.4 | (21.9) |
| Cash flows from investing activities | | | |
| Net investments | (237.0) | (134.8) | 75.8 |
| Payments for non-financial assets | (791.6) | (516.0) | 53.4 |
| Proceeds from sale of non-financial assets | 20.6 | 4.0 | 418.6 |
| Net loans to other parties | 5.7 | — | n/a |
| Net cash flow from/(used in) investing activities | (1,002.3) | (646.8) | 55.0 |
| Cash flows from financing activities | | | |
| Owner contributions by State Government | 437.6 | 78.1 | 460.5 |
| Net borrowings | 26.1 | (6.6) | (493.1) |
| Repayment of finance leases | (4.5) | (3.9) | 14.8 |
| Net cash flows from/(used in) financing activities | 459.3 | 67.5 | 580.1 |
| Net increase/(decrease) in cash and cash equivalents | (72.4) | 23.1 | (413.2) |
| Cash and cash equivalents at the beginning of the financial year | 874.1 | 917.3 | (4.7) |
| Cash and cash equivalents at the end of the financial year | 801.6 | 940.4 | (14.8) |

Statement of changes in equity for the year ending 30 June 2014

| | Accumulated surplus/ (deficit) \$m | Contributions by owner \$m | Other reserves \$m | Asset revaluation reserve \$m | Total equity \$m |
|--|---|----------------------------------|--------------------------|--|---------------------|
| Opening balance at 1 July 2013 (Actual) | 2,525.2 | 9,312.1 | 20.6 | 5,567.5 | 17,425.4 |
| Comprehensive result | (706.5) | — | (3.8) | 155.2 | (555.1) |
| Transactions with owners in their capacity as owners | — | (29.0) | — | — | (29.0) |
| Other | 368.1 | — | — | — | 368.1 |
| Closing balance 30 June 2014 | 2,186.8 | 9,283.1 | 16.8 | 5,722.7 | 17,209.4 |
| Opening balance 1 July 2013 (Published Budget) | 2,548.3 | 9,469.8 | 23.8 | 4,983.4 | 17,025.4 |
| Comprehensive result | 174.7 | — | — | 14.9 | 189.6 |
| Transactions with owners in their capacity as owners | — | 78.1 | — | — | 78.1 |
| Closing balance 30 June 2014 (Published Budget) | 2,722.9 | 9,547.9 | 23.8 | 4,998.4 | 17,293.0 |
| Variation (%) | (19.7) | (2.8) | (29.6) | 14.5 | (0.5) |

Administered items statement for the year ended 30 June 2014

| | 2014 Actual \$m | 2014 Budget \$m | Variation % |
|--|--------------------|--------------------|----------------|
| Administered income | | | |
| Sale of goods and services | 2.6 | 2.7 | (2.4) |
| Grants | 2,444.8 | 2,456.3 | (0.5) |
| Interest | 0.1 | 0.1 | 0.7 |
| Other income | 6.7 | 1.8 | 270.1 |
| Total administered income | 2,454.2 | 2,460.9 | (0.3) |
| Administered expenses | | | |
| Grants and other transfers | (2,446.3) | (2,456.5) | (0.4) |
| Payments into the consolidated fund | 12.5 | (61.4) | (120.4) |
| Other operating expenses | (0.9) | – | n/a |
| Total administered expenses | (2,434.6) | (2,517.8) | (3.3) |
| Income less expenses | 19.6 | (57.0) | (134.4) |
| Other economic flows included in net result | | | |
| Net gain/(loss) on non-financial assets | (18.4) | 57.0 | (132.3) |
| Total other economic flows included in net result | (18.4) | 57.0 | (132.3) |
| Net result | 1.2 | – | n/a |
| Administered assets | | | |
| Cash and deposits | – | – | n/a |
| Receivables | 4.8 | 6.3 | (23.9) |
| Other financial assets | 2.6 | 4.4 | (42.1) |
| Total administered non-financial assets | 8.3 | – | n/a |
| Total administered assets | 15.6 | 10.7 | 46.2 |
| Administered liabilities | | | |
| Payables | – | 2.7 | (100.0) |
| Total administered liabilities | – | 2.7 | (100.0) |
| Net assets | 15.6 | 8.0 | 95.3 |
| Equity | | | |
| Contributed capital | 8.3 | – | n/a |
| Accumulated surplus/(deficit) | 7.3 | 8.0 | (8.4) |
| Total equity | 15.6 | 8.0 | 95.3 |

Appendix 3—Capital projects

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

Appendix 4—Occupational health and safety

The Department is committed to providing safe and healthy workplaces for all employees, students, visitors and contractors, and aims to continuously improve occupational health and safety and workers' compensation performance and practices.

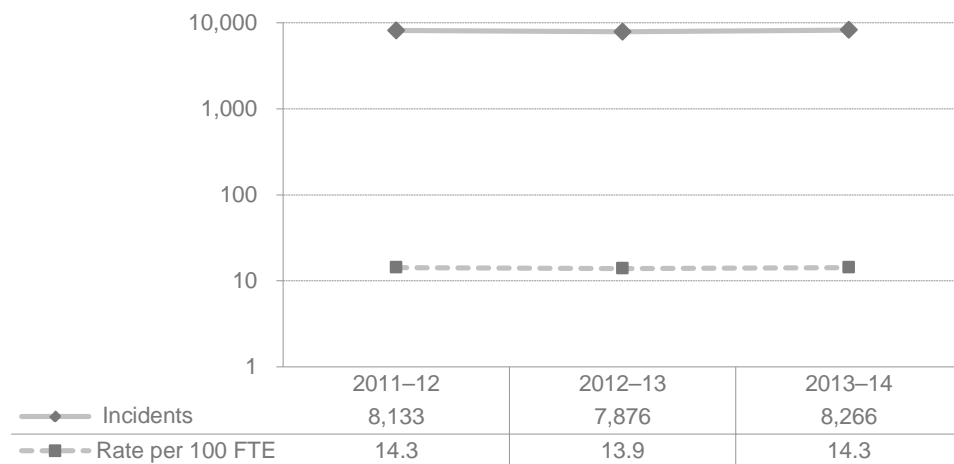
The main activities during 2013–14 were:

- ongoing improvement of the Department's Occupational Health and Safety Management System and occupational health and safety risk management through employee consultation and analysis of workplace data
- provision of support and advice on the continued implementation and maintenance of the Occupational Health and Safety Management System in Department schools and workplaces, including 600 site visits and almost 1000 contacts received by the Department's Occupational Health and Safety Advisory Service and occupational health and safety support services provider
- completion of all 247 scheduled AS4801 occupational health and safety audits in schools
- implementation of the Occupational Health and Safety Learning Management System, leading to the completion of 173,088 occupational health and safety eLearning modules by departmental employees. Modules completed include Occupational Health and Safety for Managers and Principals, Occupational Health and Safety for Employees, and Asbestos Management.
- review of existing resources and processes to assist principals in developing and maintaining a positive school climate
- implementation of the Occupational Health and Safety Management System in all schools
- review of existing workers' compensation claims and incident management systems, data and processes to identify opportunities for improvement
- provision of support and advice to Department workplaces and schools through the Workers' Compensation Advisory Service
- ongoing improvement in workers' compensation management through initiatives to promote early intervention and improve claims performance
- implementation of a new panel of rehabilitation providers and early referral to rehabilitation services to support the return to work of injured workers.

Incident management

Incidents, including injuries and other hazard-related incidents, increased from 13.9 per 100 FTE in 2012–13 to 14.3 per 100 FTE in 2013–14 (Figure 1). This equates to an additional 390 reported incidents, with 8,266 in 2013–14 compared with 7,876 in 2012–13.

Figure 1—Number of incidents and rate per 100 FTE



Workers' compensation claims

There were 849 standard workers' compensation claims in 2013–14, the same number¹ as in 2012–13, and the rate per 100 FTE decreased due to the growth in staff numbers since 2012–13 (Figure 2).

Compared with 2012–13, the number of stress-related claims decreased, the number of musculoskeletal claims remained unchanged, and the number of other claims increased.

Effective early intervention strategies and initiatives to improve claims performance were implemented during 2013–14.

¹ The number of worker's compensation claims in 2012–13 was incorrectly reported in the Annual Report 2012–13 as 848.

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

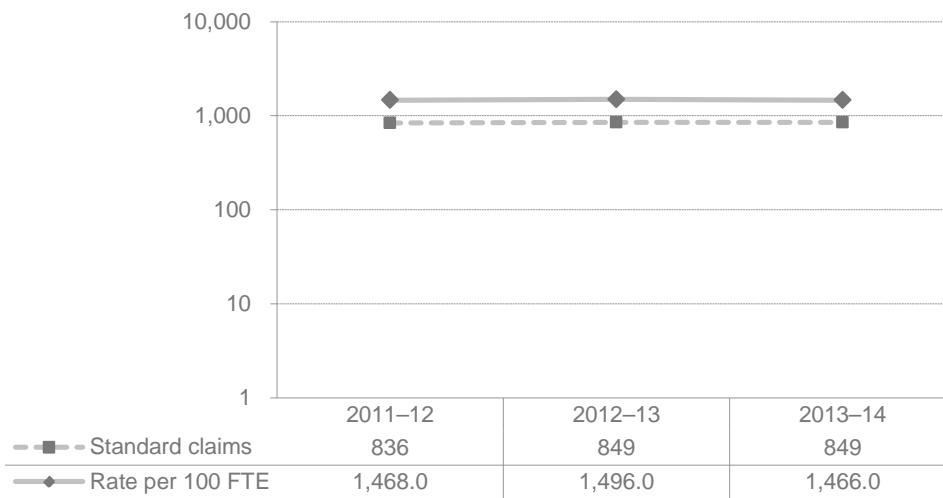
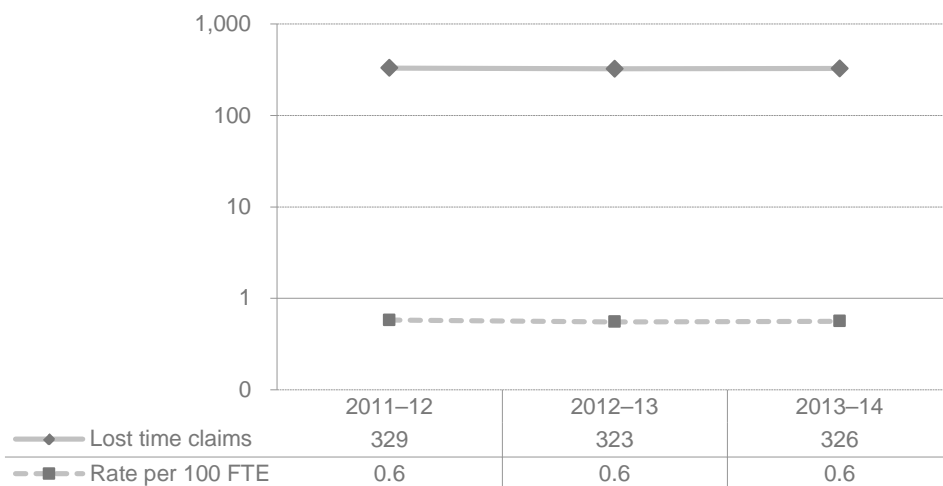
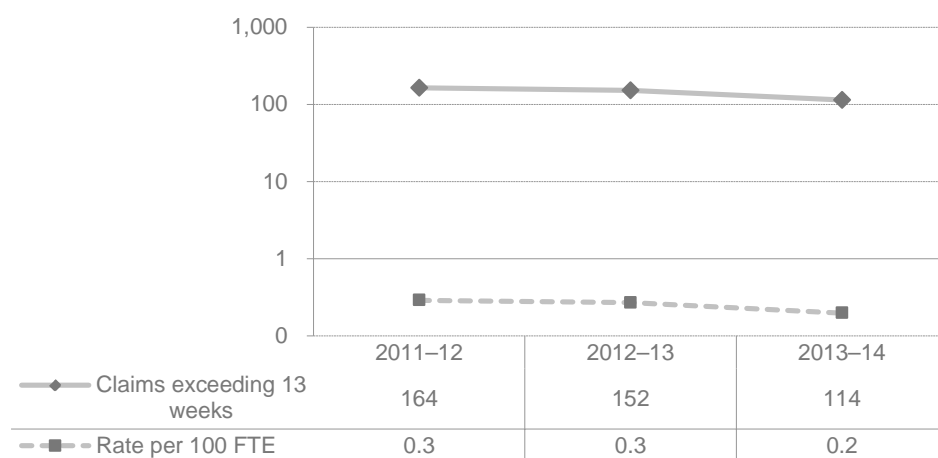


Figure 3—Lost time claims and rate per 100 FTE



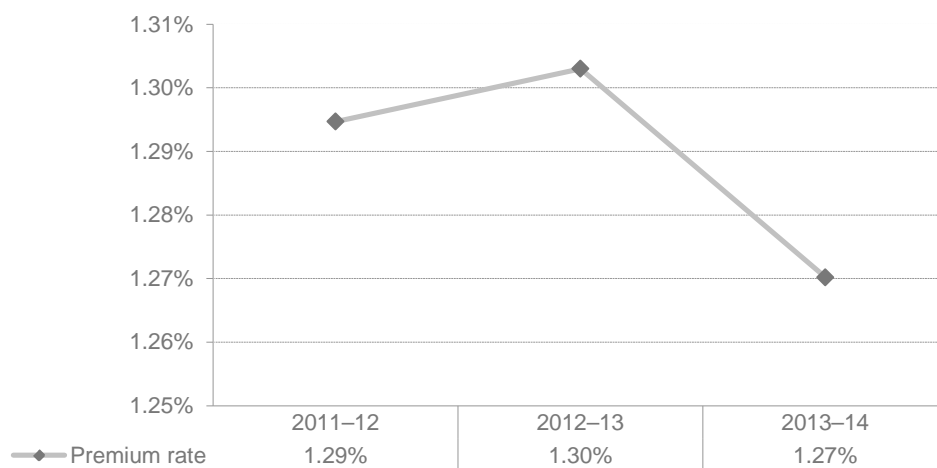
The number of claims exceeding 13 weeks has decreased to 114 in 2013-14 compared with 152 in 2012-13 (Figure 4).

Figure 4—Claims exceeding 13 weeks and rate per 100 FTE



The Department's initial workers' compensation premium increased in 2013-14 compared with 2012-13, from \$58.35 million to \$59.62 million (excluding GST). The increase is attributed to a rise in staff remuneration and a change in the rates within the Victorian WorkCover Authority's premium formula compared with the Department's claim performance. The Department's Workers' Compensation premium rate decreased in 2013-14 (Figure 5). This is due to improved workers' compensation claims management processes. The average cost per standard claim decreased from \$49,639 in 2012-13 to \$42,603 in 2013-14.

Figure 5—Premium rate 2011-12 to 2013-14



Performance against occupational health and safety management measures

| Measure | Key performance indicator | 2011–12 | 2012–13 | 2013–14 |
|------------------------------|--|-----------|------------------|----------------|
| Incidents | Number of incidents | 8,133 | 7,876 | 8,266 |
| | Rate per 100 FTE | 14.28 | 13.93 | 14.29 |
| Claims | Number of standard claims ¹ | 836 | 849 ² | 849 |
| | Rate per 100 FTE | 1,468 | 1,496 | 1,466 |
| | Number of lost time claims ¹ | 329 | 313 | 326 |
| | Rate per 100 FTE | 0.578 | 0.552 | 0.563 |
| | Number of claims exceeding 13 weeks ¹ | 164 | 152 | 114 |
| | Rate per 100 FTE | 0.288 | 0.268 | 0.197 |
| Fatalities | Fatality claims | 1 | 0 | 1 ³ |
| Claim costs | Average cost per standard claim (\$) ¹ | 53,657.00 | 49,639.00 | 42,603.00 |
| Management commitment | Evidence of occupational health & safety policy statement, objectives, regular reporting to senior management & plans (signed by CEO or equivalent) | Complete | Complete | Complete |
| | Evidence of occupational health & safety criteria in purchasing guidelines (including goods, services & personnel) | Complete | Complete | Complete |
| Consultation & participation | Evidence of agreed structure of designated workgroups, health & safety representatives, & issue resolution procedures | Complete | Complete | Complete |
| | Compliance with agreed structure of above | Complete | Complete | Complete |
| Risk management | Percentage of internal audits/inspections conducted as planned | 100 | 100 | 100 |
| | Percentage of issues identified actioned arising from internal audits, health & safety representatives, provisional improvement notices & WorkSafe notices | 100 | 100 | 100 |
| Training | Percentage of managers & staff that have received OH&S training (induction, management training, & contractors, temps & visitors) (%) | 11 | >11 | 60 |
| | Percentage of HSRs trained (acceptance of role, re-training/refresher, & reporting of incidents & injuries) (%) | 100 | 100 | 60 |

¹ Data sourced from Victorian WorkCover Authority.

² Incorrectly reported in the Annual Report 2012–13 as 848.

³ A fatality claim was lodged with the Victorian WorkCover Authority but liability was rejected on the grounds that it was not work-related.

Appendix 5—Workforce data

Public administration values and employment principles

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

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

Employees have been correctly classified in workforce data collections.

Comparative workforce data

Table 17—Full-time equivalent staffing (FTE) trends from 2010 to 2014^{1,2,3}

| | 2014 | 2013 | 2012 | 2011 | 2010 |
|-----------------------------|-----------------|-----------------|-----------------|-----------------|----------------------|
| Victorian Public Service | 2,349.9 | 2,326.3 | 2,831.1 | 2,975.4 | 2,733.7 ⁴ |
| Government Teaching Service | 55,499.4 | 54,365.6 | 53,677.1 | 53,272.2 | 53,255.6 |
| Total | 57,849.3 | 56,691.9 | 56,508.2 | 56,247.6 | 55,989.3 |

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

² Victorian Public Service comprises Executive Officers, VPSG-classified staff, Allied Health staff, Nurses, Senior Medical Advisors and Ministerial Transport Officers. Figures include employees of the Victorian Curriculum and Assessment Authority and the Victorian Registration and Qualifications Authority who are also reported in those authorities' annual reports.

³ Government Teaching Service comprises Executive Class, Principal Class, Teacher Class and Education Support Class.

⁴ Includes 25.4 FTE Victorian Public Service Casual staff not included in this figure in the *Department of Education and Early Childhood Development Annual Report 2012–13*.

Table 18—Summary of employment levels in June 2013 and 2014^{1,2,3}

| | Ongoing employees | | | | Fixed-term & casual employees FTE |
|-----------------------------|--------------------------|--------------------------|--------------------------|----------|--|
| | Employees (headcount) | Full time (headcount) | Part time (headcount) | FTE | |
| June 2014 | | | | | |
| Victorian Public Service | 2,474 | 1,768 | 706 | 2,215.8 | 134.1 |
| Government Teaching Service | 47,753 | 32,712 | 15,041 | 42,405.7 | 13,093.7 |
| Total | 50,227 | 34,480 | 15,747 | 44,621.5 | 13,227.8 |
| June 2013 | | | | | |
| Victorian Public Service | 2,467 | 1,790 | 677 | 2,216.5 | 109.8 |
| Government Teaching Service | 46,625 | 32,330 | 14,295 | 41,555.0 | 12,810.6 |
| Total | 49,092 | 34,120 | 14,972 | 43,771.5 | 12,920.4 |

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

² Victorian Public Service comprises Executive Officers, VPSG-classified staff, Allied Health staff, Nurses, Senior Medical Advisors and Ministerial Transport Officers. Figures include employees of the Victorian Curriculum and Assessment Authority and the Victorian Registration and Qualifications Authority who are also reported in those authorities' annual reports.

³ Government Teaching Service comprises Executive Class, Principal Class, Teacher Class and Education Support Class.

Table 19—Victorian Public Service staff employment levels, June 2013 and 2014^{1,2}

| | 2014 | | | 2013 | | |
|-----------------------|-----------------------|----------------|-------------------------------|-----------------------|----------------|-------------------------------|
| | Ongoing employees | | Fixed-term & casual employees | Ongoing employees | | Fixed-term & casual employees |
| | Employees (headcount) | FTE | FTE | Employees (headcount) | FTE | FTE |
| Gender | | | | | | |
| Male | 612 | 598.3 | 23.9 | 611 | 598.9 | 29.5 |
| Female | 1,862 | 1,617.5 | 110.2 | 1,856 | 1,617.6 | 80.4 |
| Total | 2,474 | 2,215.8 | 134.1 | 2,467 | 2,216.5 | 109.8 |
| Age | | | | | | |
| Under 25 | 24 | 24.0 | 12.6 | 28 | 27.9 | 12.3 ³ |
| 25–34 | 440 | 401.8 | 57.8 | 473 | 432.8 | 35.3 |
| 35–44 | 594 | 512.2 | 23.5 | 560 | 483.6 | 26.3 |
| 45–54 | 714 | 643.8 | 20.1 | 750 | 676.2 | 18.1 |
| 55–64 | 634 | 579.3 | 15.3 | 589 | 544.4 | 13.8 |
| Over 64 | 68 | 54.9 | 4.8 | 67 | 51.7 | 4.0 |
| Total | 2,474 | 2,215.8 | 134.1 | 2,467 | 2,216.5 | 109.8 |
| Classification | | | | | | |
| VPSG1 | 4 | 3.8 | 0.0 | 5 | 4.3 | 0.7 |
| VPSG2 | 107 | 96.9 | 14.6 | 111 | 101.0 | 8.2 |
| VPSG3 | 270 | 250.2 | 17.3 | 265 | 247.4 | 19.1 |
| VPSG4 | 329 | 312.2 | 31.0 | 320 | 305.9 | 16.3 |
| VPSG5 | 611 | 577.0 | 34.9 | 584 | 553.0 | 29.0 |
| VPSG6 | 298 | 292.7 | 7.5 | 289 | 284.5 | 9.5 |
| STS | 12 | 12.0 | 1.0 | 14 | 14.0 | 0.0 |
| Executive Officers | 81 | 80.3 | 0.0 | 81 | 80.7 | 0.0 |
| Allied Health | 518 | 410.4 | 12.4 | 564 | 452.3 | 13.6 |
| Nurse | 240 | 177.4 | 15.5 | 230 | 170.4 | 12.5 |
| Other ⁴ | 4 | 3.0 | 0.0 | 4 | 3.0 | 1.0 |
| Total | 2,474 | 2,215.8 | 134.1 | 2,467 | 2,216.5 | 109.8 |

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

² Victorian Public Service comprises Executive Officers, VPSG-classified staff, Allied Health staff, Nurses, Senior Medical Advisors and Ministerial Transport Officers. Figures include employees of the Victorian Curriculum and Assessment Authority and the Victorian Registration and Qualifications Authority who are also reported in those authorities' annual reports.

³ Incorrectly reported as 13 in the *Department of Education and Early Childhood Development Annual Report 2012–13*.

⁴ For 2014, comprises Senior Medical Advisors and Ministerial Transport Officers; for 2013 also includes a LOTE (languages other than English) Advisor.

Table 20—Government Teaching Service staff employment levels in June 2013 and 2014^{1,2}

| | 2014 | | | 2013 | | |
|------------------------------|-----------------------|-----------------|-----------------------------------|-----------------------|-----------------|-----------------------------------|
| | Ongoing | | Fixed term & casual employees FTE | Ongoing | | Fixed term & casual employees FTE |
| | Employees (headcount) | FTE | | Employees (headcount) | FTE | |
| Gender | | | | | | |
| Male | 11,732 | 11,180.7 | 2,749.8 | 11,586 | 11,051.6 | 2,701.8 |
| Female | 36,021 | 31,225.0 | 10,343.9 | 35,039 | 30,503.3 | 10,108.7 |
| Total | 47,753 | 42,405.7 | 13,093.7 | 46,625 | 41,555.0 | 12,810.6 |
| Age | | | | | | |
| Under 25 | 611 | 588.2 | 1,911.2 | 708 | 685.9 | 1,865.0 |
| 25–34 | 10,660 | 9,990.5 | 4,608.6 | 9,991 | 9,400.3 | 4,342.6 |
| 35–44 | 9,576 | 8,348.1 | 2,656.6 | 9,112 | 7,945.5 | 2,660.3 |
| 45–54 | 13,622 | 12,048.3 | 2,581.1 | 14,110 | 12,547.7 | 2,526.1 |
| 55–64 | 12,109 | 10,523.9 | 1,222.4 | 11,694 | 10,189.1 | 1,298.3 |
| Over 64 | 1,175 | 906.6 | 113.7 | 1,010 | 786.5 | 118.4 |
| Total | 47,753 | 42,405.7 | 13,093.7 | 46,625 | 41,555.0 | 12,810.6 |
| Classification | | | | | | |
| Executive Class | 71 | 70.5 | 1.5 | 48 | 48.0 | — |
| Principal Class ³ | 3,028 | 3,005.5 | — | 3,019 | 3,002.5 | — |
| Teacher Class ⁴ | 34,112 | 30,812.9 | 7,829.6 | 33,497 | 30,376.7 | 7,615.3 |
| Education Support Class | 10,542 | 8,516.7 | 5,262.6 | 10,061 | 8,127.7 | 5,195.3 |
| Total | 47,753 | 42,405.7 | 13,093.7 | 46,625 | 41,555.0 | 12,810.6 |

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

² Government Teaching Service comprises Executive Class, Principal Class, Teacher Class and Education Support Class.

³ Comprises Principals, Assistant Principals and Liaison Principals.

⁴ Comprises Classroom Teachers and Paraprofessionals.

Industrial relations

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

The *Victorian Government Schools Agreement 2013*, covering Government Teaching Service employees, has a nominal expiry date of 31 October 2016. The Victorian Public Service Workplace Determination 2012 and the Nurses (Department of Education and Early Childhood Development) Agreement 2012 both expire on 31 December 2015. It is not therefore expected that industrial action will be taken on matters within these agreements during 2014–15.

No time was lost due to industrial action during 2013–14.

Executive officers

Table 21—Number of Executive Officer positions excluding statutory authorities

| Class | All | | Ongoing | | Special projects | |
|--------------|-----------|----------|-----------|----------|------------------|----------|
| | Number | Variance | Number | Variance | Number | Variance |
| Secretary | 1 | — | 1 | — | — | — |
| EO-1 | 3 | — | 3 | — | — | — |
| EO-2 | 40 | -2 | 40 | -2 | — | — |
| EO-3 | 32 | +2 | 32 | +2 | — | — |
| Total | 76 | — | 76 | — | — | — |

Table 22—Breakdown of Executive Officers by gender excluding statutory authorities

| Class | Ongoing | | | | | Special projects | | | | |
|--------------|-----------|------------|-----------|------------|---------------------|------------------|----------|----------|----------|---------------------|
| | Male | | Female | | Vacancies Number | Male | | Female | | Vacancies Number |
| | No. | Var. | No. | Var. | | No. | Var. | No. | Var. | |
| Secretary | 1 | — | — | — | — | — | — | — | — | — |
| EO-1 | 1 | — | 2 | — | — | — | — | — | — | — |
| EO-2 | 20 | (3) | 18 | — | 2 | — | — | — | — | — |
| EO-3 | 14 | — | 17 | (2) | 1 | — | — | — | — | — |
| Total | 36 | (3) | 37 | (2) | 3 | — | — | — | — | — |

Table 23—Reconciliation of Executive Officer numbers

| | | 2014 | 2013 |
|------|---|-----------|-----------|
| | Executives with total remuneration over \$100,000 (see Note 19) | 78 | 73 |
| Add | Vacancies (Table 22) | 3 | 4 |
| | Executives employed with total remuneration less than \$100,000 | 14 | 22 |
| | Accountable Officer (Secretary) | 1 | 1 |
| Less | Separations | (11) | (15) |
| Less | Portfolio entity executives included in Note 19 | (9) | (8) |
| | Total executive numbers at 30 June | 76 | 77 |

Table 24—Number of Executive Officers for the Department's portfolio agencies

| Portfolio agencies | Total | | Vacancies | Male | | Female | |
|--------------------|----------|-----------|-----------|----------|-----------|----------|-----------|
| | Number | Variance | Number | Number | Variance | Number | Variance |
| VCAA | 6 | — | — | 4 | — | 2 | — |
| VRQA | 2 | +1 | 1 | 1 | +1 | 1 | -1 |
| Total | 8 | +1 | 1 | 5 | +1 | 3 | -1 |

Pecuniary interests

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

Shares held by senior officers

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

Appendix 6—Other disclosures and attestations

Victorian Industry Participation Policy

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

During 2013–14, the Department commenced and completed contracts under both the State Capital Works Program and the Federal Government's Building the Education Revolution Program.

Under the State Capital Works Program, the Department commenced 19 contracts to which the Victorian Industry Participation Policy applied, totalling \$160.06 million. The

contracts included seven metropolitan contracts totalling \$65.79 million and 12 regional contracts totalling \$94.28 million.

The commitments under the policy included:

- an average level of local content of 86 per cent across the contracts
- 533 continuing and new full-time equivalent jobs and 87 continuing and new full-time equivalent apprenticeships or traineeships
- benefits to the Victorian economy through:
 - development and implementation of technology in schools
 - professional development for staff
 - skills development through work on infrastructure projects and participation in related training in occupational health and safety and various trade areas.

Consultancy expenditure

The definition of a consultancy was updated effective from 1 July 2013. Consequently, disclosures of 2013–14 consultancy expenditure cannot be compared with disclosures for previous years.

Details of consultancies valued at \$10,000 or greater

In 2013–14, there were 55 consultancies where the total fees payable to the consultants were \$10,000 or greater. The total expenditure incurred during 2013–14 in relation to these consultancies was \$2.031 million (excluding GST). A complete list of these consultancies is available at www.education.vic.gov.au.

Details of consultancies valued at less than \$10,000

In 2013–14, there were three consultancies where the total fees payable to the consultants were less than \$10,000. The total expenditure incurred during 2013–14 in relation to these consultancies was \$9,500 (excluding GST).

Disclosure of major contracts

The Department has disclosed all contracts greater than \$10 million in value that it entered into during 2013–14. They can be viewed on the Victorian Government contracts publishing system at www.contracts.vic.gov.au.

Freedom of Information

The *Freedom of Information Act 1982* allows the public a right of access to documents held by the Department. During 2013–14, the Department received 250 applications. Of these, 60 were from Members of Parliament, 26 from media organisations, and the remainder from the general public. Of the requests received by the Department during that period, full or partial access was provided to the majority, and seven decisions were reviewed by the Freedom of Information Commissioner.

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

Making a request

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

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

Requests for documents should be addressed to the relevant agency.

Table 25—Freedom of Information contacts

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

Requests can also be lodged online at www.foi.vic.gov.au.

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

Further information regarding Freedom of Information can be found at www.foi.vic.gov.au.

Compliance with the *Building Act 1993*

Mechanisms to ensure that buildings conform with the building standards

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

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

For details of all such projects, see 2013–14 Budget Paper No. 4 *State Capital Program*.

During 2013–14, major works (greater than \$50,000) not subject to certification of plans, mandatory inspections of the works and issue of occupancy permits or certificate of final inspection were undertaken at the following schools.

Table 26—Location of major works (greater than \$50,000) not subject to certification of plans, mandatory inspections of the works and issue of occupancy permits or certificate of final inspection

| | |
|-------------------------------------|---|
| Alexandra Secondary College | Andersons Creek Primary School |
| Ararat Secondary College | Arthurs Creek Primary School |
| Avoca Primary School | Bacchus Marsh College |
| Bandiana Primary School | Baringa Special School |
| Baringhup Primary School | Bass Valley Primary School |
| Bayswater North Primary School | Bayswater Primary School |
| Bayswater South Primary School | Bayswater West Primary School |
| Beaumaris Primary School | Beechworth Primary School |
| Bell Park North Primary School | Bellaire Primary School |
| Bellbrae Primary School | Belmont High School |
| Belmont Primary School | Beulah Primary School |
| Bimbadeen Heights Primary School | Birmingham Primary School |
| Birregurra Primary School | Bolinda Primary School |
| Bolwarra Primary School | Box Hill High School |
| Braybrook College | Brentwood Secondary College |
| Briar Hill Primary School | Broadford Primary School |
| Broadford Secondary College | Bulleen Heights School |
| Bundarra Primary School | Burwood East Special Developmental School |
| Camelot Rise Primary School | Carnegie Primary School |
| Castlemaine Primary School | Cavendish Primary School |
| Chatham Primary School | Chelsea Primary School |
| Cheltenham Secondary College | Chewton Primary School |
| Chirnside Park Primary School | Clarkefield Primary School |
| Clayton South Primary School | Cobden Technical School |
| Colac West Primary School | Craigieburn Secondary College |
| Cranbourne West Primary School | Croxton Special School |
| Dandenong South Primary School | Dandenong West Primary School |
| Derrinallum P–12 College | Diamond Creek Primary School |
| Dimboola Memorial Secondary College | Donald High School |
| Donburn Primary School | Doncaster Gardens Primary School |

| | |
|---------------------------------------|---------------------------------|
| Doncaster Primary School | Doncaster Secondary College |
| Donvale Primary School | Doreen Primary School |
| Drouin Secondary College | Eaglehawk Secondary College |
| East Doncaster Secondary College | Echuca Primary School |
| Echuca Specialist School | Elisabeth Murdoch College |
| Elwood Primary School | Emerson School |
| Epping Primary School | Essex Heights Primary School |
| Frankston East Primary School | Frankston High School |
| Fyans Park Primary School | Gisborne Primary School |
| Gisborne Secondary College | Glen Katherine Primary School |
| Glen Waverley Primary School | Glen Waverley Secondary College |
| Glendal Primary School | Glenferrie Primary School |
| Glengala/Sunshine West Primary School | Grovedale College |
| Hamlyn Banks Primary School | Harston Primary School |
| Heatherhill Primary School | Heatherwood School |
| Hepburn Primary School | Herne Hill Primary School |
| Hoddles Creek Primary School | Horsham College |
| Horsham West and Haven Primary School | Hurstbridge Primary School |
| Inglewood Primary School | Inverloch Primary School |
| Jamieson Primary School | Jells Park Primary School |
| Kangaroo Ground Primary School | Katandra West Primary School |
| Kew East Primary School | Kialla Central Primary School |
| Kialla West Primary School | Kiewa Valley Primary School |
| Killara Primary School | Killmore Primary School |
| Kingsville Primary School | Koo Wee Rup Secondary College |
| Laharum Primary School | Lalor East Primary School |
| Langley Primary School | Lara Lake Primary School |
| Lismore Primary School | Lockwood Primary School |
| Malvern Primary School | Mansfield Primary School |
| Melton South Primary School | Melton Specialist School |
| Merino Consolidated School | Merri Creek Primary School |
| Merrivale Primary School | Mickleham Primary School |

| | |
|-----------------------------------|--|
| Middle Park Primary School | Mildura South Primary School |
| Milgate Primary School | Millwarra Primary School |
| Minyip Primary School | Moolap Primary School |
| Mooroolbark College | Mooroopna North Primary School |
| Mortlake P–12 College | Mount Duneed Regional Primary School |
| Mount View Primary School | Mount Waverley Primary School |
| Nanneella Estate Primary School | Naranga Special School |
| Nelson Park School | Newcomb Park Primary School |
| Newstead Primary School | Newtown Primary School |
| Orrvale Primary School | Osbornes Flat Primary School |
| Patterson River Secondary College | Penshurst Primary School |
| Port Melbourne Primary School | Portarlington Primary School |
| Preston West Primary School | Pyalong Primary School |
| Quarry Hill Primary School | Queenscliff Primary School |
| Rainbow Secondary College | Regency Park Primary School |
| Ringwood Secondary College | River Gum Primary School |
| Rolling Hills Primary School | Rollins Primary School |
| Romsey Primary School | Roslyn Primary School |
| Roxburgh Park Primary School | Rutherglen High School |
| Seville Primary School | Simpson Primary School |
| Solway Primary School | Spring Gully Primary School |
| Staughton College | Sunbury And Macedon Ranges Specialist School |
| Sunbury College | Sunbury Primary School |
| Sunshine Heights Primary School | Sunshine Primary School |
| Swan Hill Primary School | Syndal South Primary School |
| Tallarook Primary School | Tallygaroopna Primary School |
| Tanjil South Primary School | Teesdale Primary School |
| Terang College | Thomastown East Primary School |
| Thomastown Secondary College | Tooborac Primary School |
| Trafalgar High School | Tyrrell College |
| Undera Primary School | Upper Plenty Primary School |
| Upper Sandy Creek Primary School | Vermont Primary School |

| | |
|---------------------------------|--|
| Wallan Primary School | Wallington Primary School |
| Wandong Primary School | Wantirna South Primary School |
| Warracknabeal Primary School | Warracknabeal Special Developmental School |
| Warragul Regional College | Warrandyte Primary School |
| Warrnambool College | Warrnambool East Primary School |
| Warrnambool Special Development | Warrnambool West Primary School |
| Wattle Glen Primary School | Waverley Meadows Primary School |
| Wedge Park Primary School | Welshpool and District Primary School |
| Welton Primary School | Werrimull P–12 School |
| Westbreen Primary School | Whealers Hill Primary School |
| Wodonga Primary School | Wonga Park Primary School |
| Woodend Primary School | Yaapeet Primary School |
| Yarra Hills Secondary College | Yarrawonga P–12 College |
| Yea Primary School | Yellingbo Primary School |
| Zeerust Primary School | |

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

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

The Department also engages the program managers of compliance programs to carry out inspections, reporting, scheduling, and rectification works designed to bring existing buildings into compliance with current building regulations. The compliance programs cover areas such as asbestos removal, fire service upgrade, integration (disability access), environmental (such as the removal of underground petroleum storage systems) and works aimed at preventing falls. The Department also operates an emergency maintenance program to respond to any health and safety issues that arise.

Number of buildings conforming with building standards

In 2011–12, to supplement the above frameworks, a condition assessment was undertaken of the 27,000 buildings in all government schools. The government established a condition threshold for these facilities and is now progressively repairing or replacing the 3,100 buildings identified as being below the threshold.

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

The 2011–12 condition assessment identified the need for a \$420 million maintenance program to raise the condition of all Victorian government school buildings above the threshold. As at 30 June 2013, the condition of 43 per cent of the buildings has been raised above the threshold following investment to date of \$149.5 million.

National Competition Policy

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

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

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

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

Assessment of new legislation and regulations

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

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

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

The Department does not tolerate improper conduct by employees, or the taking of reprisals against those who come forward to disclose such conduct. It is committed to ensuring transparency and accountability in its administrative and management practices, and supports the making of disclosures that reveal corrupt conduct, conduct involving a substantial mismanagement of public resources, or conduct involving a substantial risk to public health and safety or the environment.

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

In 2013–14, the Department received 12 disclosures, three of which are matters referred by the Independent Broad-based Anti-corruption Commission to the Department pursuant to section 73 of the *Independent Broad-based Anti-corruption Commission Act 2011*. Ten were deemed not to be protected disclosures. Two were referred to the Independent Broad-based Anti-corruption Commission.

Making a disclosure

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

Mr James Kelly
Protected Disclosure Coordinator
Executive Director, Governance and Executive Services
Department of Education and Early Childhood and Development

Street address:
2 Treasury Place
East Melbourne Victoria 3002

Document Exchange address:
DX 210083

Postal address:
GPO Box 4367
Melbourne VIC 3001

Telephone: 03 9637 3158
Email: kelly.james.jk@edumail.vic.gov.au

or one of the following officers of the Department:

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

or:

Independent Broad-based Anti-corruption Commission

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

Postal address:
GPO Box 24234
Melbourne Victoria 3001

Telephone: 1300 735 135
Internet: www.ibac.vic.gov.au

Further information

The Department has published guidelines regarding the procedures it has instituted to comply with the Protected Disclosures Act:

<http://www.education.vic.gov.au/about/contact/Pages/protecteddisclosure.aspx>

Compliance with the Carers Recognition Act 2012

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

Compliance with the Disability Act 2006

In 2013, the Minister for Education launched the 2013–16 Department of Education and Early Childhood Development Disability Action Plan, which sets out the Department's commitments and actions within the Victorian State Disability Action Plan. Reporting on achievements is now underway through the Interdepartmental Committee on Disability.

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

I, Richard Bolt, certify that the Department of Education and Early Childhood Development has risk management processes in place consistent with AS/NZS ISO 31000:2009 and an internal control system is in place that enables the executive to understand, manage and satisfactorily control risk exposures.

The Portfolio Audit and Risk Committee verifies this assurance and that the risk profile of the Department of Education and Early Childhood Development has been critically reviewed within the last 12 months.



Richard Bolt
Secretary
28 August 2014

Attestation for compliance with the Ministerial Standing Direction 4.5.5.1—
Insurance

I, Richard Bolt, certify that the Department of Education and Early Childhood Development has complied with Ministerial Direction 4.5.5.1 – Insurance, except for maintaining a current register of all indemnities. The Department has provided a list of significant indemnities to the Victorian Managed Insurance Authority and accounts for these as contingent liabilities.


Richard Bolt
Secretary
17 August 2014

Compliance with DataVic Access Policy

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

In 2013–14, the Department released a total of 115 datasets to DataVic. These datasets represent a cross-section of the Department's information assets, including:

- Victorian Child and Adolescent Monitoring System indicators, which report against health, wellbeing, safety, learning and development outcomes
- Government school enrolment, attendance, and completion data
- Training market data from the higher education and skills portfolio
- Maternal and child health data.

Appendix 7—Office-based environmental impacts

The Department's Environmental Management System provides a structured approach to planning and implementing environment protection measures in the Department's office-based activities. In line with government directives, the Department reports on energy, paper and water consumption, waste generation, transportation, greenhouse gas emissions, and sustainable procurement for all non-school office sites with at least 10 FTE.

The Environmental Management System objectives include:

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

Over the past year, data collation for a number of the reported environmental measures has improved due to new internal and external data management systems. Unlike energy companies, water retailers and waste collection companies are not on a State Purchasing Contract, which means detailed and accurate data is not always available.

Unless otherwise stated, all consumption data is for 1 April 2013 to 31 March 2014.

Energy

The Department has continued to implement energy efficiencies in its non-school 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.

| Indicator | 2013–14 Electricity | Natural gas | Green power | 2012–13 Electricity | Natural gas | Green power |
|--|------------------------|----------------|----------------|------------------------|----------------|----------------|
| Total energy usage segmented by primary source (MJ) | 20,579,589 | 6,853,140 | – | 21,437,319 | 7,942,525 | 36,188 |
| Greenhouse gas emissions associated with energy use, segmented by primary source and offsets (t CO ₂ e) | 7,660 | 379 | – | 7,979 | 439 | 0 |
| Units of energy used per FTE (MJ/FTE) | | 14,703 | | | 13,712 | |
| Percentage of electricity purchased as green power | | – | | | 0.2 | |
| Units of energy used per unit of office area (MJ/m ²) | | 742 | | | 755 | |

Actions undertaken

| | |
|-------------|--|
| City Switch | In January 2014, the Department's central offices became a signatory to the CitySwitch Green Office program, a national initiative that supports commercial office tenants to improve their energy efficiency through the provision of a range of tools, training and services. Improvements since joining the program include 22 per cent improvement in switching off hard drives and monitors at night, saving both energy and money. |
|-------------|--|

Target

Reduce energy use per FTE by two per cent compared with 2013–14 by 31 March 2015.

Explanatory notes

All but one site saw a reduction in gas use for the reporting period. Total energy consumption reduced by nearly seven per cent compared with 2012–13.

Despite the reduction in total consumption, the Department did not meet its target of reducing energy use per FTE by five per cent of 2011–12 levels by 31 March 2014. The increase in use by 18 per cent per FTE compared with 2011–12 is partially attributed to the Department's total FTE figure decreasing by 15 per cent since 2011–12.

In 2012, the Victorian Government ceased its mandated minimum purchase of green power. As a result, the Department opted to not purchase green power in 2013–14.

Waste

The Department continues to address waste generation through a variety of reuse and recycling methods.

The landfill, co-mingled recycling and compost data presented below was collected through four five-day waste audits at four key sites.

Data for shredded paper and 'other' represents all waste of that variety disposed of for the entire year at four key sites. 'Other' includes collection of toner cartridges, polystyrene, steel, reusable plastics and batteries. While some data is available for shredded paper and selected 'other' items, for consistency of reporting across all waste streams, data is only collated from the four central office sites. These four key sites comprise 57 per cent of the total reportable Net Lettable Area and 57 per cent of FTE.

| Indicator | 2013–14 | | | | | 2012–13 | | | | |
|--|----------|----------------------|---------|----------------|-------|----------|----------------------|---------|----------------|-------|
| | 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/year) | 14,456 | 6,941 | 8,870 | 47,421 | 581 | 8,572 | 6,340 | 8,314 | 50,778 | 1,867 |
| Units of waste disposed of per FTE by destination (kg/FTE) | 14 | 6 | 8 | 44 | 0.6 | 9 | 7 | 9 | 54 | 2 |
| Recycling rate (% of total waste) | | | 82 | | | | | 89 | | |

Target

Increase recycling rate to a minimum of 90 per cent by 31 March 2014.

Explanatory notes

Inconsistencies in the waste data provided have been identified and raised with the waste collection and audit companies. It is anticipated that these issues will be resolved in 2014–15. The cessation of polystyrene waste collection by one of the Department's contracted waste collection companies resulted in a significant decrease in the reported 'other' kilograms.

Paper

The Department has decreased its paper use in both corporate offices 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.

| Indicator | 2013–14 | 2012–13 |
|---|---------|---------|
| Total units of copy paper used (reams) | 29,879 | 31,830 |
| Units of copy paper used per FTE (reams/FTE) | 16 | 15 |
| Percentage of 75–100 per cent recycled content copy paper purchased (%) | 52 | 60 |
| Percentage of 50–74 per cent recycled content copy paper purchased (%) | 31 | 37 |
| Percentage of 0–49 per cent recycled content copy paper purchased (%) | 17 | 3 |
| Total units of A4-equivalent paper used in publications (reams) | 39,952 | 73,108 |

Targets

Reduce paper consumption to 14 A4 reams per FTE by 31 March 2015.

Increase the amount of copy paper purchased with 75–100 per cent recycled content to a minimum of 65 per cent by 31 March 2015.

Explanatory notes

Despite reducing total paper consumption by 18 per cent since 2011–12, the Department did not meet its target of reducing paper consumption to 14 A4 reams per FTE by 31 March 2014.

Due to more stringent departmental printing guidelines, the Department no longer prints many departmental publications, instead now producing them online. This has resulted in a 61 per cent reduction in A4-equivalent reams used in publications since 2011–12.

Water

The data in the table below is based on water meter readings at 83 per cent of office sites covering 92 per cent of FTE staff

| Indicator | 2013–14 | 2012–13 |
|---|---------|---------|
| Total units of metered water consumed by usage types (kL) | 18,198 | 17,529 |
| Units of metered water consumed in offices per FTE (kL/FTE) | 10.61 | 8.17 |
| Units of metered water consumed in offices per unit of office area (kL/m ²) | 0.49 | 0.45 |

Target

Reduce water consumed per FTE by three per cent compared with 2013–14 by 31 March 2015.

Explanatory notes

Water use has continually increased over the past two years, resulting in the target of reducing water consumed per FTE by seven per cent compared with 2011–12 not being met by 31 March 2014. This aspirational target was set after seeing a 14 per cent reduction in total water consumption and a nine per cent reduction in water consumption per FTE in 2011–12, and as such deemed achievable.

The total water consumed by the Department has increased by three per cent since 2011–12 but is still 11 per cent lower than the levels seen in 2010–11.

Water leaks at various sites continue to be an issue. Due to difficulties in obtaining water data in a timely manner, these leaks are often not identified for some months.

As with previous years, water consumption data at the former Eastern and Western Metropolitan regional offices is unavailable due to the offices being shared facilities.

Transport

The Department-owned operational vehicle fleet comprises 260 vehicles. Of these, 40 per cent are hybrid electric vehicles, 12 per cent are LPG-fuelled, 38 per cent petrol-fuelled, one per cent dual petrol–LPG-fuelled, and nine per cent diesel fuelled.

| Operational vehicles | 2013–14 Hybrid | LPG | Petrol | Diesel | 2012–13 Hybrid | LPG | Petrol | Diesel |
|---|-------------------|-----------|-----------|---------|-------------------|-----------|-----------|--------|
| Total energy consumption by vehicles (MJ) | 4,559,783 | 2,872,801 | 4,884,050 | 848,455 | 6,510,730 | 5,669,964 | 5,865,290 | 96,737 |
| Total vehicle travel associated with entity operations (km) | 2,302,276 | 885,685 | 1,900,942 | 327,069 | 2,785,675 | 1,294,699 | 1,654,808 | 37,405 |
| Total greenhouse gas emissions from vehicle fleet (t CO ² e) | 329 | 187 | 353 | 64 | 470 | 370 | 424 | 7 |
| Greenhouse gas emissions from vehicle fleet per 1000 km travelled (t CO ² e) | 0.14 | 0.21 | 0.19 | 0.20 | 0.17 | 0.29 | 0.26 | 0.19 |

| Air Travel | 2013–14 Short <500 km | Medium 500–3,700 km | Long >3,700 km | 2012–13 Short <500 km | Medium 500–3,700 km | Long >3,700 km |
|--|--------------------------|---------------------|----------------|--------------------------|---------------------|----------------|
| Total distance travelled by aeroplane (km) | 254,595 | 537,746 | 487,684 | 187,194 | 758,988 | 1,044,947 |

| Sustainable commuting | 2013–14 CBD | Regional | 2012–13 CBD | Regional |
|---|----------------|----------|----------------|----------|
| Percentage of employees regularly (>75 per cent of work attendance days) using public transport, cycling, walking or carpooling to and from work or working from home, by workplace locality type | 80 | 17 | 76 | 13 |

Target

Reduce total kilometres travelled by operational vehicles by five per cent compared with 2013–14 levels by 31 March 2015.

Explanatory notes

Operational fleet data comprises that for Department-owned vehicles and vehicles used by the Department from the Victorian Government fleet and, in accordance with FRD 24C, excludes executive vehicles. Previous annual reports included executive vehicles, so data should not be compared between reports. While the number of hybrid vehicles in the Department's fleet declined in 2013–14 compared with the previous year, they are still the most widely-used of all vehicle types and comprise 67 per cent of all new vehicles acquired in 2013–14.

Greenhouse gas emissions

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

| Indicator | 2013–14 | 2012–13 |
|--|--------------|---------------|
| Total greenhouse gas emissions associated with energy use (t CO ₂ e) | 8,039 | 8,419 |
| Total greenhouse gas emissions associated with waste production (t CO ₂ e) | 17 | 10 |
| Total greenhouse gas emissions associated with paper purchases (t CO ₂ e) | 108 | 117 |
| Total greenhouse gas emissions associated with water consumption (t CO ₂ e) | 43 | 41 |
| Total greenhouse gas emissions associated with vehicle fleet (t CO ₂ e) | 933 | 1,271 |
| Total greenhouse gas emissions associated with air travel (t CO ₂ e) | 334 | 495 |
| Grand total greenhouse gas emissions created by the Department | 9,474 | 10,353 |

Target

Reduce the Department's office-based greenhouse gas emissions by 5 per cent compared with 2013–14 levels by 31 March 2015.

Explanatory notes

Executive vehicles were included under 'vehicle fleet' in previous reports but, in accordance with FRD 24C, are not in this report, so data should not be compared between reports.

By achieving a 16 per cent reduction in two years, the Department successfully achieved its target of reducing its office-based greenhouse gas emissions by 10 per cent compared with 2011–12 levels by 31 March 2014.

Procurement

The Department continues to work with Victorian Government stationery supplier, Staples, to monitor the proportion of environmentally-friendly items purchased against other products.

Increased staff awareness of the Department's 'swap-shop'—a stationery reuse system—has assisted in reducing stationery purchases and unnecessary items being sent to landfill.

The Department continues to employ sustainable principles in purchasing goods and services, including a 'whole-of-life' environmental assessment as part of procurement decision-making and encouraging suppliers to meet high standards of environmental performance.

Targets

Increase purchases of Staples' more sustainable 'EarthSaver' options to a minimum of 60 per cent of total stationery purchases by 31 March 2015.

Appendix 8—Additional departmental information available on request

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

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

- a statement that declarations of pecuniary interests have been duly completed by all relevant officers
- details of shares held by a senior officer as nominee or held beneficially in a statutory authority or subsidiary
- details of publications produced by the entity about itself, and how these can be obtained
- details of assessments and measures undertaken to improve the occupational health and safety of employees.
- a general statement on industrial relations within the entity and details of time lost through industrial accidents and disputes.

In compliance with the requirements of the Standing Directions of the Minister for Finance, details in respect of the items listed below have been retained by the Department and are available on request, subject to the provisions of the Freedom of Information Act:

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

The information is available on request from:

Secretary
Department of Education and Early Childhood Development
GPO Box 4367
Melbourne VIC 3002

Appendix 9—Publications and major promotional activities

Publications produced by the Department about itself

The Department produced one publication about itself during 2013–14: the *Department of Education and Early Childhood Development Annual Report 2012–13*. It is available on www.education.vic.gov.au.

Major promotional, public relations and marketing activities

Major promotional, public relations and marketing activities undertaken by the Department to develop community awareness of the Department and its services are shown in Table 27.

Table 27—Major promotional, public relations and marketing activities

| Activity | Purpose | Cost excluding GST |
|--|---|--------------------|
| Children's Week 2013 | To focus community attention on the achievements and the needs of children and young people in Victoria. It includes providing grants to local government areas, Victorian schools, early childhood services and other partners to host free activities and events; and promoting the events through local media. | \$132,170 |
| 2013 Victorian State Schools Spectacular promotion | To raise awareness of the opportunities for Victorian government school students to participate in the 2013 Victorian State Schools Spectacular—an initiative that provides performing arts opportunities for government school students—and to promote ticket sales to the event at Melbourne Park. | \$222,174 |
| Premier's VCE Awards 2013 | To publicly recognise, celebrate and promote young Victorians who have achieved excellence in their VCE studies. | \$154,929 |
| Education Week 2014 | To promote the Victorian Government's priorities for school education and early childhood development, and positively profile and engage government schools and kindergartens in promotional activities that highlight the innovation and achievements of students, children, staff and school curriculum. | \$68,599 |
| Kids in Hot Cars awareness campaign 2014 | To raise awareness of the dangers of leaving children unattended in cars on hot days. The campaign also provides tips for parents and carers to help them avoid unintentionally leaving their child in a car on hot days; and calls on the public to call 000 if they see a child alone in a car. | \$315,972 |
| Premiers' Reading Challenge 2014 | To promote literacy through inspiring children and young people to read more books. | \$150,461 |

Appendix 10—Statutory authorities' reports

Children's Services Coordination Board

The Children's Services Coordination Board was established in 2005 under the *Child Wellbeing and Safety Act 2005*. It brings together key decision makers across Victorian government to ensure the coordination of activities affecting children. The role of the Children's Services Coordination Board is to sponsor and oversee coordination of effort across different Victorian government services and policies where this is needed to improve outcomes for children and young people, particularly those vulnerable to harm, disadvantage or social exclusion.

The board continues to have oversight of the implementation of *Victoria's Vulnerable Children—Our Shared Responsibility Strategy 2013–2022* and related initiatives. This includes responsibility for monitoring the establishment of Children and Youth Area Partnerships in 17 local areas across the state. The area partnerships have a focus on vulnerable children and families as well as youth disengagement.

The board reports annually to the Minister for Children and Early Childhood Development and the Minister for Community Services on how Victoria's children and young people are faring through *The State of Victoria's Children* reports. The most recent report, published in December 2013, focused on the early years. It included comprehensive analysis of the latest data on key indicators of health, wellbeing, development, learning and safety in early childhood, as well as an investigation of

factors affecting children from 0 to 8 years old. The report draws on data available through the Victorian Child and Adolescent Monitoring System.

The Children's Services Coordination Board met six times in 2013–14. Members are shown in Table 28.

Table 28—Children Services Coordination Board members at 30 June 2013

Mr Richard Bolt (Chair), Secretary, Department of Education and Early Childhood Development

Ms Gill Callister, Secretary, Department of Human Services

Mr David Martine, Secretary, Department of Treasury and Finance

Mr Ken Lay, Chief Commissioner, Victoria Police

Mr Andrew Tongue, Secretary, Department of Premier and Cabinet

Dr Pradeep Philip, Secretary, Department of Health

Mr Greg Wilson, Secretary, Department of Justice

Disciplinary Appeals Boards

The Disciplinary Appeals Boards were established in 2005 following an amendment to the *Teaching Service Act 1981* and are empowered under the *Education and Training Reform Act 2006* to hear and determine appeals in relation to decisions of the Secretary of the Department of Education and Early Childhood Development made under section 2.4.6.1 of the Act.

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

Each Disciplinary Appeals Board comprises a Chairperson, a Secretary's Nominee and a Minister's Nominee.

In May 2010, Disciplinary Appeal Board members were appointed for a five-year period following advertisements calling for expressions of interest. Members are called on a sessional basis.

The Disciplinary Appeals Boards had five appeals pending at 1 July 2013 and received a further eight appeals by 30 June 2014.

Chairpersons, nominated by the Secretary, were appointed under Sections 2.4.73(2)(a) and 2.4.74 of the Education and Training Reform Act. It is a requirement that Chairpersons have been admitted to legal practice in Victoria for not less than five years. Chairpersons of the Disciplinary Appeals Boards are shown in Table 29.

Secretary's nominees, who have knowledge and experience in education, education administration or public sector administration, were appointed under Sections 2.4.73(2)(c) and 2.4.74 of the Education and Training Reform Act. Secretary's nominees are shown in Table 30.

Minister's nominees, who are officers in the teaching service, were appointed under Sections 2.4.73(2)(b) and 2.4.74 of the Education and Training Reform Act. Minister's nominees are shown in Table 31.

Table 29—Chairpersons of the Disciplinary Appeals Boards

| | | |
|--------------------|-------------------|--------------------|
| Dr Peter Condliffe | Mr Robert Howard | Mr Ian Scott |
| Ms Anne Dalton | Ms Jo-Anne Mazzeo | Ms Janice Slattery |
| Ms Leneen Forde | Ms Silvana Wilson | Dr Ian Turnbull |
| Mr Murray Gerkens | Ms Paula Robinson | Mr Peter Kempson |
| Mr Peter Harris | | |

Table 30—Secretary's nominees to the Disciplinary Appeals Boards

| | | |
|-------------------|------------------|-------------------|
| Ms Claire Bolster | Mr Russell Isaac | Mr Brian O'Dea |
| Ms Dianne Foggo | Mr Robert Loader | Ms Cheryl Vardon |
| Dr Richard Gould | Mr Peter Norden | Ms Helen Worladge |
| Ms Avis Grahame | | |

Table 31—Minister's nominees to the Disciplinary Appeals Boards

| | | |
|-----------------------|----------------------|----------------------------------|
| Ms Margaret Bates | Ms Moira Findlay | Mr Steve McGarrigle |
| Mr Peter Brown | Mr David Finnerty | Ms Karen O'Dowd |
| Ms Vincenzina Calabro | Ms Debra Fischer | Ms Maureen O'Flaherty |
| Ms Kate Christensen | Ms Leonie Fitzgerald | Mr Steven Silestean ¹ |
| Ms Lorraine Dell | Ms Sandra Greenhill | Ms Cassandra Walters |
| Ms Janet Evison | Ms Angeliki Karvouni | Mr Tim Ward |

Merit Protection Boards

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

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

¹ Mr Silestean resigned in March 2014

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

Access to the Merit Protection Boards is available to employees of the Department and members of the teaching service, including principals, teachers and school-based non-teaching staff.

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

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

Appeals and grievances may be regarding transfer and promotion, leave, change of time fraction of working hours, outcomes of performance reviews, outcomes of local complaints, and other personal management decisions.

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

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

Table 32—Chairpersons of the Merit Protection Boards from 22 September 2013

| | | |
|--|-------------------|----------------------|
| Mr Peter Hibbins (Senior Chairperson, full-time) | Dr Mary Cannon | Ms Leonie Fitzgerald |
| Ms Rowena Archer | Ms Anne Dalton | Ms Karen O'Dowd |
| Ms Vincenzina Calabro | Ms Kerrie Dowsley | |

Table 33—Secretary's nominees to the Merit Protection Boards from 22 September 2013

| | | |
|-------------------|----------------------|-----------------------|
| Ms Clare Berger | Mr David Green | Mr Michael Kennedy |
| Ms Tanya Burton | Ms Sandra Greenhill | Mr Matthew McKittrick |
| Ms Judy Curson | Mr Vernon Hilditch | Mr Dean McLean |
| Ms Janet Evison | Ms Karen Hutchinson | Mr Wayne Smith |
| Mr David Finnerty | Ms Alison Ivey | Ms Katrina Tenson |
| Mr Rick Gervasoni | Ms Angeliki Karvouni | Dr Jenny Wajsenberg |

Table 34—Minister's nominees to the Merit Protection Boards from 22 September 2013

| | | |
|---------------------|---------------------|------------------------|
| Ms Fiona Anderson | Ms Lynette Hannon | Ms Leanne Preece |
| Mr Nathan Chisholm | Ms Julie Hommelhoff | Ms Glenda Splatt |
| Ms Louise Chocholis | Ms Susan Mattingley | Ms Meredith Stephenson |
| Ms Lorraine Dell | Mr Brett Miller | Mr Warren Wills |
| Mr Ian Dendle | | |

Table 35—Chairpersons of the Merit Protection Boards to 21 September 2013

| | | |
|---|----------------------|------------------|
| Mr Peter Hibbins (Senior Chairperson, full-time) | Ms Leonie Fitzgerald | Ms Sharon Walker |
| Ms Vincenzina Calabro | | |

Table 36—Secretary's nominees to the Merit Protection Boards to 21 September 2013

| | | |
|-------------------|----------------------|-------------------|
| Mr Neil Barker | Ms Sandra Greenhill | Ms Gail Shaw |
| Ms Clare Berger | Ms Karen Hutchinson | Ms Lorraine Dell |
| Ms Judy Curson | Ms Angeliki Karvouni | Mr David Finnerty |
| Ms Kerrie Dowsley | Ms Karen O'Dowd | Mr Rick Gervasoni |
| Ms Janet Evison | | |

Table 37—Minister's nominees to the Merit Protection Boards to 21 September 2013

| | | |
|-------------------|------------------------|---------------------|
| Ms Rowena Archer | Mr Nuccio Gurciullo | Ms Katrina Tenson |
| Ms Margaret Bates | Ms Rae MacArdy | Ms Rhonda Warburton |
| Dr Mary Cannon | Mr Brett Miller | Ms Joanna Young |
| Mr Ian Dendle | Mr Michael Rogan | Mr John Baston |
| Ms Jan Foenander | Ms Maxine Schmidt | Ms Glenda Splatt |
| Ms Valda Grimston | Ms Meredith Stephenson | Ms Michelle McCabe |

Appeals and grievances

Table 38—Teaching service appeals and grievances 2013–14

| Category | Received | | Upheld and partially upheld | | Conciliated | | Disallowed | | Withdrawn | | Abandoned, lapsed, no jurisdiction, or out of time | | Pending | | Total |
|-----------------------|----------|----|-----------------------------|---|-------------|---|------------|----|-----------|---|--|----|---------|---|-------|
| | F | M | F | M | F | M | F | M | F | M | F | M | F | M | |
| Personal ¹ | 79 | 40 | 7 | 4 | 11 | 2 | 18 | 19 | 19 | 1 | 21 | 12 | 3 | 2 | 119 |
| Selection | 20 | 15 | 0 | 1 | 0 | 0 | 4 | 5 | 3 | 1 | 13 | 8 | 0 | 0 | 35 |
| Total | 99 | 55 | 7 | 5 | 11 | 2 | 22 | 24 | 22 | 2 | 34 | 20 | 3 | 2 | 154 |

Table 39—Public service appeals and grievances 2013–14

| Category | Received | | Upheld | | Conciliated | | Disallowed | | Withdrawn | | Lapsed or out of time | | Pending | | Total |
|-----------|----------|---|--------|---|-------------|---|------------|---|-----------|---|-----------------------|---|---------|---|-------|
| | F | M | F | M | F | M | F | M | F | M | F | M | F | M | |
| Personal | 6 | 6 | 0 | 0 | 0 | 0 | 4 | 4 | 1 | 1 | 0 | 1 | 1 | 0 | 12 |
| Selection | 4 | 2 | 0 | 0 | 0 | 0 | 3 | 2 | 0 | 0 | 1 | 0 | 0 | 0 | 6 |
| Total | 10 | 8 | 0 | 0 | 0 | 0 | 7 | 6 | 1 | 1 | 1 | 1 | 1 | 0 | 18 |

¹ A wide range of issues were raised in personal grievances. The majority concerned claims of status as an excess employee not being managed in accordance with Departmental policy, and those relating to performance management and to leave applications being declined.

Merit protection training

It is a requirement that all recruitment selection panels of the Department to include a merit-trained employee as a member. To facilitate this, the Merit Protection Boards provide training in the principles of merit and equity for members of the teaching service and public service staff.

The programs are conducted statewide and are supported by the Department by senior Departmental staff delivering the sections of training that focus on human resource policies. In 2013–14, the board conducted 28 seminars and provided training for 1084 members of the teaching service and public service staff.

Table 40—Number of employees trained by region (includes reaccreditation)

| Region | Principals | Teachers | Education Support Class | Victorian Public Service | Total |
|------------------------|------------|------------|-------------------------|--------------------------|-------------|
| North-eastern Victoria | 32 | 139 | 29 | 9 | 209 |
| North-western Victoria | 22 | 224 | 27 | 11 | 284 |
| South-eastern Victoria | 30 | 209 | 43 | 23 | 305 |
| South-western Victoria | 39 | 153 | 26 | 8 | 226 |
| Central | 0 | 0 | 0 | 60 | 60 |
| Total | 123 | 725 | 125 | 111 | 1084 |

Other activities

The Merit Protection Boards provided advice to the Department on merit and equity issues in relation to major policy initiatives in response to requests, as well as advice when existing policies and procedures were being reviewed.

The Senior Chairperson accepted invitations to address groups of principals, field officers of the principals' associations and the Australian Education Union and regional staff about the workings of the Merit Protection Boards.

Senior Merit Protection Board staff deliver statewide training programs for principals, members of the teaching service and public service staff on the legislative and policy requirements for human resource management within the Department.

Information about appeal and grievance processes and Merit Protection accreditation programs is available on the Merit Protection Boards' website at www.mpb.vic.gov.au.

Victorian Children's Council

The Victorian Children's Council was established 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, not as representatives of their organisations or sectors. The council's mandate is to be forward-looking, acting as an adviser to the Victorian Government on how to meet key challenges facing Victorian families and improve outcomes for children. The council is particularly concerned with the problems faced by children who are vulnerable and at risk of poor developmental, learning or longer-term life outcomes.

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

In May 2012, the Victorian Government released *Victoria's Vulnerable Children—Our Shared Responsibility Strategy 2013–2022*, which announced that the council would support a stronger whole-of-government response to vulnerable children and their families as part of the Victorian Government's reform agenda.

As at June 2014, the council had 12 members. Dr Ray Cleary resigned in August 2013 and Ms Carmel Guerra was appointed in January 2014. The council held six meetings in 2013–14, with additional meetings of working groups when needed. The Department provides secretariat support to the Victorian Children's Council.

Table 41—Victorian Children's Council members at 30 June 2014

| | |
|-----------------------------------|--|
| Professor Frank Oberklaid (Chair) | Director, Centre for Community Child Health |
| Ms Sandie de Wolf (Deputy Chair) | Chief Executive Officer, Berry Street Victoria |
| Dr Maria Apostolopoulos | Parent advocate and proprietor of a community pharmacy |
| Ms Heather Barnes | Early childhood training consultant |
| Ms Muriel Bamblett | Chief Executive Officer, Victorian Aboriginal Child Care Agency |
| Dr Don Edgar | Social policy and research consultant |
| Ms Sue Harper | National President, Organisation Mondiale pour l'Education Prescolaire Australia |
| Mr David Huggins | Assistant Director, Student Services, Catholic Education Office |
| Mr Steve Rogers | Principal, Mooroopna Primary School |
| Mr Rob Spence | Chief Executive Officer, Municipal Association of Victoria |
| Ms Kerry Stubbings | Director of Community Services, City of Knox |
| Ms Carmel Guerra | Chief Executive Officer, Centre for Multicultural Youth |

Appendix 11—Acronyms and abbreviations

| | |
|---------------|---|
| AASB | Australian Accounting Standards Board |
| FRD | Financial Reporting Direction |
| FTE | Full-time equivalent |
| GST | Goods and services tax |
| NAPLAN | National Assessment Program—Literacy and Numeracy |
| TAFE | Technical and further education |
| VET | Vocational education and training |

