



DEPARTMENT OF EDUCATION AND TRAINING

ANNUAL REPORT 2015–2016

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The Hon. James Merlino MP
Deputy Premier of Victoria, Minister for Education and Minister for Emergency Services

The Hon. Steve Herbert MP
Minister for Training and Skills, Minister for International Education and Minister for Corrections

The Hon. Jenny Mikakos MP
Minister for Families and Children Minister for Youth Affairs

Dear Ministers

In accordance with the *Education and Training Reform Act 2006* and the *Financial Management Act 1994*, I am pleased to present the Department of Education and Training's Annual Report for the year ending 30 June 2016.

Yours sincerely



Gill Callister
Secretary

13 October 2016

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Table of Contents

Secretary's Report	1
Report of Operations—year in review	3
Statement of Strategic Intent	3
Purpose and functions	5
Achievements	6
Transforming our organisation: changes during 2015–16	8
Objectives, indicators and outcomes	10
Progress towards objectives and indicators	12
Performance indicators	14
Performance against output performance measures	21
Five-year financial summary	36
Current year financial review	36
Balance sheet	37
Cash flows	37
Disclosure of grants and transfer payments	37
Capital projects	38
Report of Operations—governance and organisational structure	39
The Department's Ministers	39
The Department's governance structure	40
Executive Board	40
Education State Board	40
Committee structure	41
Executive Board members	43
Organisational structure	47
Portfolio Audit and Risk Committee	49
Statutory authorities	51
Report of Operations—workforce data	52
Public administration values and employment principles	52
Occupational health and safety	52
Workers' compensation	53

Comparative workforce data	57
Workforce inclusion	59
Industrial relations	59
Pecuniary interests	63
Shares held by senior officers	63
Report of Operations—other disclosures	64
Victorian industry participation policy	64
Government advertising expenditure	64
Consultancy expenditure	64
Information and Communication Technology (ICT) expenditure	65
Disclosure of major contracts	65
Freedom of information	65
Compliance with DataVic Access Policy	66
Compliance with the <i>Building Act 1993</i>	66
National Competition Policy	67
Compliance with the <i>Protected Disclosure Act 2012</i> (formerly <i>Whistleblowers Protection Act 2001</i>)	68
Compliance with the <i>Disabilities Act 2006</i>	69
Office-based environmental impacts	69
Details of changes in prices, fees, charges, rates and levies	77
Additional information available on request	78
Risk attestation	79
Details of publications about the Department	80
About this report	80
Financial statements	81
Notes to the financial statements	89
Appendices	170

Secretary's Report

There is arguably no greater value produced in Victoria than that created through our education system. From early childhood learning and development, through our school system and into post-secondary education, Victorians have long valued education. As it has been said – at its best, education is about how to make a life, not just how to make a living. As such, it provides the foundation for both the social and economic fabric of our State.

As we strive in the Department of Education and Training to make good on the Government's commitment to make Victoria the Education State, we are harnessing and building on that existing value with an ambitious reform program – a program focused on both excellence and equity.

In September 2015, following an extensive public consultation, a major school reform program was launched setting ten new targets designed to meet four goals: learning for life; happy, healthy and resilient kids; breaking the link between education and disadvantage; and raising pride and confidence in government schools. We will publicly report on progress towards the targets each year.

A record level of equity funding was provided to schools to improve outcomes for students who need extra assistance. The new Framework for Improving Student Outcomes (FISO) gives schools a common language for improvement. Using the best available research on student learning and global best-practice, FISO is helping schools to focus their efforts on key areas that are known to have the greatest impact on school improvement. With this we put 150 additional staff into the regions, as part of the new Learning Places regional operating model, to better support services and better enable principals to lead improvement in their schools and across networks of schools. Additional support has also been provided to government school teachers to teach the new Victorian Curriculum – including new subjects such as digital coding and respectful relationships.

In June 2016, we launched the first LOOKOUT Education Support Centres for school-aged children and young people in out of home care, and the Navigator service pilots to help re-engage Victorian students who drop out of school and training each year. This is a critical element of our plan to reduce disengagement and the effects of disadvantage.

The 2016-17 State Budget committed \$1.1 billion for school infrastructure and towards the establishment of the Victorian School Building Authority. The Authority is now up and running and will ensure that schools are well-planned, tailored to local needs and that communities are engaged throughout the process.

All this work has laid the foundations for our school system to go from 'good' to 'excellent'. Our next phase of reform in schools will be guided by the Government's response to the Government Schools Funding Review conducted by former Victorian Premier, Steve Bracks, in 2015.

Beyond the school years, the Mackenzie VET Funding Review and the Government's response, Skills and Jobs in the Education State, were released in December 2015. The response sets out a commitment to re-establish a high quality, stable, sustainable VET system that positions TAFEs and Learn Local community providers as public providers of choice, gives Victorians the chance to learn and develop skills and seeks to meet the State's skills needs now and well into the future. Significant work throughout the first half of 2016 led to the launch of Skills First in August 2016. Focus has now shifted to implementation, with the new system to go live from 1 January 2017. In addition, the major program of work undertaken to ensure high quality training is provided in our VET system has been a huge undertaking this year.

Substantial work is underway in early childhood, and services for children and parents are being strengthened and changed to meet family needs. Evidence shows that investing in the early years represents a social and economic boon and is foundational to good lives. We know that learning commences well before school and neuroscience tells us that brain development in the early years is strongly influenced by the quality of environment and settings where children spend time. Consultation has occurred on the Education State Early Childhood Development Reform Plan and steps to finalise this are underway.

We are also making a strong contribution to the Government's broader economic and social policy reforms. This includes work to drive productivity and job creation through initiatives such as the Back to Work Plan and the Victorian Industry Participation Policy. We are contributing to whole of government efforts to provide enhanced support to vulnerable and at-risk children and families, through our work in responding to the Royal Commission into Institutional Responses to Child Sexual Abuse and the Royal Commission into Family Violence.

I wish to acknowledge the hard work and commitment of the Department's senior leadership team and from all staff, including principals, teachers, TAFE and VET providers and early childhood educators across the state. Their commitment and energy is essential to delivering on the vision of the Education State.

I look forward to continuing our important reform work into the coming year.

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

Gill Callister
Secretary

Report of Operations—year in review

The Victorian Government has committed to building an education system that produces excellence and reduces the impact of disadvantage. Education is more important than ever: skills, knowledge, creativity and adaptability will be central in our future economy and community. The Education State will be founded on excellence in learning and development from the crucial first years of life, through school education to training and higher education, and the promotion of lifelong learning for adults.

Statement of Strategic Intent

In October 2015, the Department launched the Statement of Strategic Intent to support delivery of the ambitious Education State agenda and to help focus our efforts (see Figure 1).

The Strategic Intent sets out the Department's vision for Victorians:

Together we give every Victorian the best learning and development experience, making our state a smarter, fairer and more prosperous place.

As part of this vision:

- children and young people are confident, optimistic, healthy and resilient
- students reach their potential, regardless of background, place, circumstance or abilities
- Victorians develop knowledge, skills and attributes needed now and for the jobs of the future
- the Department's workforce is high-performing, empowered, valued and supported.

Our objectives in achieving this vision are to:

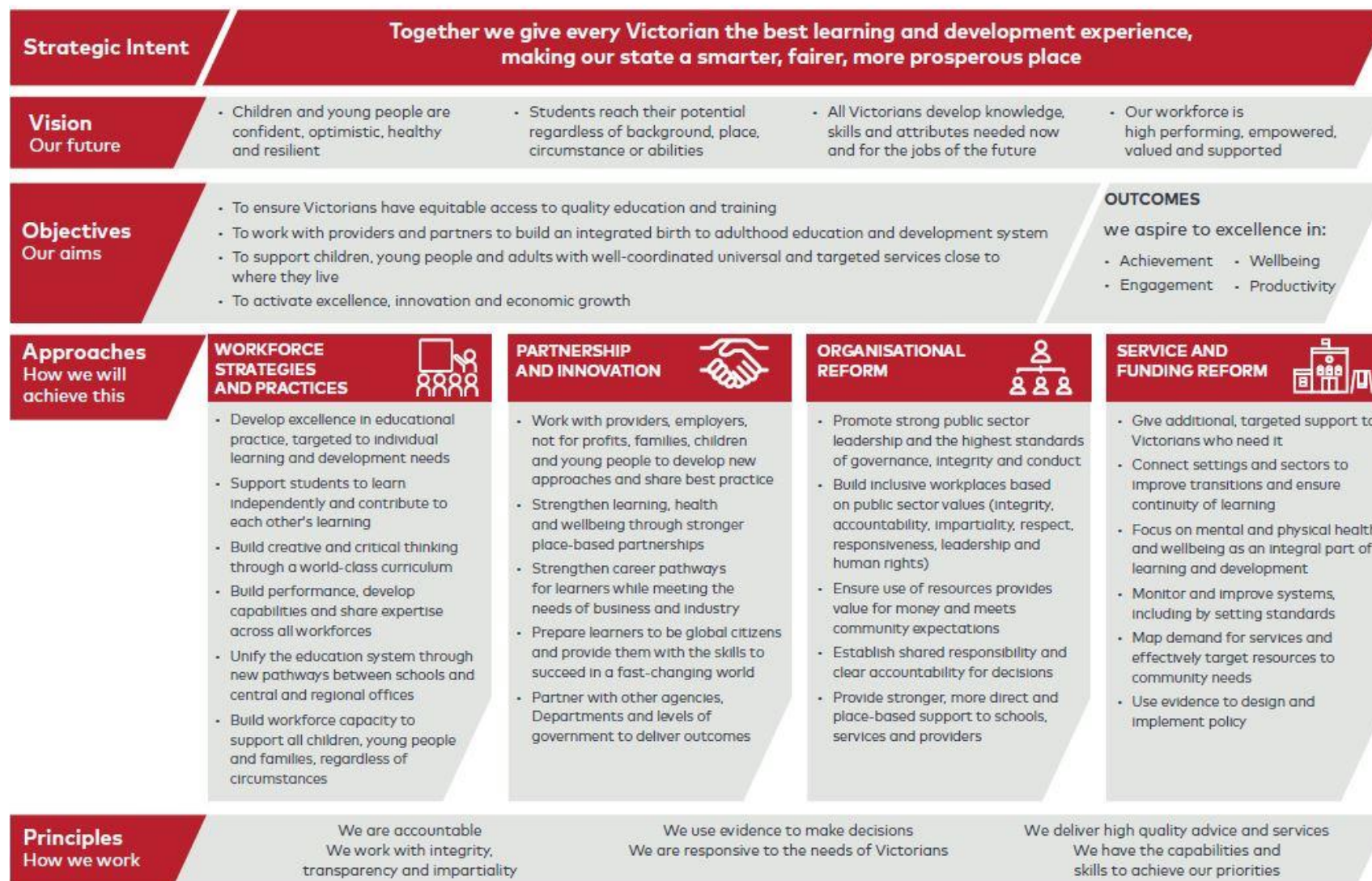
- ensure Victorians have equitable access to quality education and training
- work with providers and partners to build an integrated birth-to-adulthood education and development system
- support children, young people and adults with well-coordinated universal and targeted services close to where they live
- activate excellence, innovation and economic growth.

In pursuing these objectives, the Department is committed to the Victorian public sector values of:

- | | |
|------------------|-----------------|
| • responsiveness | • respect |
| • integrity | • leadership |
| • impartiality | • human rights. |
| • accountability | |

The public sector values underpin the behaviours that the government and community rightly expect of all public sector employees. Acting consistently with the public sector values also strengthens the capacity of our organisation to operate effectively and achieve its objectives.

DEPARTMENT OF EDUCATION AND TRAINING STRATEGIC INTENT



Purpose and functions

The Department is responsible for delivering and regulating statewide learning and development services to at least one third of all Victorians every year across the early childhood, school education and training and skills sectors.

The Department's services and their reach, as at June 2016, are outlined in the table below:

Early childhood	School education	Training and skills
Birth to 8 <i>more than 400,000 children and families</i>	5 to 18 <i>more than 932,000 students</i>	15 to 65+ <i>more than 377,000 participants in government subsidised vocational education and training</i>
<ul style="list-style-type: none"> • Maternal and child health services • Early years learning and development including early childhood education and care services • Early childhood intervention services • Supported playgroups and parenting supports 	<ul style="list-style-type: none"> • Primary education • Secondary education • Special education • Health and wellbeing 	<ul style="list-style-type: none"> • Technical and Further Education (TAFEs) • Universities • Private registered training providers • Learn Locals
<i>We have a diverse range of public, private and not-for-profit providers serving Victorians of all ages:</i>		
<ul style="list-style-type: none"> • More than 4,000 approved education and care services providing long day care, kindergarten, outside-school-hours care, and family day care • Approximately 420 licensed children's services providing limited-hour services such as occasional care • 652 maternal and child health service locations 	<ul style="list-style-type: none"> • 1,524 government schools • 703 non-government schools 	<ul style="list-style-type: none"> • 12 TAFE institutes • 8 public universities (four of which also provide vocational training), one specialised university, and campuses of the multi-state Australian Catholic University • 318 community-owned and managed not-for-profit organisations registered with the Adult Community and Further Education Board as Learn Local organisations eligible to deliver pre-accredited training • 436 government-contracted private registered training organisations

Achievements

Early childhood development

Early childhood development is at the heart of the Victorian Government's vision for the Education State as the first years of life are crucial to lifelong learning, wellbeing and success. During 2015–16, the Department continued to increase quality and participation in early childhood services.

- Strong progress was made in implementation of the National Quality Framework (NQF). As at 30 June 2016, 89 per cent of services published ratings results against the seven quality areas of the National Quality Standard (against a national average of 80 per cent).
- In Victoria, 33 per cent of assessed services are 'exceeding' the National Quality Standards (NQS), 47 per cent are 'meeting' the NQS and 20 per cent are 'working towards' the NQS. At a national level, 29 per cent of services were assessed at 'exceeding', 41 per cent at 'meeting' and 30 per cent as 'working towards' the NQS.
- Victoria's kindergarten participation rate has increased to 98.1 per cent in 2015, up from 96.4 per cent in 2014.
- From the beginning of 2016, 100 per cent of Victorian kindergarten services offer a 15-hour kindergarten program.
- Kindergarten participation for Aboriginal children increased to 82.2 per cent in 2015, up from 79.6 per cent in 2014.
- The Koorie Kids Shine strategy has successfully supported Aboriginal parent and community engagement and contributed to closing the gap in Aboriginal children's participation in early childhood education programs.
- From the start of 2016, the vast majority of Victorian kindergarten services successfully moved from an educator-to-child ratio of 1:15 to 1:11 or better. The Victorian Government provided \$83.7 million over four years to support this transition as required under the National Quality Framework.
- The revised Victorian Early Years Learning and Development Framework (VEYLDF) was launched in May 2016 following in-depth stakeholder consultation. The VEYLDF lays the foundation for the Education State early childhood development reform and provides valuable guidance for supporting children and families in their transitions through the first eight years of a child's life.

School education

In September 2015, the Government announced the statewide *Education State: Schools* reform agenda. The Education State is about improving outcomes for every student, in every classroom, and for every community. The Education State agenda is backed by a new model of funding to better target need and a set of ambitious but achievable system-wide targets. The targets focus on: learning for life; happy, healthy and resilient kids; breaking the link between disadvantage and outcomes; and building pride and confidence in our schools.

During 2015–16, the Department continued to focus on improving outcomes for students.

- School Breakfast Clubs were established in 500 of the state's most disadvantaged government primary schools through the Department's partnership with Foodbank. They serve an average of 10,000 breakfasts every day, enabling up to 25,000 students across the state to make the most of their school day.
- The LOOKOUT Centre in South Western Victoria Region has been launched to support children in out-of-home care. Within the centre, education and allied health professionals work collaboratively with schools, carers, child protection and community service organisations to identify the best ways to support students to achieve the best from their education.

- The \$8.6 million Navigator pilot program commenced in eight areas across the state to support disengaged teenagers to return to school. The LOOKOUT and Navigator programs are critical to meeting Education State targets for overcoming the impact of disadvantage on educational outcomes and reducing the rates of students leaving education early.
- The Premier launched Inclusive Education for all Students with Disabilities and Additional Needs that sets out a comprehensive reform agenda to ensure every student with disabilities and additional needs can enjoy inclusive schooling. This follows the Review of the Program for Students with Disabilities (PSD) that examined how to transition the current PSD to a family-friendly, strength-based approach.
- Substantial progress has been made implementing the Government's Tech Schools initiative. Ten new high-tech learning centres are being established to equip students with the skills they need to compete in the global economy. Following intensive planning by local partnerships in each area between schools, tertiary institutions, industry and local governments, the location of the 10 sites and provision of the remaining \$128 million investment was announced on 26 April 2016. All 10 Tech Schools will open during 2017 and 2018.
- The Department commenced planning to implement the Government's investment of \$21.8 million over two years to strengthen the delivery of respectful relationships education in schools and early years services. This is in response to the recommendation made by the Royal Commission into Family Violence and announced in the Family Violence Budget Package.
- The Victorian Government committed \$1.04 million over four years to expand the Safe Schools Coalition Victoria (SSCV) program into every Victorian Government secondary school by the end of 2018. As of 30 June 2016, 271 Victorian government, Catholic and independent schools were SSCV members.
- A reformed Structured Workplace Learning (SWL) service was established to help drive improved transition, attainment and employment outcomes for Victoria's school students. The SWL service provides targeted grants to the 31 Local Learning and Employment Networks (LLENs) to work with employers and increase access to SWL placements.
- The Victorian Government, through the Department, worked with the Victorian Koorie community to develop the Marrung: Aboriginal Education Plan 2016–2026.
- The Department provided significant input into the Victorian International Sector Strategy, the Government's plan to continue building Victoria as the premier international education destination in Australia. The Victorian school sector experienced record highs in the growth and total number of international students with student numbers reaching 6,000 for the first time.

Training and skills

The training and skills portfolio supported the delivery of tertiary education and training outcomes during 2015–16.

- The report Skills and Jobs in the Education State was released in December 2015, the Government's response to the independent VET Funding Review (the Mackenzie Review). The report outlined a comprehensive VET improvement and reform agenda including an improved funding system to be progressively implemented from 2017.
- Victoria's first Skills Commissioner, Mr Neil Coulson, was appointed in December 2015. With the support of the Department and his secretariat, Mr Coulson has conducted more than 90 consultations on the VET reform agenda with industry, employers and other stakeholders. The consultations have helped shape the reforms outlined in the Skills and Jobs in the Education State report as well as the Department's programs.

- The Department has commenced a \$30.8 million program of quality assurance and audit in light of recommendations of the 2015 Review of Quality Assurance in Victoria's VET System. In addition, \$9 million was provided as Appropriation funding in 2015–16 for the quality blitz. The blitz has identified 62 Registered Training Organisations (RTOs) for investigation, terminated 16 RTO VET Funding Contracts, and identified approximately \$40 million in training funds for recovery.
- The Department has improved access to training and other important support services with the following measures:
 - Eligible employees have been provided access to Victorian Training Guarantee eligibility exemptions and fee-waivers as part of the Back to Work program.
 - Retrenched workers have received additional support, through programs such as the \$8.4 million South East Automotive Industry Transition Package.
 - A further \$16 million was invested to open Skills and Jobs Centres at every TAFE and dual-sector university in Victoria, offering a range of training and career support services for individuals and businesses.
 - From 1 January 2016, TAFE institutes have been able to offer eligibility exemptions to allow new student commencements to take up government-subsided training, regardless of their previous qualifications. On 9 June 2016, these exemptions were extended to Learn Local providers, as well as AMES and the Centre for Adult Education.
- Initiatives to ensure training is available across Victoria have also been undertaken:
 - Federation Training partnered with the Gunaikurnai Land and Waters Aboriginal Corporation, to reopen the Forestech campus and deliver conservation and land management training opportunities for Koorie and mainstream students.
 - Box Hill Lilydale Campus reopened at the start of 2016 and more than 810 students have since accessed the campus.
 - The Department contributed funding and training advice towards the \$34 million Regional Skills Fund administered by Regional Development Victoria.
- Funding was awarded to 26 organisations under the Government's \$20 million Reconnect Program to prepare for training and employment more than 2,300 disengaged young people who have left school early or are long-term unemployed.
- Significant investments have been made in the TAFE sector to improve capability to provide training and support services. These include:
 - \$50 million from the TAFE Rescue Fund was allocated to a range of projects to drive important skills delivery and give disadvantaged Victorians access to training.
 - Significant support was provided to TAFE infrastructure projects, including the Chisholm Frankston campus redevelopment.
- In 2015, the TAFE network reported an operating surplus of \$25 million, compared to a deficit of \$52.5 million in 2014 (a \$77.5 million turnaround).
- In 2015, the Department's Vice-Chancellors' forum identified the need to better articulate the benefits the State's strong higher education sector, including its globally recognised research capabilities, ability to attract international students and research fellows, and capacity to support industry through focused research, bring to the domestic economy. The Vice-Chancellors agreed to work with the Department around these issues to further the Education State Agenda.

Transforming our organisation: changes during 2015–16

During 2015–16, the Department introduced a new way of working, both centrally and in the regions.

The Department's Operating Model offers a high-level description of the Department's shift in the way it works to support the vision of the Education State. To align our ways of working with the Operating Model, a comprehensive work program commenced, focusing on improving governance, key business processes, information management, use of technology and most importantly supporting and developing our staff.

Central reorganisation

To provide clearer accountabilities and improved support for the most critical policy and implementation priorities, a new central structure came into effect on 4 April 2016.

Seven groups have been established including a dedicated Policy Reform Group to bring together the Department's strategic policy functions, and a dedicated Strategy and Performance Group focusing on strategy planning, data, evidence and enterprise program management.

In bringing together the implementation functions of the department, the new central structure will ensure that the support provided to schools, early childhood services and the training sector is coordinated and strengthened.

Regional services delivery model—Learning Places

The role of the Regional Services Group has been strengthened to reflect its pivotal role in translating policy and program development into improved service delivery and, ultimately, improved educational outcomes.

The Department has also created 17 areas within the four existing regions and by the end of 2016 will have appointed an additional 150 staff to support this major investment in supporting schools at a local level. The new regional structure went 'live' on 1 March 2016.

The model was designed to create a system where learners and families have the best possible support, and make it easier for learners and their families to access support and services where they live. The model is focused on place-based service delivery to allow localised, tailored and integrated decision-making, service and support. This supports the Government's reinvestment in regions to achieve better outcomes for learners and families.

Organisational reform program

The operating models described above form part of a broader Department organisational reform program that commenced in 2015–16 to support the Department's Statement of Strategic Intent. Other elements of the organisational reform program are:

- *Integrity reform program*

This program addresses systemic issues raised during Operations Ord and Dunham. It does this through a coordinated and dedicated focus on good governance, ethical leadership, effective systems and controls, and staff development and support. The program uses a range of projects to strengthen our oversight and accountability for public spending, and improve our adherence to the public sector values—both essential for upholding public trust.

- *Investing in our people*

The Department supports a capable and high-performing workforce with strong leadership and a culture of integrity, accountability and respect. The 'Investing in our People' strategy contains five key areas that represent a clear focus for action: leadership capability, workforce capability, culture of integrity and respect, safe and inclusive workplaces, and accountability for outcomes. These elements work together to provide a holistic and balanced approach to ensuring our people are capable; able to perform at their best; and feel empowered, valued and supported.

- *Procurement and financial management*

The Department is implementing procurement, funding and financial management reforms. The reforms will deliver a strengthened finance function and Financial Services Division structure. Included are enhanced analytics, strategy and capability; a school-targeted funding framework and risk-based assessment of all Department funding channels; a new school procurement framework that supports training, support programs and data analytics; a new Department procurement operating model; and a new Department travel policy and guidelines.

Objectives, indicators and outcomes

The Department's progress is reported under the objectives, outputs and indicators set out in the 2015–16 State Budget Paper No. 3 Service Delivery (BP3). These are set out in the table below.

Progress and performance reporting

The Department's progress towards the objectives and indicators in BP3 is reported under Progress towards Objectives and Indicators on page 12.

There is a range of performance measures for each output. The Department's performance against the output performance measures is reported under Performance against Output Performance Measures on page 21.

Departmental objectives, indicators and linked outputs (BP3)

Objectives	Indicators	Outputs
Achievement Raise standards of learning and development achieved by Victorians using education, training, development and child health services.	<ul style="list-style-type: none"> • 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 assessment • Students meeting the expected standards in other key learning areas, such as science, arts, history and ICT • Year 12 or equivalent completion rates of young people • VET course completions • Certificate III or above course completions. 	<ul style="list-style-type: none"> • 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

Objectives	Indicators	Outputs
Engagement Increase the number of Victorians actively participating in education, training, development and child health services.	<ul style="list-style-type: none"> • 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 school teachers providing a stimulating learning environment • VET enrolments by age and gender • VET enrolments by administrative regions • VET enrolments by skills shortage category courses • VET enrolments by specialised category courses • VET participation by learners facing barriers • VET participation by unemployed learners. 	<ul style="list-style-type: none"> • 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, training, development and child health services make to good health and quality of life of Victorians, particularly children and young people.	<ul style="list-style-type: none"> • Proportion of infants fully or partially breastfeed at three and six months • Children who have no development or behavioural issues on entry into Prep • 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. 	<ul style="list-style-type: none"> • 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.	<ul style="list-style-type: none"> • \$ per kindergarten student per year (or Early Childhood Intervention Services or Maternal and Child Health) • \$ per primary school student per year • \$ per secondary school student per year • \$ per VET student contact hour. 	<ul style="list-style-type: none"> • 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.

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 against its four objectives: Achievement, Engagement, Wellbeing and Productivity. A range of indicators are used to demonstrate current performance and trends.

Performance against these indicators demonstrates that the Department continues to perform well against the majority of its objectives. Participation and engagement with services are generally high and achievement results reflect good rates of success. There is, however, room for improvement in some areas. These, together with the Department's performance highlights, are outlined below.

Achievement

Victorian children perform well in their development as measured by the Australian Early Development Census, with the majority on track. In 2015, nearly 85 per cent of Victorian children in Prep were assessed by their teachers as 'on track' in their language and cognitive development, up marginally from 2012.

There has also been a significant increase in the number of three-year old children receiving a free, 15 hour kindergarten program through the Early Start Kindergarten (ESK) initiative, up from 791 in 2014 to 1,006 in 2015. This comprised 499 children known to Child Protection and 507 Aboriginal and Torres Strait Islander children. The increase from 2014 was both a record number and the highest ever single year increase in ESK enrolments. In addition in 2016, the Department piloted pre-purchased kindergarten places in targeted areas to secure a kindergarten place for almost 500 vulnerable children across Victoria who may otherwise have missed out on a kindergarten program.

Victorian students have historically performed well in national assessments of literacy (reading) and numeracy. However, achievement in these areas has stalled over recent years, more so for secondary than primary students. Victoria's performance in the 2015 National Assessment Program—Literacy and Numeracy (NAPLAN) shows some minor fluctuations in the proportion of students in the top two bands or above the bottom three when compared with 2014. Education State targets aim to lift the performance of all Victorian students, with a particular focus on increasing the proportion of students achieving at the highest levels. This includes increasing the proportion of Victorian students achieving in the top two bands in literacy and numeracy.

International testing under the Progress in International Reading and Literacy Study (PIRLS), Trends in Maths and Science Study (TIMSS) and Programme for International Student Assessment (PISA) is run on a rolling basis, every three to five years. However, there have been no updates to this data since 2011 and 2012, at which time more than half the Victorian students who participated in the studies were reaching the international benchmarks. There are differences in performance across domains and year levels: a greater proportion of Year 4 students are achieving benchmarks compared with older students, and larger proportions of students are meeting benchmarks in reading than in numeracy.

Compared to the more traditional fields of reading and numeracy, lower proportions of Victorian students are meeting expected standards in other key learning areas such as science and information and communication technology (ICT) literacy. Having more students excel in scientific literacy is a key aim of the Education State in Schools reform.

In the second half of 2015–16, significant Education State related investments provided additional funding for students to catch up, to address the educational impacts of social disadvantage and build system capacity in terms of improved science instruction and school leadership. These are expected to contribute to improved outcomes in 2016–17 and beyond.

In 2015, there were around 230,000 vocational completions, and while this represents a decrease from 2014 (of 9 per cent), completions are nearly a quarter (22 per cent) higher than in 2011. In addition to an increase in overall course completion numbers

over the past five years, completion rates remained relatively stable in the period 2012 to 2014, and many 2015 commencing students continue their studies.

Engagement

An increasing proportion of Victorian families are accessing early childhood services. Participation rates in kindergarten programs increased at the most recent measure (2015) from already high levels. Participation in Maternal and Child Health (MCH) services has remained stable or grown. Increased participation in these services follows additional funding provided in the 2015–16 Budget for kindergarten and other early childhood services.

While nearly all newborns in Victoria are visited by an MCH nurse at home for their initial consultation, rates of participation in the Key Ages and Stages visits drop off as the child gets older. Although participation rates at the final (3.5-year) consultation increased slightly in 2014, one third of families are not participating in the final consultation.

Strong engagement in school is important, contributing to better achievement and wellbeing outcomes. Absence from school is a strong indicator of engagement, or lack thereof. Victorian government school children in Years 5 to 12 are missing on average 14 to 16 days of school a year. There has been minimal change in these figures over the past five years (2011 to 2015) for students in Years 5 to 10. However, for students in Years 11 and 12, absences have shown an upward trend.

Direct measures of student engagement suggest room for improvement, particularly among secondary school students. The proportion of Victorian government school students in 2015 reporting that their school provides a stimulating learning environment was considerably lower among students in Year 11 to 12 (20 per cent) and Years 7 to 10 (21 per cent) than those in Years 5 to 6 (61 per cent).

In 2015, there were nearly 380,000 students enrolled in government-subsidised training in Victoria, a 15 per cent decrease compared with 2014. This decline was particularly apparent for enrolments by young people aged 15 to 19 years, which fell 18 per cent over the past year. All areas of the state experienced a decline over the last year. In response, the Reconnect Program was established to provide wrap around support for 15–24 year olds most at risk of not engaging with or completing training.

The decline in enrolment is associated with past policy changes, including a reduction in foundation course subsidy rates, tightening of eligibility rules, removal of Certificate I in Vocational Preparation from the foundation course list, and the establishment of the Foundation Skills approved provider list. From 2015, providers are required to undertake pre and post assessment of students' skills for particular foundation skills courses. This could have contributed to a slight decrease in enrolments, as students enrolled in more suitable training for their skill needs. Enrolment numbers have also been impacted by the shift of students to VET FEE-HELP funded training, and fewer enrolments in sub-standard training as part of the Government's implementation of the Review of Quality Assurance.

The number of students undertaking government subsidised VET training in Australia has declined 6 per cent from 2013 to 2014¹. Against declining enrolments nationally, Victorian Government-subsidised enrolments in apprenticeships increased five per cent over the last year, and enrolments in training directly aligned to occupations continues to be strong¹.

A key focus of the Education State reform agenda is helping Victorian students stay engaged in education. In 2015–16, funding was provided for the Camps, Sports and Excursions Fund, which seeks to include disadvantaged children in the wider curriculum, and the Navigator and LOOKOUT Education Support Centre programs. In coming years, these initiatives are expected to increasingly identify and support students who are vulnerable and disengaged in schooling.

¹ Victorian Training Market Report 2015.

Wellbeing

Indicators of wellbeing in the early years are generally positive. More than half Victoria's infants are fully breastfed at three months old. There have been small increases from 2012–13 to 2014–15 in the proportion of infants being partially or fully breastfed at three and six months.

The proportion of children presenting with behavioural and developmental issues when starting Prep (as identified by parents) has increased in recent years. While this may be influenced by increased parent awareness of these specific concerns, this trend accords with teacher reporting through the Australian Early Development Census, which shows a decrease from 2012 to 2015 in the proportion of Prep children 'on track' in their social competence and emotional maturity.

Student wellbeing factors, such as feeling safe and connected to school, have an impact on many aspects of school life. The majority of Victorian government school students feel safe at school but responses from students were less positive in 2015 than in the previous year. Feelings of connectedness to school have changed little over the past year, with younger students continuing to be significantly more positive than older students: nearly two thirds of Year 5 and 6 students feel connected to their school compared with just over one quarter of students in Years 11 and 12. Results from 2015 showed a slight improvement in student perceptions of classroom behaviour, with lower proportions finding other students disruptive.

The level of satisfaction with the quality of vocational training was relatively stable between 2015 and 2016, following a decline that had occurred between 2013 and 2014, with satisfaction lower in 2015 than in 2012². The Quality Blitz, including cancelling contracted training providers due to quality concerns, is expected to have improved quality significantly through 2015 but it will take time for improvements to flow from commencements to completions and for perceptions to change.

Productivity

Understanding productivity measures puts the Department in a position to better assess the impact of government investment in programs and policies.

In 2015–16, the standard per-capita rate paid by the Victorian Government increased in the early childhood sector for both kindergarten and Maternal and Child Health services. The most significant increase was for kindergarten services, reflecting funding in the 2015–16 Budget supporting additional kindergarten places and the expansion of other early childhood services across Victorian regional and metropolitan areas.

The unit cost per school student (primary and secondary) remained relatively stable from 2012 to 2013, while the unit cost per VET student contact hour decreased nearly 20 per cent, from \$9.50 per hour in 2013 to \$7.80 per hour in 2014³.

2 National Centre for Vocational Education Research, Government funded student outcomes 2015: time series of key findings.2006–15.

3 Report on Government Services 2016.

Performance indicators

Achievement

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

Indicators	Unit	2011	2012	2013	2014	2015
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 Census ¹ language and cognitive skills domains	per cent	—	84.0	—	—	84.7
School education						
Students meeting the expected standard in national and international literacy and numeracy assessments²						
NAPLAN Proportion of students above the bottom three bands:						
Year 3—Literacy	per cent	73.0	73.3	75.3	73.7	76.2
Year 3—Numeracy	per cent	68.2	67.3	68.9	69.1	66.4
Year 5—Literacy	per cent	62.0	62.8	66.9	64.1	62.2
Year 5—Numeracy	per cent	59.6	58.9	55.5	57.6	61.2
Year 7—Literacy	per cent	57.1	59.8	59.7	59.2	59.5
Year 7—Numeracy	per cent	58.0	54.2	54.7	56.4	56.4
Year 9—Literacy	per cent	50.3	48.3	50.5	50.6	50.2
Year 9—Numeracy	per cent	50.7	50.3	49.1	51.5	54.0
NAPLAN Proportion of students in the top two bands:						
Year 3—Literacy	per cent	51.6	51.1	52.2	51.2	53.6
Year 3—Numeracy	per cent	40.0	38.8	37.5	41.1	38.4
Year 5—Literacy	per cent	34.1	34.4	35.6	37.3	36.9
Year 5—Numeracy	per cent	29.7	29.5	27.3	28.7	31.9
Year 7—Literacy	per cent	27.5	29.9	27.6	29.8	30.1
Year 7—Numeracy	per cent	31.0	27.3	27.4	29.2	27.8
Year 9—Literacy	per cent	21.6	20.4	20.7	22.6	22.8
Year 9—Numeracy	per cent	25.0	24.7	25.2	25.3	26.1
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	—	—	—	—

¹ Source: On 1 July 2014 Australian Early Development Index (AEDI) programme became known as the Australian Early Development Census (AEDC) 2015. Data collected every three years.

² Victorian government and non-government schools.

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

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

⁵ Trends in International Mathematics and Science Study. Data collected every four years. The 2015 results will be released in December 2016.

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

Indicators	Unit	2011	2012	2013	2014	2015
Proportion of 15-year-old students in achieving level 3 or above in PISA Reading literacy ⁷	per cent	—	67.0	—	—	—
Proportion of 15-year-old students in achieving level 3 or above in PISA Mathematical literacy ⁵	per cent	—	58.0	—	—	—
Students meeting the expected standard in other key learning areas, such as science, arts, history and ICT²						
Proportion of Year 6 students at or above the Proficient Standard in scientific literacy ⁸	per cent	—	51.3	—	—	—
Proportion of Year 6 students at or above the Proficient Standard on the Information and Communications Technologies Literacy scale ⁹	per cent	64	—	—	64	—
Proportion of Year 10 students at or above the Proficient Standard on the Information and Communications Technologies Literacy scale ⁹	per cent	68	—	—	55	—
Higher education and skills						
VET course completions						
VET completions ¹⁰	number	187,500	238,500	220,500	249,700	228,100
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 ¹¹	per cent	86.1	88.0	90.1	89.0	89.5

⁷ Programme for International Student Assessment (PISA). Data collected every three years. The 2015 results will be released in December 2016. In Australia, the national agreed baseline, as agreed in the Measurement Framework for Schooling in Australia, is Level 3. Sources: Thomson, S., De Bortoli, L., Nicholas, M., Hillman, K., Buckley, S (2011). PISA 2012: how Australia measures up: The PISA 2012 assessment of students' mathematical, scientific and reading literacy, ACER.

⁸ Students achieving at a Proficient Level of 3.3 or better (from five levels) is considered to demonstrate exemplary understanding of Year 6 science. Data collected every three years. The 2015 Science Literacy results will be released in 2016. Source: National Assessment Program—Science Literacy Year 6 Report 2012, ACARA.

⁹ Year 6 students performing at a Proficient Level of 3 and above, and Year 10 students performing at a Proficient Level of 4 and above (from six levels) are considered to have met or exceeded their achievement in ICT Literacy. Data collected every three years. Source: National Assessment Program—ICT Literacy Years 6 & 10 Report 2014, ACARA.

¹⁰ Government-subsidised and fee-for-service reported course completions. Data rounded. Likely to be an undercount of actual completions between due to variations in administrative practices by training organisations in identifying, recording and reporting qualification completion and variations in student intent and behaviour in completing qualifications. The Department has been actively working to improve the quality of completion data provided by training organisations. Source: Department of Education and Training internal administrative data.

¹¹ Survey estimates, subject to statistical error. Source: ABS Survey of Education and Work (cat.no. 6227.0).

Engagement

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

Indicators	Unit	2011	2012	2013	2014	2015
Early childhood development						
Participation in a kindergarten service in the year before school						
Kindergarten participation rate for first year enrolments	per cent	94.6	97.9	98.2	96.4 ¹	98.1 ¹
Participation in Maternal and Child Health Services²						
Home consultation	per cent	100	100	101	100.9 ³	–
12 months	per cent	80.7	82.0	83.4	83.4	–
3.5 years	per cent	64.4	66.5	64.9	66.1	–
School education						
Students with acceptable levels of school attendance^{4,5}						
Average number of absent days per full-time equivalent student:						
Year 5	number	14.0	14.5	14.3	14.1	14.4
Year 6	number	14.4	14.7	14.8	14.6	15.1
Years 7–10	number	19.3	19.7	19.3	19.5	19.3
Years 11–12	number	13.1	14.9	15.4	16.0	16.8
Students with a positive opinion of their teachers providing a stimulating learning environment^{4,6}						
Proportion of students who agree or strongly agree that their school provides a stimulating learning environment:						
Years 5–6	per cent	60.9	62.7	63.4	63.5	61.1
Years 7–10	per cent	18.5	21.4	21.2	21.7	20.9
Years 11–12	per cent	17.5	20.3	21.1	20.0	19.8

¹ From 2014 onwards, the methodology has changed slightly due to an improvement in available data and analysis methods. The method of identifying and excluding second year enrolments has been improved and the participation rate is now based on child count rather than an enrolment count.

² Figures for the 2011–12 financial year under 2011, for 2012–13 under 2012, 2013–14 under 2013, and for 2014–15 under 2014. Results for 2015–16 were not available at the time of publication. Source: Maternal and Child Health Services Annual Report.

³ Participation Rates will exceed 100 per cent when the number of children attending the Maternal & Child Health Centre throughout the year is greater than the number of children registered at the Centre on 30th June.

⁴ Victorian government schools.

⁵ Data extracted at 29 July 2016.

⁶ Derived from multiple questions. Only students who responded 'agree' or 'strongly agree' on all relevant questions are included. Other students gave mixed or opposing views. Source: Department of Education and Training Attitudes to School Survey.

Indicators	Unit	2011	2012	2013	2014	2015
Higher education and skills⁷						
VET enrolments by students⁸ age and gender						
15–19 years	number	108,700	120,500	104,600	85,300	69,900
20–24 years	number	87,800	100,900	96,300	93,100	80,200
25–44 years	number	148,500	180,200	178,900	167,100	141,600
45–64 years	number	77,100	96,400	93,100	87,400	75,100
Under 15, over 64 and not stated	number	8100	11,800	11,900	10,700	11,000
Female	number	208,500	251,900	226,600	208,100	177,100
Male	number	220,700	257,200	257,600	234,900	199,600
VET enrolments by administrative region						
South Western	number	202,900	264,000	251,100	230,500	178,600
North Western	number	101,400	124,300	116,200	105,400	97,900
North Eastern	number	100,800	110,200	114,300	86,100	70,800
South Eastern	number	127,900	159,500	153,200	130,900	116,300
VET enrolments by courses in areas of skill demand						
Government-subsidised enrolments in skill demand occupations	number	127,400	151,500	153,000	166,600	148,100
VET enrolments by specialised category courses						
Government-subsidised enrolments in specialist occupations ⁹	number	71,000	79,300	89,600	88,900	83,800
VET participation by learners facing barriers						
VET participation by unemployed learners	number	89,300	118,500	135,000	135,900	113,200

⁷ Following a review of Funded Courses by the Department in 2014, it was identified that some training organisations had enrolled students in qualifications that had been superseded, i.e. replaced by a more up-to-date version of the course. In response, the Department strengthened the teach-out and transition requirements specified in the 2015 Standards for training providers and notified all training providers that these requirements would be applied by the Department for funding purposes. The changes will ensure students are undertaking the most up-to-date and relevant training and will allow superseded qualifications to be accurately captured and reported. In line with standard Departmental reporting standards for VET data, enrolment data for the VET indicators in this section have been revised accordingly. It was estimated that for the first half of 2015, less than 1 per cent of government subsidised course enrolments were duplicate records as a result of superseded qualifications. All data rounded. Source: Department of Education and Training internal administrative data. In addition, all data reported in this section for VET is consistent with that previously published in the 2015 Victorian Training Market Report.

⁸ Number of students undertaking government-subsidised training.

⁹ The result in 2014 for this indicator was incorrectly identified as 133,800, this figure has been revised to the correct figure of 88,900 which is also consistent with data reported in the 2015 Victorian Training Market Report.

Wellbeing

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

Indicators	Unit	2011	2012	2013	2014	2015
Early childhood development						
Proportion of Infants fully or partially breastfed at 3 and 6 months¹						
Infants fully breastfed at 3 months	per cent	51.7	51.0	50.6	51.4	–
Infants partly breastfed at 3 months	per cent	11.4	12.1	12.7	13.1	–
Infants fully breastfed at 6 months	per cent	34.8	33.8	33.9	34.0	–
Infants partly breastfed at 6 months	per cent	13.0	14.2	14.6	15.6	–
Children who have no development or behavioural issues on entry into Prep²						
Proportion of children who have no behavioural issues on entry into Prep	per cent	87.9	87.3	86.5	86.1	83.9
Proportion of children who have no general developmental issues identified by parents on entry into Prep	per cent	57.6	52.0	49.8	48.2	46.9
Children developmentally 'on track' on the Australian Early Development Census social competence and emotional maturity domains³						
Social competence domain	per cent	–	78.6	–	–	77.2
Emotional maturity domain	per cent	–	79.3	–	–	77.5
School education⁴						
Students feeling connected to their school						
Proportion of students who agree or strongly agree that they feel connected to their school:						
Years 5–6	per cent	64.9	66.1	66.6	66.6	65.8
Years 7–10	per cent	31.2	33.8	33.6	33.4	34.0
Years 11–12	per cent	24.8	27.2	27.8	26.0	25.4
Students with a positive opinion about their school providing a safe and orderly environment for learning						
Proportion of students who agree or strongly agree that their school is 'safe':						
Years 5–6	per cent	63.9	63.8	63.6	64.1	60.3
Years 7–10	per cent	58.1	59.1	58.8	60.0	58.7
Years 11–12	per cent	63.9	65.5	65.7	66.3	64.9
Proportion of students who agree or strongly agree that other students are disruptive in class:						
Years 5–6	per cent	13.5	14.2	14.4	14.1	14.1
Years 7–10	per cent	26.2	26.5	26.5	26.0	24.7
Years 11–12	per cent	18.8	18.7	18.0	17.0	16.1
Higher education and skills						
Level of student satisfaction with VET						
Proportion of graduates satisfied with the overall quality of training ⁵	per cent	87.7	87.6	85.4	84.5	84.0

¹ Figures for the 2011–12 financial year under 2011, for 2012–13 under 2012, 2013–14 under 2013, and for 2014–15 under 2014. Results for 2015–16 were not available at the time of publication. Source: Maternal & Child Health Services Annual Report.

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

³ Source: On 1 July 2014 Australian Early Development Index (AEDI) programme became known as the Australian Early Development Census (AEDC) 2015. Data collection for the index is undertaken every three years.

⁴ Victorian government schools. Derived from multiple questions. Only students who responded 'agree' or 'strongly agree' on all relevant questions are included. Other students gave mixed or opposing views. Source: Department of Education and Training Attitudes to School Survey.

⁵ Survey estimates, subject to statistical error. Source: Student Outcomes Survey, National Centre for Vocational Education Research 2015, Table 5: Key findings for government-funded graduates, 2006–2015.

Productivity

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

The following table reports progress against the Productivity indicators in the 2015–16 State Budget Paper No. 3 Service Delivery.

Indicators	Unit	2011	2012	2013	2014	2015
Early childhood development¹						
Dollar per child aged 0 to 3 years receiving a maternal and child health service per financial year²						
Minimum funding available to every child (provides 6.75 hours of maternal and child health service for each child aged 0 to 3 years) ³	\$ per child	560.3	605.9	618.0	630.4	642.9
Dollar per kindergarten student per financial year in the year prior to school^{2,4}						
Minimum funding available to the majority of children (approximately 98 per cent in 2015) who access a kindergarten program in the year prior to school ⁵	\$ per child	1,883.0	2,001.0	2,061.0	2,112.0	2,175.3
School Education—Primary and Secondary						
Dollar per primary school student per financial year^{2,6}						
Victorian government real recurrent expenditure (including User Cost of Capital) per FTE student in primary schools (2013–14 dollars)	\$ per FTE student	12,077.0	12,085.1	12,129.0	n/a ⁷	n/a ⁸
Dollar per secondary school student per financial year^{2,6}						
Victorian government real recurrent expenditure (including User Cost of Capital) per FTE student in secondary schools (2013–14 dollars)	\$ per FTE student	15,433.3	15,365.8	15,416.0	n/a ⁷	n/a ⁸
Higher education and skills						
Dollar per VET student contact hour per calendar year⁹						
Victorian government real recurrent expenditure per annual hour (2014 dollars)	\$ per hour	11.5	11.1	9.5	7.8	n/a ⁸

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

2 Figures for the 2011–12 financial year under 2011, 2012–13 under 2012, 2013–14 under 2013, 2014–15 under 2014 and 2015–16 under 2015.

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

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

5 A small proportion of children (approximately five per cent) who access a kindergarten program in a non-government school receive less (State Government component between \$354 and \$1,150 in 2015–16). Additional loadings are provided for children based on characteristics including living in a rural area, Aboriginal or Torres Strait Islander status, or being holders of health care or pension cards or refugee or humanitarian visas. Additional resourcing of the delivery of program is provided through parental fees and service fundraising.

6 Victorian government and non-government schools. Source: Productivity Commission Report on Government Services 2016, Table 4A.12

7 Figures for School Education—Primary and School Education—Secondary not available for 2014.

8 Reports on Government Services are published in January each year; 2015 results not available at time of publication, anticipated to be released in the 2017 Report on Government Services.

9 Source: Productivity Commission Report on Government Services 2016, Table 5A.34.

Performance against output performance measures

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

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

These output measures refer to the financial year unless indicated.

Strategy, Review and Regulation

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

Performance measures	Unit of measure	2015–16 Target	2015–16 Actual	% variation	Result
Quantity					
Number of registered training organisation quality audits and school reviews undertaken annually	number	191	182	-4.7	■
<i>This performance measure relates to the 2015 calendar year. The 2015–16 Actual is lower than 2015–16 Target as a result of cancellation of a number of scheduled audits/reviews because some Registered Training Organisations (RTOs) did not seek to retain registration and several school reviews were fast tracked for opening in 2014.</i>					
Quality					
Education provider satisfaction with the Victorian Registration and Qualifications Authority and its regulatory processes	per cent	65	81.0	24.6	✓
<i>This performance measure relates to the 2015 calendar year. The 2015–16 Actual is higher than 2015–16 Target due to improved business processes and stakeholder engagement activities.</i>					
Percentage of government schools where an enrolment audit is conducted	per cent	32.5	32.7	0.6	✓
<i>This performance measure relates to the 2015 calendar year.</i>					
Cost					
Total output cost	\$ million	101.9	91.8	-9.9	✓
<i>The 2015–16 Actual is actually lower than the 2015–16 Target due to the timing in delivery of programs such as IT systems, including licencing and maintenance programs.</i>					
Key: ✓ Target achieved or exceeded ■ Target not achieved—less than 5% variance ✕ Target not achieved—more than 5% variance					

Early Childhood Development

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

Performance measures	Unit of measure	2015–16 Target	2015–16 Actual	% variation	Result
Quantity					
Children funded to participate in kindergarten	number	71,250	74,650	4.8	✓
<i>This performance measure relates to the 2015 calendar year. This performance measure includes first and second year kindergarten participants.</i>					
Kindergarten participation rate	per cent	95	98.1	3.3	✓
<i>This performance measure relates to the 2015 calendar year. It excludes children who participate in a second year of the four-year-old kindergarten program.</i>					
Maternal and child health clients with children aged 0–1 year receiving additional support through enhanced Maternal and Child Health Services	per cent	10	15	50	✓
<i>The final result is currently not available due to timing of the data collection. The result provided under the 2015–16 Actual is the expected outcome published in the 2016–17 Budget Paper No.3.</i>					
<i>The 2015–16 Actual is expected to be higher than the 2015–16 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 from 0–1 year.</i>					
Total number of Maternal and Child Health Service clients (aged 0–1 year)	number	73,000	73,000	0.0	✓
<i>The final result is currently not available due to timing of the data collection. The result provided under the 2015–16 Actual is the expected outcome published in the 2016–17 Budget Paper No.3.</i>					
Total number of children receiving Early Childhood Intervention Services	number	13,936	13,936	0.0	✓
<i>The final result is currently not available due to timing of the data collection. The result provided under the 2015–16 Actual is the expected outcome published in the 2016–17 Budget Paper No.3.</i>					
Quality					
Education and care services offering a funded kindergarten program assessed as exceeding the National Quality Standard	per cent	40	43	7.5	✓
<i>This performance measure relates to the 2015 calendar year. The 2015–16 Actual is higher than the 2015–16 Target because the target was set based on assessments under the National Quality Standard undertaken prior to 2015.</i>					
Education and care services offering a funded kindergarten program assessed as meeting or exceeding the National Quality Standard	per cent	85	87	2.4	✓
<i>This performance measure relates to the 2015 calendar year.</i>					
Families who are satisfied with the Early Childhood Intervention Services provided	per cent	90	90	0.0	✓
<i>The final result is currently not available due to timing of the data collection. The result provided under the 2015–16 Actual is the expected outcome published in the 2016–17 Budget Paper No.3.</i>					
Timeliness					
Children aged 0–1 month enrolled at Maternal and Child Health Services from birth notifications	per cent	98.5	98.5	0.0	✓
<i>The final result is currently not available due to timing of the data collection. The result provided under the 2015–16 Actual is the expected outcome published in the 2016–17 Budget Paper No.3.</i>					

Performance measures	Unit of measure	2015–16 Target	2015–16 Actual	% variation	Result
Cost					
Total output cost	\$ million	491.1	534.5	8.8	✖
<i>The 2015–16 Actual is higher than the 2015–16 Target primarily due to the timing in delivery of programs such as Early Childhood Capital Grants and increase in Commonwealth funding for Universal Access National Partnership.</i>					
Key: ✓ Target achieved or exceeded ■ Target not achieved—less than 5% variance ✖ Target not achieved—more than 5% variance					

School Education

The School Education output group consists of two outputs:

- The School Education—Primary output provides services to develop essential skills and learning experiences to engage young minds in the primary sector.
- The School Education—Secondary output delivers services to consolidate literacy and numeracy competencies including creative and critical thinking, as well as physical, social, emotional and intellectual development in adolescence.

It also provides education services as well as varied pathways and support for transition across sectors to further study. This output group contributes towards providing and improving services to support all the Department's objectives of Achievement, Engagement, Wellbeing and Productivity.

(i) School Education—Primary

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

Except where indicated, these performance measures relate to:

- the 2015 calendar year rather than the 2015–16 financial year
- government and non-government schools.

Performance measures	Unit of measure	2015–16 Target	2015–16 Actual	% variation	Result
Quantity					
Average days lost due to absence at Year 5	number	14.1	14.4	-2.1	■
<i>This performance measure refers to government schools only. Average days lost covers all student absences, including those due to illness, approved family holidays and unapproved absences. A lower figure is more desirable, as it indicates that students are having fewer days away from school.</i>					
<i>The 2015–16 Actual figure reflects data extracted at 2 June 2016.</i>					
Average days lost due to absence at Year 6	number	14.5	15.1	-4.1	■
<i>This performance measure refers to government schools only. Average days lost covers all student absences, including those due to illness, approved family holidays and unapproved absences. A lower figure is more desirable, as it indicates that students are having fewer days away from school.</i>					
<i>The 2015–16 Actual figure reflects data extracted at 2 June 2016.</i>					
Investment in non-government schools (primary)	\$ million	346.5	325.5	-6.1	✓
<i>The 2015–16 Actual is lower than the 2015–16 Target primarily due to the timing in delivery of programs such as capital grants.</i>					
Number of Assistant Principals participating in leadership development programs	number	350	503	43.7	✓
<i>This performance measure refers to government schools only. The 2015–16 Actual is higher than the 2015–16 Target due to increased provision of professional development programs offered by the Bastow Institute of Educational Leadership, including rural and regional programs.</i>					

Performance measures	Unit of measure	2015–16 Target	2015–16 Actual	% variation	Result
Number of Principals participating in statewide, centrally funded leadership development programs	number	650	749	15.2	✓
<i>This performance measure refers to government schools only. The 2015–16 Actual is higher than the 2015–16 Target due to increased provision of professional development programs offered by the Bastow Institute of Educational Leadership, including rural and regional programs.</i>					
Number of school staff who are not Principals or Assistant Principals participating in leadership development programs	number	1,000	1,897	89.7	✓
<i>This performance measure refers to government schools only. The 2015–16 Actual is higher than the 2015–16 Target due to increased provision of professional development programs offered by the Bastow Institute of Educational Leadership, including rural and regional programs.</i>					

Quality

Parent satisfaction with primary schooling on a 100-point scale	100-point scale	83	83	0.0	✓
<i>This performance measure refers to government schools only. Data is drawn from the Parent Opinion Survey, where a higher score represents a higher level of satisfaction.</i>					
Percentage of Indigenous students above the bottom three bands for numeracy in Year 3 (National Assessment Program Literacy and Numeracy—NAPLAN testing)	per cent	43.9	38.1	-13.2	✗
<i>This performance measure relates to student performance assessed in May 2015.</i>					
<i>When interpreting results, a 95 per cent confidence interval of +/- 3.34 percentage points needs to be considered as the reported number is an estimate of the student ability for which there is associated measurement error, standard to any such assessment.</i>					
<i>Improvement resulting from Education State initiatives is not reflected in NAPLAN 2015–16 results, as testing was undertaken prior to the implementation of these significant reforms.</i>					
Percentage of Indigenous students above the bottom three bands for numeracy in Year 5 (NAPLAN testing)	per cent	33.4	29.7	-11.1	✗
<i>This performance measure relates to student performance assessed in May 2015.</i>					
<i>When interpreting results, a 95 per cent confidence interval of +/- 3.27 percentage points needs to be considered as the reported number is an estimate of the student ability for which there is associated measurement error, standard to any such assessment.</i>					
<i>Improvement resulting from Education State initiatives is not reflected in NAPLAN 2015–16 results, as testing was undertaken prior to the implementation of these significant reforms.</i>					
Percentage of Indigenous students above the bottom three bands for reading in Year 3 (NAPLAN testing)	per cent	48.7	47.3	-2.9	✓
<i>This performance measure relates to student performance assessed in May 2015.</i>					
<i>When interpreting results, a 95 per cent confidence interval of +/- 3.41 percentage points needs to be considered as the reported number is an estimate of the student ability for which there is associated measurement error, standard to any such assessment. The 2015–16 Actual result is within the confidence interval and has met the 2015–16 Target.</i>					
<i>Improvement resulting from Education State initiatives is not reflected in NAPLAN 2015–16 results, as testing was undertaken prior to the implementation of these significant reforms.</i>					
Percentage of Indigenous students above the bottom three bands for reading in Year 5 (NAPLAN testing)	per cent	40	32.9	-17.8	✗
<i>This performance measure relates to student performance assessed in May 2015.</i>					
<i>When interpreting results, a 95 per cent confidence interval of +/- 3.26 percentage points needs to be considered as the reported number is an estimate of the student ability for which there is associated measurement error, standard to any such assessment.</i>					
<i>Improvement resulting from Education State initiatives is not reflected in NAPLAN 2015–16 results, as testing was undertaken prior to the implementation of these significant reforms.</i>					

Performance measures	Unit of measure	2015–16 Target	2015–16 Actual	% variation	Result
Percentage of students above the bottom three bands for numeracy in Year 3 (NAPLAN testing)	per cent	68.5	66.4	-3.1	■
<p><i>This performance measure relates to student performance assessed in May 2015.</i></p> <p><i>When interpreting results, a 95 per cent confidence interval of +/- 0.92 percentage points needs to be considered as the reported number is an estimate of the student ability for which there is associated measurement error, standard to any such assessment.</i></p> <p><i>Improvement resulting from Education State initiatives is not reflected in NAPLAN 2015–16 results, as testing was undertaken prior to the implementation of these significant reforms.</i></p>					
Percentage of students above the bottom three bands for numeracy in Year 5 (NAPLAN testing)	per cent	57.5	61.2	6.4	✓
<p><i>This performance measure relates to student performance assessed in May 2015.</i></p> <p><i>When interpreting results, a 95 per cent confidence interval of +/- 1.01 percentage points needs to be considered as the reported number is an estimate of the student ability for which there is associated measurement error, standard to any such assessment.</i></p> <p><i>Improvement resulting from Education State initiatives is not reflected in NAPLAN 2015–16 results, as testing was undertaken prior to the implementation of these significant reforms.</i></p>					
Percentage of students above the bottom three bands for reading in Year 3 (NAPLAN testing)	per cent	74	76.2	3.0	✓
<p><i>This performance measure relates to student performance assessed in May 2015.</i></p> <p><i>When interpreting results, a 95 per cent confidence interval of +/- 0.81 percentage points needs to be considered as the reported number is an estimate of the student ability for which there is associated measurement error, standard to any such assessment.</i></p> <p><i>Improvement resulting from Education State initiatives is not reflected in NAPLAN 2015–16 results, as testing was undertaken prior to the implementation of these significant reforms.</i></p>					
Percentage of students above the bottom three bands for reading in Year 5 (NAPLAN testing)	per cent	64.5	62.2	-3.6	■
<p><i>This performance measure relates to student performance assessed in May 2015.</i></p> <p><i>When interpreting results, a 95 per cent confidence interval of +/- 0.98 percentage points needs to be considered as the reported number is an estimate of the student ability for which there is associated measurement error, standard to any such assessment.</i></p> <p><i>Improvement resulting from Education State initiatives is not reflected in NAPLAN 2015–16 results, as testing was undertaken prior to the implementation of these significant reforms.</i></p>					
Percentage of students in the top two bands for numeracy in Year 3 (NAPLAN testing)	per cent	41.5	38.4	-7.5	✗
<p><i>This performance measure relates to student performance assessed in May 2015.</i></p> <p><i>When interpreting results, a 95 per cent confidence interval of +/- 0.95 percentage points needs to be considered as the reported number is an estimate of the student ability for which there is associated measurement error, standard to any such assessment.</i></p> <p><i>Improvement resulting from Education State initiatives is not reflected in NAPLAN 2015–16 results, as testing was undertaken prior to the implementation of these significant reforms.</i></p>					
Percentage of students in the top two bands for numeracy in Year 5 (NAPLAN testing)	per cent	28.5	31.9	11.9	✓
<p><i>This performance measure relates to student performance assessed in May 2015.</i></p> <p><i>When interpreting results, a 95 per cent confidence interval of +/- 0.98 percentage points needs to be considered as the reported number is an estimate of the student ability for which there is associated measurement error, standard to any such assessment.</i></p> <p><i>Improvement resulting from Education State initiatives is not reflected in NAPLAN 2015–16 results, as testing was undertaken prior to the implementation of these significant reforms.</i></p>					
Percentage of students in the top two bands for reading in Year 3 (NAPLAN testing)	per cent	51.5	53.6	4.1	✓
<p><i>This performance measure relates to student performance assessed in May 2015.</i></p> <p><i>When interpreting results, a 95 per cent confidence interval of +/- 0.97 percentage points needs to be considered as the reported number is an estimate of the student ability for which there is associated measurement error, standard to any such assessment.</i></p> <p><i>Improvement resulting from Education State initiatives is not reflected in NAPLAN 2015–16 results, as testing was undertaken prior to the implementation of these significant reforms.</i></p>					

Performance measures	Unit of measure	2015–16 Target	2015–16 Actual	% variation	Result
Percentage of students in the top two bands for reading in Year 5 (NAPLAN testing)	per cent	36	36.9	2.5	✓
<p><i>This performance measure relates to student performance assessed in May 2015.</i></p> <p><i>When interpreting results, a 95 per cent confidence interval of +/- 0.98 percentage points needs to be considered as the reported number is an estimate of the student ability for which there is associated measurement error, standard to any such assessment.</i></p> <p><i>Improvement resulting from Education State initiatives is not reflected in NAPLAN 2015–16 results, as testing was undertaken prior to the implementation of these significant reforms.</i></p>					
Years 5–6 students' opinion of their connectedness with the school	5-point scale	4.4	4.4	0.0	✓
<p><i>This performance measure refers to government schools only. Data is drawn from the Attitudes to School Survey, where responses are provided on a scale of 1 to 5 and a higher score represents a higher level of connectedness (that is, students feel they belong and enjoy attending school).</i></p>					
Cost					
Total output cost	\$ million	4,598.1	4,542.0	-1.2	✓
<p><i>The 2015–16 Actual is lower than the 2015–16 Target primarily due to the timing in delivery of programs such as schools infrastructure including maintenance-related projects.</i></p>					
<p>Key: ✓ Target achieved or exceeded ■ Target not achieved—less than 5% variance ✕ Target not achieved—more than 5% variance</p>					

(ii) School Education—Secondary

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

Except where indicated, these performance measures relate to:

- the 2015 calendar year rather than the 2015–16 financial year
- government and non-government schools.

Performance measures	Unit of measure	2015–16 Target	2015–16 Actual	% variation	Result
Quantity					
Investment in non-government schools (secondary)	\$ million	360.6	338.8	-6.1	✓
<p><i>The 2015–16 Actual is lower than the 2015–16 Target primarily due to the timing in delivery of programs such as capital grants.</i></p>					
Number of school students enrolled in Victorian Certificate of Applied Learning	number	17,000	18,549	9.1	✓
<p><i>The 2015–16 Actual is higher than the 2015–16 Target due to sustained growth in the number of students enrolling in the Victorian Certificate of Applied Learning as it becomes more established as an alternative qualification to the Victorian Certificate of Education.</i></p>					
Number of school students participating in accredited vocational programs	number	45,800	46,995	2.6	✓
Number of school-based apprentices/trainees	number	3700	3538	-4.4	■
<p><i>The 2015–16 Actual is lower than the 2015–16 Target due to trends in demand for school-based apprenticeships and traineeships in recent years.</i></p>					
Proportion of all secondary schools offering vocational options to students as part of their secondary school certificate	per cent	95	95.2	0.2	✓

Performance measures	Unit of measure	2015–16 Target	2015–16 Actual	% variation	Result
Quality					
Average days lost due to absence in Years 11 and 12	number	16.1	16.8	-4.3	■
<p><i>This performance measure refers to government schools only. Average days lost covers all student absences, including those due to illness, approved family holidays and unapproved absences. A lower figure is more desirable, as it indicates that students are having fewer days away from school. The 2015–16 Actual figure reflects data extracted at 2 June 2016.</i></p>					
Average days lost due to absence in Years 7–10	number	19	19.3	-1.6	■
<p><i>This performance measure refers to government schools only. Average days lost covers all student absences, including those due to illness, approved family holidays and unapproved absences. A lower figure is more desirable, as it indicates that students are having fewer days away from school. The 2015–16 Actual figure reflects data extracted at 2 June 2016.</i></p>					
Median VCE study score	number	29	29	0.0	✓
<p><i>This performance measure refers to government schools only.</i></p>					
Parent satisfaction with secondary schooling on a 100-point scale	100-point scale	75	77	2.7	✓
<p><i>This performance measure refers to government schools only. Data is drawn from the Parent Opinion Survey, where a higher score represents a higher level of satisfaction.</i></p>					
Percentage of Indigenous students above the bottom three bands for numeracy in Year 7 (NAPLAN testing)	per cent	26.4	24.4	-7.6	✓
<p><i>This performance measure relates to student performance assessed in May 2015.</i></p> <p><i>When interpreting results, a 95 per cent confidence interval of +/- 3.06 percentage points needs to be considered as the reported number is an estimate of the student ability for which there is associated measurement error, standard to any such assessment. The 2015–16 Actual result is within the confidence interval and has met the 2015–16 Target.</i></p> <p><i>Improvement resulting from Education State initiatives is not reflected in NAPLAN 2015–16 results, as testing was undertaken prior to the implementation of these significant reforms.</i></p>					
Percentage of Indigenous students above the bottom three bands for numeracy in Year 9 (NAPLAN testing)	per cent	24.3	24.3	0.0	✓
<p><i>This performance measure relates to student performance assessed in May 2015.</i></p> <p><i>When interpreting results, a 95 per cent confidence interval of +/- 3.90 percentage points needs to be considered as the reported number is an estimate of the student ability for which there is associated measurement error, standard to any such assessment.</i></p> <p><i>Improvement resulting from Education State initiatives is not reflected in NAPLAN 2015–16 results, as testing was undertaken prior to the implementation of these significant reforms.</i></p>					
Percentage of Indigenous students above the bottom three bands for reading in Year 7 (NAPLAN testing)	per cent	29.2	28.1	-3.8	✓
<p><i>This performance measure relates to student performance assessed in May 2015.</i></p> <p><i>When interpreting results, a 95 per cent confidence interval of +/- 2.90 percentage points needs to be considered as the reported number is an estimate of the student ability for which there is associated measurement error, standard to any such assessment. The 2015–16 Actual result is within the confidence interval and has met the 2015–16 Target.</i></p> <p><i>Improvement resulting from Education State initiatives is not reflected in NAPLAN 2015–16 results, as testing was undertaken prior to the implementation of these significant reforms.</i></p>					
Percentage of Indigenous students above the bottom three bands for reading in Year 9 (NAPLAN testing)	per cent	26.3	24.6	-6.5	✓
<p><i>This performance measure relates to student performance assessed in May 2015.</i></p> <p><i>When interpreting results, a 95 per cent confidence interval of +/- 3.71 percentage points needs to be considered as the reported number is an estimate of the student ability for which there is associated measurement error, standard to any such assessment. The 2015–16 Actual result is within the confidence interval and has met the 2015–16 Target.</i></p> <p><i>Improvement resulting from Education State initiatives is not reflected in NAPLAN 2015–16 results, as testing was undertaken prior to the implementation of these significant reforms.</i></p>					

Performance measures	Unit of measure	2015–16 Target	2015–16 Actual	% variation	Result
Percentage of Victorian Certificate of Applied Learning Certificates satisfactorily completed by school students	per cent	78	76.9	-1.4	■
<i>The 2015–16 Actual is marginally lower than the 2015–16 Target due to a larger percentage of students leaving school prior to certificate completion for employment and alternative training.</i>					
Percentage of school leavers completing a VCE VET program in a school progressing to further education, training or work	per cent	93	96	3.2	✓
Percentage of school leavers completing an Intermediate or Senior Victorian Certificate of Applied Learning in a school progressing to further education, training or work	per cent	80	84.9	6.1	✓
<i>The 2015–16 actual is higher the 2015–16 Target due to sustained growth in the proportion of students undertaking the Victorian Certificate of Applied Learning (VCAL) at Intermediate and Senior levels as VCAL becomes more established as an alternative qualification to the Victorian Certificate of Education.</i>					
Percentage of students above the bottom three bands for numeracy in Year 7 (NAPLAN testing)	per cent	55.1	56.4	2.4	✓
<i>This performance measure relates to student performance assessed in May 2015.</i>					
<i>When interpreting results, a 95 per cent confidence interval of +/- 1.68 percentage points needs to be considered as the reported number is an estimate of the student ability for which there is associated measurement error, standard to any such assessment.</i>					
<i>Improvement resulting from Education State initiatives is not reflected in NAPLAN 2015–16 results, as testing was undertaken prior to the implementation of these significant reforms.</i>					
Percentage of students above the bottom three bands for numeracy in Year 9 (NAPLAN testing)	per cent	50.5	54.0	6.9	✓
<i>This performance measure relates to student performance assessed in May 2015.</i>					
<i>When interpreting results, a 95 per cent confidence interval of +/- 2.01 percentage points needs to be considered as the reported number is an estimate of the student ability for which there is associated measurement error, standard to any such assessment.</i>					
<i>Improvement resulting from Education State initiatives is not reflected in NAPLAN 2015–16 results, as testing was undertaken prior to the implementation of these significant reforms.</i>					
Percentage of students above the bottom three bands for reading in Year 7 (NAPLAN testing)	per cent	59.5	59.5	0.0	✓
<i>This performance measure relates to student performance assessed in May 2015.</i>					
<i>When interpreting results, a 95 per cent confidence interval of +/- 1.53 percentage points needs to be considered as the reported number is an estimate of the student ability for which there is associated measurement error, standard to any such assessment.</i>					
<i>Improvement resulting from Education State initiatives is not reflected in NAPLAN 2015–16 results, as testing was undertaken prior to the implementation of these significant reforms.</i>					
Percentage of students above the bottom three bands for reading in Year 9 (NAPLAN testing)	per cent	50	50.2	0.4	✓
<i>This performance measure relates to student performance assessed in May 2015.</i>					
<i>When interpreting results, a 95 per cent confidence interval of +/- 1.73 percentage points needs to be considered as the reported number is an estimate of the student ability for which there is associated measurement error, standard to any such assessment.</i>					
<i>Improvement resulting from Education State initiatives is not reflected in NAPLAN 2015–16 results, as testing was undertaken prior to the implementation of these significant reforms.</i>					
Percentage of students in the top two bands for numeracy in Year 7 (NAPLAN testing)	per cent	28	27.8	-0.7	✓
<i>This performance measure relates to student performance assessed in May 2015.</i>					
<i>When interpreting results, a 95 per cent confidence interval of +/- 1.63 percentage points needs to be considered as the reported number is an estimate of the student ability for which there is associated measurement error, standard to any such assessment. The 2015–16 Actual result is within the confidence interval and has met the 2015–16 Target.</i>					
<i>Improvement resulting from Education State initiatives is not reflected in NAPLAN 2015–16 results, as testing was undertaken prior to the implementation of these significant reforms.</i>					

Performance measures	Unit of measure	2015–16 Target	2015–16 Actual	% variation	Result
Percentage of students in the top two bands for numeracy in Year 9 (NAPLAN testing)	per cent	25	26.1	4.4	✓
<p><i>This performance measure relates to student performance assessed in May 2015.</i></p> <p><i>When interpreting results, a 95 per cent confidence interval of +/- 2.02 percentage points needs to be considered as the reported number is an estimate of the student ability for which there is associated measurement error, standard to any such assessment.</i></p> <p><i>Improvement resulting from Education State initiatives is not reflected in NAPLAN 2015–16 results, as testing was undertaken prior to the implementation of these significant reforms.</i></p>					
Percentage of students in the top two bands for reading in Year 7 (NAPLAN testing)	per cent	29	30.1	3.8	✓
<p><i>This performance measure relates to student performance assessed in May 2015.</i></p> <p><i>When interpreting results, a 95 per cent confidence interval of +/- 1.44 percentage points needs to be considered as the reported number is an estimate of the student ability for which there is associated measurement error, standard to any such assessment.</i></p> <p><i>Improvement resulting from Education State initiatives is not reflected in NAPLAN 2015–16 results, as testing was undertaken prior to the implementation of these significant reforms.</i></p>					
Percentage of students in the top two bands for reading in Year 9 (NAPLAN testing)	number	21	22.8	8.6	✓
<p><i>This performance measure relates to student performance assessed in May 2015.</i></p> <p><i>When interpreting results, a 95 per cent confidence interval of +/- 1.57 percentage points needs to be considered as the reported number is an estimate of the student ability for which there is associated measurement error, standard to any such assessment.</i></p> <p><i>Improvement resulting from Education State initiatives is not reflected in NAPLAN 2015–16 results, as testing was undertaken prior to the implementation of these significant reforms.</i></p>					
Percentage of students who remain at school from Year 7 to Year 12	per cent	88	90.6	3.0	✓
Years 7–9 students' opinion of their connectedness with the school	5-point scale	3.7	3.7	0.0	✓
<p><i>This performance measure refers to government schools only. Data is drawn from the Attitudes to School Survey, where responses are provided on a scale of 1 to 5 and a higher score represents a higher level of connectedness (that is, students feel they belong and enjoy attending school).</i></p>					
Cost					
Total output cost	\$ million	3,866.2	3,837.3	-0.7	✓
<p><i>The 2015–16 Actual is lower than the 2015–16 Target primarily due to the timing in delivery of programs such as schools infrastructure including maintenance related projects.</i></p>					
Key:	✓ Target achieved or exceeded ■ Target not achieved—less than 5% variance ✗ Target not achieved—more than 5% variance				

Higher Education and Skills

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

Except where indicated, these performance measures relate to the 2015 calendar year rather than the 2015–16 financial year.

Performance measures	Unit of measure	2015–16 Target	2015–16 Actual	% variation	Result
Quantity					
Annual government-subsidised module enrolments	number (million)	5.3	4.5	-15.1	✗
<i>The 2015–16 Actual is lower than the 2015–16 Target due to past policy changes such as tightened eligibility to subsidised training and foundation courses, and reductions in subsidies. Enrolment numbers have also likely been impacted by the shift of students to VET FEE-HELP funded training, demand-driven places in Higher Education, and fewer enrolments in sub-standard training as part of the Government's implementation of the Review of Quality Assurance.</i>					
Government-subsidised student contact hours of training and further education provided	number (million)	181	154	-14.9%	✗
<i>The 2015–16 Actual is lower than the 2015–16 Target due to past policy changes such as tightened eligibility to subsidised training and foundation courses, and reductions in subsidies. Enrolment numbers have also likely been impacted by the shift of students to VET FEE-HELP funded training, demand-driven places in Higher Education, and fewer enrolments in sub-standard training as part of the Government's implementation of the Review of Quality Assurance.</i>					
Number of apprenticeship/ traineeship commencements by new employees	number	40,000	38,272	-4.32	■
<i>This performance measure relates to the financial year.</i>					
Number of government subsidised course enrolments	number	557,846	466,681	-16.3	✗
<i>The 2015–16 Actual is lower than the 2015–16 Target due to past policy changes such as tightened eligibility for subsidised training and foundation courses, and reductions in subsidies. Enrolment numbers have also likely been impacted by the shift of students to VET FEE-HELP funded training, demand-driven places in Higher Education, and fewer enrolments in sub-standard training as part of the Government's implementation of the Review of Quality Assurance.</i>					
Number of pre-accredited module enrolments government subsidised through the Adult Community and Further Education (ACFE) Board—Adult Community Education organisations and Adult Education Institutes	number	45,000	46,801	4.0	✓
Number of students enrolled in government subsidised courses	number	443,687	377,831	-14.8	✗
<i>The 2015–16 Actual is lower than the 2015–16 Target due to past policy changes such as tightened eligibility for subsidised training and foundation courses, and reductions in subsidies. Enrolment numbers have also likely been impacted by the shift of students to VET FEE-HELP funded training, demand-driven places in Higher Education, and fewer enrolments in sub-standard training as part of the Government's implementation of the Review of Quality Assurance.</i>					
Number of students without Year 12, Certificate II or above enrolled in foundation courses	number	26,762	19,775	-26.1	✗
<i>The 2015–16 Actual is lower than the 2015–16 Target due to past policy changes which reduced foundation course subsidy rates, tighter eligibility rules, removing the Certificate I in Vocational Preparation from the foundation course list, and establishing the Foundation Skills approved provider list. Changes in 2015 that required providers to undertake pre and post assessment of students' skills for particular foundation-skills courses, may have resulted in a slight decrease in enrolments, as students were directed to enrol in more suitable training for their skill needs. This result may also have been impacted by the shift of students to VET FEE-HELP funded training, and fewer enrolments in sub-standard training as part of the Government's implementation of the Review of Quality Assurance.</i>					

Performance measures	Unit of measure	2015–16 Target	2015–16 Actual	% variation	Result
Participation rate of 15–24-year-olds in government subsidised training and further education in Victoria	per cent	22.5	18.7	-16.9	✖
<i>The 2015–16 Actual is lower than the 2015–16 Target due to past policy changes such as tightened eligibility for subsidised training and foundation courses, and reductions in subsidies. Enrolment numbers have also likely been impacted by the shift of students to VET FEE-HELP funded training, demand-driven places in Higher Education, and fewer enrolments in sub-standard training as part of the Government's implementation of the Review of Quality Assurance.</i>					
Participation rate of 25–64-year-olds in government subsidised training and further education in Victoria	per cent	8	6.7	-16.3	✖
<i>The 2015–16 Actual is lower than the 2015–16 Target due to past policy changes such as tightened eligibility for subsidised training and foundation courses, and reductions in subsidies. Enrolment numbers have also likely been impacted by the shift of students to VET FEE-HELP funded training, demand-driven places in Higher Education, and fewer enrolments in sub-standard training as part of the Government's implementation of the Review of Quality Assurance.</i>					
Quality					
Proportion of VET completers who are satisfied with their training	per cent	87.6	78.4	-10.5	✖
<i>This performance measure relates to training completions in the 2014 calendar year. The 2015–16 Actual is lower than the 2015–16 Target partly as a result of poor provider practices which are now being addressed through the Government's response to the Review of Quality Assurance. In addition, the 2015–16 Target was estimated based on a small trial survey of VET students who completed training in 2013.</i>					
Proportion of VET completers with an improved employment status after training	per cent	61.7	50.7	-17.8	✖
<i>This performance measure relates to training completions in the 2014 calendar year. The 2015–16 Actual is lower than the 2015–16 Target partly as a result of poor provider practices which are now being addressed through the Government's response to the Review of Quality Assurance. In addition, the 2015–16 Target was estimated based on a small trial survey of VET students who completed training in 2013.</i>					
Proportion of employers satisfied with the training provided by the Registered Training Organisation for apprenticeship and traineeship completers	per cent	81	83	2.5	✓
Successful training completions as measured by module load completion rate	per cent	81.5	80.7	-1.0	■
<i>The 2015–16 Actual is lower than the 2015–16 Target due to issues with poor quality training provision which is being addressed through the Government's quality initiatives.</i>					
Cost					
Total output cost	\$ million	2,476.3	2026.2	-18.2	✓
<i>This performance measure relates to the financial year. The 2015–16 Actual is lower than the 2015–16 Target primarily due to past policy changes including tightened eligibility for subsidised training and foundation courses, and reduction in subsidies. It has also been impacted by the shift of students to VET FEE-HELP funded training, demand-driven places in Higher Education, and fewer enrolments in sub-standard training as part of the Government's implementation of the Review of Quality Assurance. The 2015–16 Actual is also lower due to adjustments in the timing of certain programs, and reinvestment in training and workforce development initiatives in future years.</i>					
Key: ✓ Target achieved or exceeded ■ Target not achieved—less than 5% variance ✖ Target not achieved—more than 5% variance					

Support Services Delivery

The Support Services Delivery output group covers the Department's Regional Services Group and provides student welfare and support, 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 2015 calendar year rather than the 2015–16 financial year.

Performance measures	Unit of measure	2015–16 Target	2015–16 Actual	% variation	Result
Quantity					
Investment in student welfare and support	\$ million	261.5	301.9	15.5	✖
<i>The 2015–16 Actual is higher than the 2015–16 Target primarily due to the timing in delivery of programs such as the Camps, Sports and Excursion Fund.</i>					
Investment in travelling allowances and transport support (not including special needs students)	\$ million	44.3	41.0	-7.5	✓
<i>The 2015–16 Actual is lower than the 2015–16 Target due to schools using an online application system which has enabled greater accuracy for determining the number of eligible students.</i>					
Prep-aged students assessed by school nurses	number	57,500	63,330	10.1	✓
<i>This performance measure includes government and non-government schools.</i>					
<i>The 2015–16 Actual is higher than the 2015–16 target due to population growth and increased demand on services of the Primary School Nursing Program.</i>					
School students (government) supported by conveyance allowance	number	9,700	9,503	-2.0	■
<i>The 2015–16 Actual is marginally lower than the 2015–16 Target due to schools using an online application system which has enabled greater accuracy for determining the number of eligible students.</i>					
School students (non-government) supported by conveyance allowance	number	30,000	29,990	0.0	■
<i>The 2015–16 Actual is marginally lower than the 2015–16 Target due to schools using an online application system which has enabled greater accuracy for determining the number of eligible students.</i>					
Schools allocated a nurse through the Secondary School Nursing Program	number	193	200	3.6	✓
<i>This performance measure refers to government schools only.</i>					
Schools funded for primary welfare officers	number	806	806	0.0	✓
<i>This performance measure relates to the 2016 calendar year. This performance measure refers to government schools only.</i>					
Quality					
School satisfaction with student support services	per cent	85	87.4	2.8	✓
<i>This performance measure refers to government schools only.</i>					
Cost					
Total output cost	\$ million	305.8	342.9	12.1	✖
<i>The 2015–16 Actual is higher than the 2015–16 Target primarily due to the timing in delivery of programs such as the Camps, Sports and Excursion Fund.</i>					
Key: ✓ Target achieved or exceeded ■ Target not achieved—less than 5% variance ✖ Target not achieved—more than 5% variance					

Support for Students with Disabilities

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

Except where indicated, these performance measures relate to the 2015 calendar year rather than the 2015–16 financial year. These performance measures relate to government schools.

Performance measures	Unit of measure	2015–16 Target	2015–16 Actual	% variation	Result
Quantity					
Eligible special school students provided with appropriate travel	number	8,900	8,846	-0.6	■
<i>The 2015–16 Actual is lower than 2015–16 Target due to increased focus on alternative travel assistance (e.g. Travel education and or Conveyance Allowance).</i>					
Students funded under the disabilities program in government schools as a proportion of the total student population	per cent	4.1	4.2	2.4	✓
Quality					
Parent satisfaction with special education on a 100-point scale	100-point scale	85	85	0.0	✓
<i>Data is drawn from the Parent Opinion Survey, where a higher score represents a higher level of satisfaction.</i>					
Cost					
Total output cost	\$ million	860.4	860.3	0.0	✓
<i>The 2015/16 Actual is lower than the 2015/16 Target primarily due to lapsing National Partnerships which is partly offset by the timing in delivery of programs such as 'More support for students with disabilities' as funding was received from the Commonwealth late last financial year.</i>					
Key: ✓ Target achieved or exceeded ■ Target not achieved—less than 5% variance ✕ Target not achieved—more than 5% variance					

Discontinued measures for 2015–16

Following assessment by the Public Accounts and Estimates Committee, the 37 performance measures listed below have been discontinued for 2015–16.

Output group	Performance measure name
Strategy Review and Regulation	Participants benefiting from initiatives to increase the supply of trained/qualified teachers
Early Childhood Development	Number of Early Childhood Intervention Service places and packages funded annually Funded kindergarten services assessed under the National Quality Framework that have a quality assurance process
School Education—Primary	Average prep—year 2 class size Average rate of student attendance at Year 5 Average rate of student attendance at Year 6 Number of Assistant Principals, aspiring leaders and leadership teams participating in leadership development programs Statewide computer to student ratio: primary Percentage of Indigenous students meeting the national minimum standard for numeracy in Year 3 (National Assessment Program Literacy and Numeracy—NAPLAN testing) Percentage of Indigenous students meeting the national minimum standard for numeracy in Year 5 (NAPLAN testing) Percentage of Indigenous students meeting the national minimum standard for reading in Year 3 (NAPLAN testing) Percentage of Indigenous students meeting the national minimum standard for reading in Year 5 (NAPLAN testing) Percentage of students meeting the national minimum standard for numeracy in Year 3 (NAPLAN testing) Percentage of students meeting the national minimum standard for numeracy in Year 5 (NAPLAN testing) Percentage of students meeting the national minimum standard for reading in Year 3 (NAPLAN testing) Percentage of students meeting the national minimum standard for reading in Year 5 (NAPLAN testing)
School Education—Secondary	Number of certificate enrolments in accredited vocational programs in schools Number of school students satisfactorily completing at least one Victorian Certificate of Applied Learning certificate Statewide computer to student ratio: secondary Average rate of student attendance in Years 7–10 Average rate of student attendance in Years 11 and 12 Enrolments in units of accredited vocational programs in schools as a proportion of total VCE unit enrolments in schools Percentage of Indigenous students meeting the national minimum standard for numeracy in Year 7 (NAPLAN testing) Percentage of Indigenous students meeting the national minimum standard for numeracy in Year 9 (NAPLAN testing) Percentage of Indigenous students meeting the national minimum standard for reading in Year 7 (NAPLAN testing)

Output group	Performance measure name
	Percentage of Indigenous students meeting the national minimum standard for reading in Year 9 (NAPLAN testing)
	Percentage of students meeting the national minimum standard for numeracy in Year 7 (NAPLAN testing)
	Percentage of students meeting the national minimum standard for numeracy in Year 9 (NAPLAN testing)
	Percentage of students meeting the national minimum standard for reading in Year 7 (NAPLAN testing)
	Percentage of students meeting the national minimum standard for reading in Year 9 (NAPLAN testing)
Higher Education and Skills	<p>Number of government-funded course enrolments in qualifications at diploma level or above</p> <p>Participation rate of 15–24-year olds in training and further education in Victoria</p> <p>Participation rate of 25–64-year olds in training and further education in Victoria</p> <p>Number of apprenticeships/trainees who qualify for the completion bonus</p> <p>Percentage of VET graduates who rate quality of training as four or more out of five</p> <p>VET graduates in employment six months following graduation</p>
Support Services Delivery	Provision of Education Maintenance Allowance

Discontinued operations

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

Five-year financial summary

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

Other agencies within the portfolio report separately and therefore their results are not included within the controlled financial transactions of the Department. These entities include the Adult, Community and Further Education Board, Adult Multicultural Education Services, the Victorian Curriculum and Assessment Authority, the Victorian Institute of Teaching, the Victorian Registration and Qualifications Authority, and TAFE institutes.

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

Five-year financial summary	2015–16	2014–15 ¹	2013–14 ¹	2012–13 ¹	2011–12
	\$m	\$m	\$m	\$m	\$ m
Operating revenue					
Revenue from State Government	11,194.0	10,683.5	10,517.1	10,382.3	10,216.9
Other revenue	776.9	777.2	749.9	734.8	676.3
Total income from transactions	11,970.9	11,460.7	11,267.0	11,117.0	10,893.2
Total expenses from transactions	11,740.0	11,280.3	11,101.5	11,028.1	10,990.7
Net result from transactions	230.9	180.5	165.6	88.9	(97.4)
Total other economic flows	(48.4)	(21.7)	(1.2)	34.6	(77.7)
Net result for period	182.5	158.8	164.3	123.5	(175.1)
 Net cash flow from operations	 455.4	 187.8	 364.3	 451.9	 141.6
 Total assets	 22,955.5	 19,608.5	 18,516.8	 18,392.4	 15,839.1
Total liabilities	2,166.9	1,940.8	1,889.0	1,843.9	2,117.6
Net assets	20,788.6	17,667.7	16,627.9	16,548.5	13,721.6

Current year financial review

Financial performance

The Department's net result from transactions for 2016 is a surplus of \$230.9 million, compared with a surplus of \$180.5 million in 2015. With the inclusion of the other economic flows of \$48.4 million loss, the net result for the year is a surplus of \$182.5 million, compared to a surplus of \$158.8 million in 2015.

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

The Department's growth in expenditure mainly reflects the increased payroll expenditure under 2013 Enterprise Bargaining Agreement for teachers, the increase in grant payments to TAFE institutes, including TAFE Rescue Fund for rebuilding and growing the TAFE sector, and the one-off reimbursement for the Teachers Notebooks Program.

¹ Figures for 2014–15, 2013–14 and 2012–13 have been revised compared to the previously published annual reports.

Balance sheet

The Department's net asset base as at 30 June 2016 was \$20.8 billion, comprising total assets of \$23.0 billion and total liabilities of \$2.2 billion.

The major assets of the Department are schools' property, plant and equipment. These assets represent 87 per cent (\$19.9 billion) of the total assets of the Department. In 2016, the value of the Department's property, plant and equipment increased by \$3.0 billion, mainly due to a land revaluation increment of \$1.2 billion and a building revaluation increment of \$1.6 billion. The Department undertook a full asset revaluation in addressing the disclaimer of opinion issued by Victorian Auditor-General's Office (VAGO) in 2015 on the Department's property, plant and equipment balances.

Liabilities of the Department mainly consist of payables, borrowings and employee benefit provisions, totalling \$2.2 billion. The increase of \$226.1 million in liabilities in 2016 mainly reflects an increase in employee benefit provision which is in line with the salary increase under the teachers' Enterprise Bargaining Agreement, and an increase in employee salary accruals and operating accruals due to the timing of payments.

Cash flows

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

Disclosure of grants and transfer payments

The Department has provided assistance to certain companies and organisations. Financial assistance provided in 2015–16 is outlined in Appendix 5.

Capital projects

The Department and its related portfolio entities manage a range of capital projects to deliver services for government.

Information on the new and existing capital projects for Departments and the broader Victorian public sector is contained in the most recent Budget Paper No. 4 State Capital Program (BP4) which is available on the Department of Treasury and Finance's website (www.dtf.vic.gov.au/State-Budget/2015-16-State-Budget/State-Capital-Program).

During the year, the Department/agency completed the following capital projects with a Total Estimated Investment of \$10 million or greater. The details related to these projects are reported below:

Capital projects completed during the financial year ended 30 June 2016

Project Name	Original completion date	Latest approved completion date	Actual completion date	Original approved TEI ¹ budget \$M	Latest approved TEI ¹ budget \$M	Actual TEI ¹ cost \$M	Variation between actual cost and latest approved TEI ¹ budget	Reason for variance from latest approved TEI ¹ budget
Officer Secondary College (stage 2) 2014-15 State Budget	Q3 2015-16	Q3 2015-16	Q4 2015-16	13	13	13	0	N/A
Relocatable Classroom Program 2015-16 State Budget	Q4 2015-16	Q4 2015-16	Q4 2015-16	35	35	35	0	N/A

¹ Total estimated investment

Report of Operations—governance and organisational structure

The Department's Ministers

The Department supports three Ministers: the Hon James Merlino MP, Deputy Premier, Minister for Education and Minister for Emergency Services; the Hon Steve Herbert MP, Minister for Training and Skills, Minister for International Education and Minister for Corrections; and the Hon Jenny Mikakos MP, Minister for Families and Children and Minister for Youth Affairs.

Deputy Premier, Minister for Education and Minister for Emergency Services The Hon James Merlino MP

James Merlino MP is the Minister for Education, Minister for Emergency Services and Deputy Premier of Victoria. As Minister for Education, he is responsible for Victoria's school system, which educates 932,000 Victorian students in government, Catholic, and independent schools. This includes improving educational outcomes in literacy, numeracy, science and the arts, as well as student well-being and engagement. The Minister for Education is also responsible for school infrastructure and capital funding, developing the expertise of teachers and education support staff, school leadership and ensuring our schools are inclusive for all students. Together with his ministerial colleagues, the Hon. Jenny Mikakos MP, and the Hon. Steve Herbert, MP, he shares responsibility for the improvement of Victoria's education, development and training system, from birth through to adulthood. He is establishing Victoria as the Education State so that every community has access to a great school with excellent learning and teaching, and the promise of a bright future for all students where success does not depend on their background or postcode.

Minister for Training and Skills, Minister for International Education and Minister for Corrections The Hon. Steve Herbert MP

Steve Herbert MP is Minister for Training and Skills and Minister for International Education.

He is responsible for overseeing and implementing the biggest reforms to Victoria's vocational education and training (VET) system to ensure we have a high quality VET system in place that meets the needs of individuals, industry and employers, and gets more Victorians into work.

This includes rebuilding TAFE, restoring credibility to the sector, re-establishing industry and community confidence in training, and investing in training and skills to ensure a solid foundation to support more people in the workforce.

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

Minister for Families and Children and Minister for Youth Affairs The Hon. Jenny Mikakos MP

Jenny Mikakos MP is the Minister for Families and Children and the Minister for Youth Affairs.

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

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

Minister Mikakos is committed to ensuring that all children have a strong start in life, including the most vulnerable, because children's health, education and care before the age of five influences lifelong happiness, wellbeing and success.

The Department's governance structure

A redesigned governance structure was implemented across the Department on 1 November 2015. This new structure brings stronger leadership, more efficient and effective decision making, and greater accountability and transparency to the Department.

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

Secretary **Ms Gill Callister**

Gill has held the position of Secretary of the Department of Education and Training since January 2015.

Prior to joining the Department, Gill was Secretary of the Victorian Department of Human Services (2009–14) where she oversaw significant policy, legislative and service delivery reform. In this role, Gill led an organisation of more than 11,000 staff with an annual budget of approximately \$4 billion. She was responsible for the delivery of child protection, disability, youth, housing and family violence services.

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

Gill is President of the Institute of Public Administration Australia (Victoria). In October 2014, Gill was awarded the Institute of Public Administration Australia National Fellowship award and a Monash University Fellowship.

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

Executive Board

The Department is managed by the Executive Board chaired by the Secretary, comprising the head of each of the Department's seven groups, the Chief Executive Officer of the Victorian Curriculum and Assessment Authority, and an Assistant Deputy Secretary on a rotation basis. The Executive Board provides stewardship of the Department and supports the Secretary with strategic leadership of the organisation, its agencies and portfolios. It is responsible for:

- strategic direction of the Department, including vision, objectives and priorities
- performance and operations
- strategic integration across the portfolio
- performance targets and compliance
- leadership and culture
- support to Ministers and government
- governance of departmental committees.

Education State Board

The Department's Education State Board is the key advisory body to the Secretary with respect to the progression of the Education State agenda. Education State Board is chaired by the Secretary, comprising the head of each of the Department's seven groups, the Chief Executive Officer of the Victorian Curriculum and Assessment

Authority, Assistant Deputy Secretaries of the three portfolio level groups and Regional Directors of the Department's four regions. It is intended to be time-limited with ongoing activity relating to Education State transitioning to the Executive Board or other committees. Education State Board is responsible for:

- development and execution of overarching Education State strategy
- coordination, coherence and alignment of reforms with overall Education State vision and directions
- development and implementation of Education State reform agenda, including:
 - key election commitments
 - Education State priority reform areas and related stakeholder engagement
 - ongoing departmental continuous improvement that has material impact on the design and delivery of reform directions.

Committee structure

There are three committees that report primarily to the Secretary:

Integrity Committee

The Integrity Committee supports the Secretary to provide oversight and assurance that the staff operate with integrity in all actions and activities. The Committee supports staff in the Department offices and schools and ensures they understand and uphold the highest standards of integrity and public trust, and resist corruption.

Portfolio Audit and Risk Committee

The Portfolio Audit and Risk Committee (PARC) helps the Secretary fulfil governance responsibilities and obligations under the *Financial Management Act 1994* (the Act).

PARC was established in 2003 to meet the Standing Directions of the Minister for Finance under the Act, which require 'each public sector agency to appoint an audit committee to oversee and advise the public sector agency on matters of accountability and internal control affecting the operations of the agency'.

PARC provides direct advice to the Secretary on governance, risk management, audit and control assurance activities.

The portfolio focus includes the Department's statutory authorities primarily funded through the Department, namely the Victorian Registration and Qualifications Authority (VRQA), the Victorian Curriculum and Assessment Authority (VCAA) and the Adult and Community Further Education Board (ACFE).

The existing operations of PARC continue under the Department's new governance structure. PARC is currently reviewing its charter.

Executive Development and Remuneration Committee

The Executive Development and Remuneration Committee ensures a consistent and rigorous approach to setting and adjusting executive officer remuneration as well as addressing their individual development needs.

There are six committees that report primarily to the Executive Board:

Information Management and Technology Committee

The Information Management and Technology Committee (IMTC) provides strategic oversight of the Department's IMTC functions, priorities and systems, including

information security. All departmental IT initiatives must be presented to the IMTC for endorsement before they are considered for approval by the Executive Board.

Policy and Implementation Committee

The Policy and Implementation Committee (PIC) oversees the development, implementation and evaluation of strategically significant policy initiatives to strengthen Victoria's education services and assets. The Committee draws on the expertise of all Groups to bring a whole-of-lifecycle approach to policy development and execution.

Performance and Evaluation Committee

The Performance and Evaluation Committee provides oversight and assurance of performance monitoring, reporting and evaluation activities across the Department, monitors the implementation of these activities, and ensures that the Department applies the findings of these activities by identifying appropriate responses.

Budget and Financial Management Committee

The purpose of the Budget and Financial Management Committee (BFMC) is to advise the Secretary on priorities for the budget, and oversee effective strategic development and coordination of Departmental finances and physical assets.

The BFMC leads the Department's drive for improved financial sustainability, and ensures the effective oversight and allocation of financial resources in alignment with the Department's objectives.

Procurement and Probity Committee

The Procurement and Probity Committee (PPC) provides strategic oversight of procurement activities within the Department to ensure appropriate rigour has been exercised in accordance with the Department's procurement policy. In doing so, the PPC, supports the Secretary's obligations in accordance with Victorian Government Purchasing Board (VGPB) policy, as set out by the *Financial Management Act 1994*. The PPC considers procurement of goods and services in statutory authorities (Victorian Curriculum and Assessment Authority, Victorian Registration and Qualifications Authority and Merit Protection Board). The PPC does not consider procurement related to construction or property.

Workforce Development and Culture Committee

The Workforce Development and Culture Committee monitors and oversees the development, implementation and evaluation of strategies and activities to promote exceptional organisational culture and capability—in head office, regional and statutory authorities, schools, and early childhood.

Between 1 July and 31 October 2015 the Executive Board was supported by six standing subcommittees:

Budget and Infrastructure Committee

The Budget and Infrastructure Committee (BIC) was 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.

BIC focused on the Department and the statewide statutory authorities primarily funded through the Department.

Policy and Performance Standing Committee

The Policy and Performance Standing Committee (PPSC) was responsible for ensuring effective development and coordination of Department-wide strategy and policy, research and evaluation. PPSC ensured the existence of links between the

Department's strategy and the resultant policy and evaluation. The PPSC's scope covered all Departmental portfolios, including statutory authorities.

People and Culture Standing Committee

The People and Culture Standing Committee (PCSC) was responsible for delivering the People Strategy 2013–15, ensuring outcome implementation met the strategy's success measures. PCSC oversaw the annual review and refresh of the People Strategy as part of the Department's overall strategy review.

Service Planning and Delivery Standing Committee

The Service Planning and Delivery Standing Committee was 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.

Procurement Governance Committee

The Procurement Governance Committee (PGC) was responsible for approving procurement activity for categories assessed as:

- strategic with a medium to high contract value
- leveraged/focused with a high contract value
- significant procurements that had not been identified in the published procurement activity plan or were not aligned with the Department's strategic direction and desired business outcomes
- requiring PGC endorsement by the Chief Procurement Officer.

Portfolio Audit and Risk Committee

The role of the Portfolio Audit and Risk Committee (PARC) has remained the same. See role description on page 41.

Executive Board members

Secretary

Ms Gill Callister, Chair

Deputy Secretary, Early Childhood and School Education Group

Ms Katy Haire

Since September 2015, Katy Haire has been Deputy Secretary of the Early Childhood and School Education Group (ECSEG). David Clements acted in the role from June 2015 to September 2015.

The Deputy Secretary ECSEG is responsible for designing a learning, development, wellbeing and child health system that delivers improved outcomes for all children and young people from birth to 18 years of age, and their families, without exception. This includes a diverse range of programs, across three ministerial portfolios (Education, Early Childhood and Training and Skills).

Prior to joining the Department, Katy held a range of senior management and executive roles within the Victorian public sector, including Deputy Secretary of Service Design and Operations at the Department of Health and Human Services, and as Director of Social Policy at the Department of Premier and Cabinet.

Katy is also a qualified secondary school teacher. From 1989 to 2003, Katy worked in the Northern Territory in various positions within Aboriginal education and policy.

In addition to her Graduate Diploma of Education (Secondary) from Monash University, Katy holds a Bachelor of Arts (Hons) in political science and history, and a Master of Arts in the history of education from the University of Melbourne. She also

holds an Executive Master of Public Administration from the University of Melbourne and is a Senior Executive Fellow of the Harvard Kennedy School.

Deputy Secretary, Higher Education and Skills Group
Mr Craig Robertson

Craig Robertson was appointed the Deputy Secretary, Higher Education and Skills Group (HESG) in July 2015. The Deputy Secretary HESG is responsible for policy and funding for tertiary education in Victoria, particularly for Vocational Education and Training, including TAFEs and Learn Local Organisations (as community providers).

Craig previously worked for more than 25 years at the national level in education and training, including: schools data collection and IT development, schools funding policy, employment services, and vocational education and training.

Craig has also worked in the private sector project managing new ICT-enabled business processes, skills that he has applied to several public sector ICT projects.

His qualifications include a Bachelor of Education and a Masters in Public Administration from the Australia and New Zealand School of Government.

Deputy Secretary, Infrastructure and Finance Services Group
Ms Jenny Atta

Jenny Atta commenced as Deputy Secretary, Infrastructure and Finance Services Group (IFSG) in December 2015, after acting in the role in an interim capacity from August 2015.

Jenny has many years of experience in senior public service leadership roles, notably at the Department of Treasury and Finance where she led the Portfolio Analysis function within the Budget and Finance area. Jenny previously worked with the former Department of Human Services, and more recently with the Department of Premier and Cabinet.

Jenny holds a Bachelor Applied Science and a Masters of Public Policy.

Jim Miles held the position of Deputy Secretary, Infrastructure and Finance Services Group from March 2012 to July 2015.

Deputy Secretary, People and Executive Services Group
Ms Kate Rattigan

In June 2016, Kate Rattigan was appointed Deputy Secretary, People and Executive Services Group (PESG) after acting in the role since October 2015.

As Deputy Secretary, Kate drives a complex agenda encompassing legal services, human resources, people and culture, communications and media, change strategy, integrity reform, cabinet, ministerial support, executive services, information strategy and audit and assurance.

Kate has worked in the Department of Education and Training in various capacities providing strategic oversight of a range of matters, including specialist and technical advice to Ministers, the Secretary, executives, managers, regional directors, school principals and school councils.

Kate holds a Bachelor of Laws (Honours), Bachelor of Arts and a Masters in Employment and Labour Relations Law, each from the University of Melbourne.

Monique Dawson held the position of Deputy Secretary, People and Executive Service Group from March 2012 to September 2015.

Deputy Secretary, Policy Reform Group
Mr Simon Kent

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

Simon has extensive experience in policymaking across the education, human services, health and justice portfolios. He has developed public policy in complex and contested interdepartmental and intergovernmental contexts. He develops policy using multi-disciplinary analysis, by drawing links across sectors and by drawing on analogous experiences.

Simon began his career in higher education advocacy and political advisory roles. While in the Federal Parliament he also worked on schools policy. His work during eight years at the Department of Premier and Cabinet included the reform of vocational education and early childhood development.

He holds a Bachelor of Arts and a Master of Public Administration from the University of Melbourne.

Simon Kent was Deputy Secretary of the Strategy and Review Group from April 2013 to March 2016.

Deputy Secretary, Regional Services Group
Mr Bruce Armstrong

In April 2016, Bruce Armstrong was appointed Deputy Secretary, Regional Services Group (RSG) after acting in this position since July 2015. He is responsible for the interface between the Department's regions and central office in the provision of early childhood development services and school education.

Bruce's career spans 30 years of active contribution to Victorian public education as a teacher, principal and system leader. Prior to this role, Bruce was Executive Director of the Department's Leadership, Professional Practice and Accountability Division, which leads significant system-wide reform in leadership, school improvement and accountability, and workforce strategy. Bruce was the inaugural Director of the Bastow Institute of Educational Leadership from 2009–14 and principal of Balwyn High School (2002–08).

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

Acting Deputy Secretary, Strategy and Performance Group
Ms Katherine Whetton

Katherine Whetton is currently acting Deputy Secretary, Strategy and Performance Group. This Group was created in the Department's central reorganisation in April 2016 to focus on strategy planning, data and evidence, enterprise program management, and intergovernmental relations.

Katherine was previously the Executive Director, Education State Policy and Design, where she was responsible for leading development and policy coherence of the overarching Education State agenda across the Department's three portfolios—early childhood development, schools, and training and skills—and across government, including economic development, health and human services, justice and police.

Before joining the Department, Katherine worked at the Department of Premier and Cabinet for more than 10 years, most recently as Executive Director, Economic Strategy and Director, Health and Human Services. She has extensive central agency policy development and advisory experience across social and economic policy areas, working across portfolios and intergovernmental contexts.

Katherine holds a Bachelor of Arts (Honours) from the University of Melbourne and an Executive Master in Public Administration from the Australian and New Zealand School of Government.

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

John Firth has been CEO of the VCAA since August 2005. John managed curriculum for more than 12 years prior and developed the Victorian Essential Learning Standards—the curriculum for Victorian schools, Prep to 10 years.

John oversaw the development of the VCE as a Year 12 credential of international standing, the full recognition of VET within the VCE, and the implementation of the VCAL as an additional vocational pathway for senior secondary students. Under his leadership, the VCAA considerably expanded its international work, increasing the number of schools offering the VCE in conjunction with international partners. The VCAA also developed the first educational framework for preschool children, which was reviewed in 2015–16.

John has been a member of many state and national groups and speaks frequently at state and national forums. In 2008, he was appointed member of the Interim National Curriculum Board and in 2009 member of the board of the Australian Curriculum, Assessment and Reporting Authority, serving the maximum six-year term.

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

An Assistant Deputy Secretary also attends the Executive Board on a rotation basis.

Assistant Deputy Secretary, Higher Education and Skills Group
Ms Lee Watts

Lee Watts was appointed to the position of Assistant Deputy Secretary, Vocational Education and Training (VET) Reform in April 2016. In this role Lee has responsibility for the design and implementation of a more managed, stable and competitive training system. This focus follows two major reviews into VET in 2015, the VET Funding Review and the Review of Quality Assurance in Victoria's VET System.

Lee has extensive experience in the skills and higher education portfolios including VET contract and program management, information system design, and provider quality. Prior to joining the Department of Education and Training, Lee worked as a senior consultant for a US consulting firm. She has previously held senior teaching and research positions at a number of Australian universities with a focus on workplace relations, alternative dispute resolution and change management.

Lee holds a Master of Arts, Bachelor of Arts (Hons) from the University of Melbourne and is the author of a number of books.

**Assistant Deputy Secretary, Early Childhood and School Education Group—
Early Childhood**
Ms Kim Little

In April 2016, Kim was appointed Assistant Deputy Secretary, Early Childhood Portfolio having acted in the role since June 2015. This position is part of the Department's Early Childhood and School Education Group and is responsible for two divisions within the group: Early Years and Primary Reform, and Quality Assessment and Regulation. The position liaises with the Assistant Deputy Secretary—Schools regarding primary education and transitions from early childhood to school education.

Kim previously worked on a range of strategic social and economic policy issues in this department and the Department of Premier and Cabinet, focusing on education.

Before joining the public service, Kim worked as a philosopher at Monash University and as a corporate lawyer. Kim holds a Bachelor of Arts (Hons), a Bachelor of Laws (Hons) and a Master of Arts (Hons).

**Assistant Deputy Secretary, Early Childhood and School Education Group—
Schools**
Dr David Howes

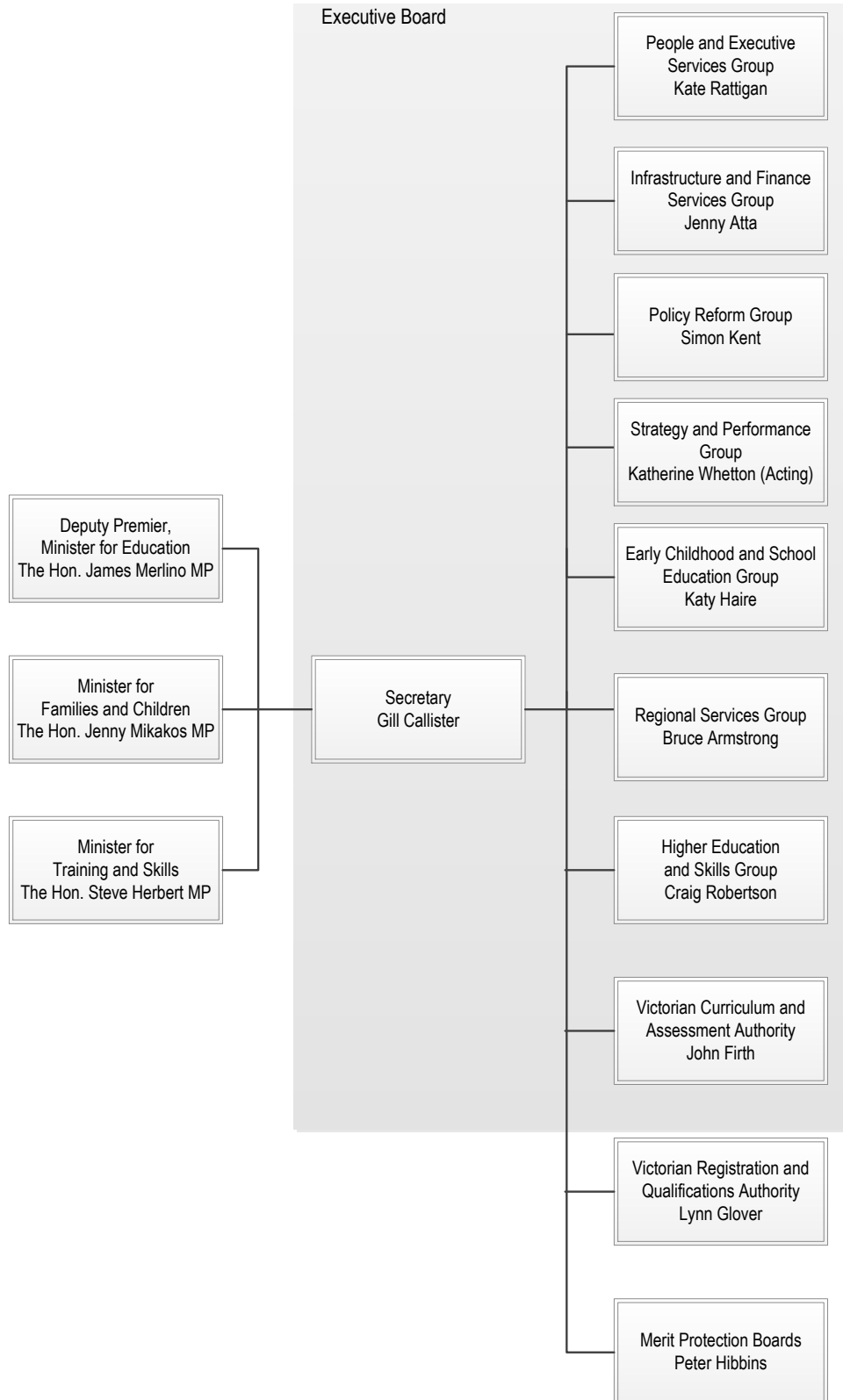
Dr David Howes is Assistant Deputy Secretary—Schools, part of the Department's Early Childhood and School Education Group responsible for four divisions: Wellbeing, Health and Engagement; Secondary Reform Transitions and Priority Cohorts; International Education; and Health Advice and Policy. The position liaises with the Assistant Deputy Secretary—Early Childhood regarding primary education and transitions from early childhood to school education.

David was previously Executive Director of the Curriculum Division at the Victorian Curriculum and Assessment Authority (VCAA), where he was responsible for the development and review of the curriculum for preschool to senior secondary education in Victoria. This included the Victorian Early Years Learning and Development Framework (VEYLDF), the Victorian Curriculum F–10, the VCE, VET and VCAL; and for setting senior secondary examinations in 44 subjects across the curriculum.

David worked for more than 25 years as a teacher and educator in Australia and overseas, including the United Kingdom, the Middle East and Cambodia.

Organisational structure

Organisational structure at 30 June 2016



People and Executive Services Group

The People and Executive Services Group (PESG) provides specialist advice and expertise to lead and shape the direction of the Department and enhance the Department's culture and people's capabilities. PESG provides critical support centrally, regionally and across all of the Department's portfolios encompassing legal services, human resources, people and culture, communications and media, change strategy, integrity reform, cabinet, ministerial support, information strategy and audit and assurance.

Infrastructure and Finance Services Group

The Infrastructure and Finance Services Group (IFSG) develops and implements finance and infrastructure policies, procedures and strategies. 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. The Group plays a key role in ensuring the State Government's priority school infrastructure initiatives are delivered and in 2016 the Victorian School Building Authority, a new body within the Department was established to build, upgrade and maintain schools across the state.

Policy Reform Group

The Policy Reform Group (PRG) provides system-wide policy leadership to drive strategic reform across the Department. PRG works collaboratively with other groups to build the long-term reform agenda for the Department, develop coherence, clarity and direction on complex policy issues, and foster the relations and connections that support policy reform and shape implementation.

Strategy and Performance Group

The Strategy and Performance Group (SPG) brings together the Department's strategic planning, data and evidence, program management office functions and intergovernmental relations. With these functions, SPG provides a system view of Departmental strategy, data, evidence, evaluation, planning and performance. SPG supports the Department's operating model and way of working—by defining policy strategy, making evidence available to those who need it, and strengthening the way reform is implemented.

Early Childhood and School Education Group

The Early Childhood and School Education Group (ECSEG) is responsible for the design and development of operational policy and programs to support improved outcomes for children, students and families from birth through school. ECSEG plays a key role in policy design and development to provide a person-centred, outcomes-focused and integrated service system. This is achieved through four key roles:

- System architect—providing advice to Government on service system design, planning, funding and regulation.
- Regulator—supporting regulation across the early childhood sector as required by the *Education and Care Services National Law Act 2010* and *Children's Services Act 1996*.
- Funder/purchaser—administering the funding and associated reporting requirements for service providers.
- System and program designer—developing operational policy to support the delivery of high quality, effective educational and early years programs, services and supports.

Regional Services Group

The Regional Services Group (RSG) provides an interface between the Department's central office and our service providers to make sure that policy intent and outcomes

are delivered on the ground. RSG has a strong focus on driving operational performance, accountability, workforce leadership and policy implementation. Regional and Area teams lead place-based approaches to service delivery and are responsible for managing this through our schools and early childhood providers in local communities across Victoria.

Higher Education and Skills Group

The Higher Education and Skills Group (HESG) is responsible for the oversight of the training and TAFE system in Victoria. The purpose of the sector is to offer Victorians post school education and training to enhance their skills and knowledge to be active participants in the Victorian economy and society. This includes responsibility for the Skills First reforms announced in August 2016.

Although higher education policy and funding responsibilities rests with the Commonwealth government, the group assists the Minister to exercise responsibilities concerning university governance, assets and capital financing in line with their establishment under state legislation.

Portfolio Audit and Risk Committee

Refer to page 41 for a description of the role of the Portfolio Audit and Risk Committee.

The committee comprises six members, four independent and two executive officers from within the Department. All members are appointed by the Secretary. The Chief Finance Officer and Chief Audit Executive also attend all committee meetings.

Independent member

Ms Fiona Bennett, Chair

2 December 2013 – 2 December 2016

Fiona Bennett is a director of a number of entities including Beach Energy Limited, Hills Limited and Boom Logistics Limited. She is also Chair 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 was Chief Financial Officer of several health sector organisations.

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

Independent member

Ms Carol Pagnon

25 February 2014 – 24 February 2017

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

Carol facilitates and advises on governance, risk management, project management and change management in the public and not-for-profit sectors.

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

Independent Member

Ms Kerrie Parker

1 December 2015 – 31 December 2018

Kerrie Parker has held CEO, CFO and executive leadership roles in fast moving consumer goods, agriculture, manufacturing, financial services and state government. With more than 30 years' experience, Kerrie has led during growth, turnaround and crisis situations. Kerrie has strong financial and operational experience in driving improvements via process optimisation, business improvements and structural change.

She has been involved in several successful business transformations and gained experience in ASX publicly-listed, multinational and private equity companies, as well as state government bodies and the higher education sector.

Kerrie also managed large scale Victorian Government change projects during a period of major transformation and reform. She focused on adding value through strong and proper financial management practices, and on innovative business solutions.

Kerrie is currently the Chief Financial Officer at Deakin University and is also an independent company director. She is a Fellow of Certified Practicing Accountants, Australia and a graduate of the Australian Institute of Company Directors.

Independent member

Mr Stuart Alford

9 July 2015 – 31 July 2018

Stuart Alford retired from Ernst & Young after 40 years in professional practice, including 27 years as a partner. He is now a non-executive director with extensive experience in governance, risk management and auditing.

Stuart serves as the Chair of the Centre of Excellence for Intervention and Prevention Science and is on the boards of Eastern Health, Metropolitan Fire and Emergency Services, AMES Australia (Adult Multicultural Education Services) and Kilvington Grammar School. He also holds audit, risk and finance committee roles with a number of organisations, including the Victorian Curriculum and Assessment Authority, the Office of the Australian Accounting Standards Board, and the Office of the Auditing and Assurance Standards Board.

Stuart is a Fellow of the Institute of Chartered Accountant in Australia and an Associate member of the Australian Institute of Company Directors.

Department executive members

Ms Kate Rattigan, Deputy Secretary, People and Executive Services Group

8 December 2015 – 31 December 2018

Mr Craig Robertson, Deputy Secretary, Higher Education and Skills Group

8 December 2015 – 31 December 2018

Statutory authorities

The Department works in conjunction with the following statutory authorities and boards:

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

Statutory authorities and boards make their own Annual Reports and produce them on financial years (1 July – 30 June) or calendar years (1 January – 31 December).

Financial Year reports (1 July 2015 – 30 June 2016)

- Adult, Community and Further Education Board
- Victorian Curriculum and Assessment Authority
- Victorian Institute of Teaching
- Victorian Registration and Qualifications Authority

Calendar Year reports (1 January 2016 – 31 December 2016)

- AMES Australia
- Centre for Adult Education
- TAFE institutes

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

Report of Operations—workforce data

Public administration values and employment principles

The Department has taken the Public Sector Values as our organisational values.

A suite of materials has been developed for use across the Department to ensure consistent interpretation, strong engagement and connection with the values.

Occupational health and safety

The goal of the Department's occupational health and safety (OHS) strategy is to ensure all staff remain safe and healthy at work. An OHS management system has been put in place and the majority of business units within the Department have implemented OHS local action plans aimed at enhancing safety performance and ensuring safe systems of work. The employee attitude survey results (KPI 15) indicated improved attention to OHS matters in the Department and a high level of commitment to OHS management.

During the 2015–16 financial year, the Department developed a number of initiatives to improve the health and safety of staff including the Health and Safety Representative Collaboration web page, refreshed eLearning modules, quarterly safety inspections to identify and address any workplace risks, the school improvement program, and the new OHS audit program.

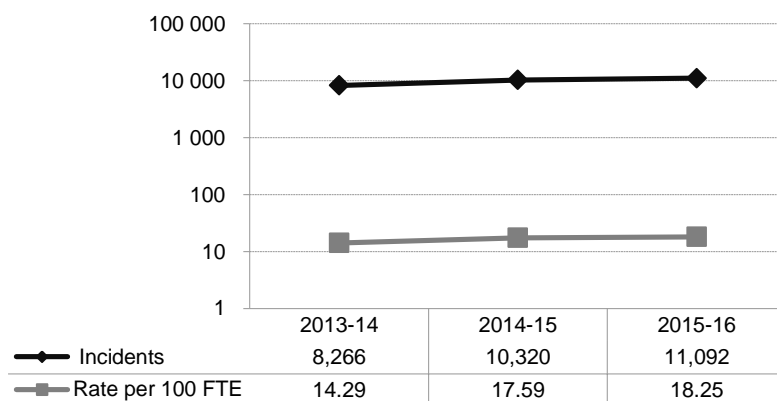
The main activities during 2015–16 were:

- continued implementation of the OHS Management System Improvement Pilot program with 291 schools visited, with an overall average improvement of 46.1 per cent
- provision of support and advice on implementation and maintenance of the OHS management system in Department schools and workplaces, including more than 4,438 communications of which 608 were site visits including 328 OHS management system support and improvement program visits
- completion of all 248 scheduled AS4801 OHS audits in schools
- continued implementation of an online OHS Learning Management System hosting 16 OHS training modules. Completion rate for all Department employees as at 30 June 2015 was 46.8 per cent (excluding specialist modules and including refreshed program data) with over 300,000 OHS and workers' compensation eLearning modules completed since December 2013
- 112 participants completed 'Safety Management for School Leaders' training program at Bastow institute
- providing access to an online Health and Wellbeing portal for all employees
- conducted mental health awareness workshops for 15 senior executives
- 4,252 hours of sessional Employee Assistant Program (EAP) counselling, manager assist contacts, and critical incident responses accessed by Department employees
- 925 hours of conflict resolution services accessed by Department workplaces including mediation, conflict coaching and team facilitations
- extensive OHS consultation with a range of stakeholders via various consultative forums including the statewide OHS Consultative Committee and the School Support Services Health and Safety Committee
- successful transition to improved OHS Advisory service and OHS Audit program contracts for Department schools and workplaces
- ongoing Department OHS Management System review and improvement.

Incident management

Incidents reported across the Department, including injuries and other hazard-related incidents, increased from 17.59 per 100 FTE in 2014–15 to 18.25 per 100 FTE in 2015–16 (Figure 1). This equates to an additional 772 reported incidents, with 11,092 in 2015–16 compared with 10,320 in 2014–15.

Figure 1—Number of incidents and rate per 100 FTE 2013–14 to 2015–16



Workers' compensation

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

During the 2015–16 financial year, the Department developed a number of initiatives to improve the health and wellbeing of staff including the new Medical Advisory Service, refreshed training and eLearning modules, appointment of a new WorkSafe Agent and improved collaboration with stakeholders.

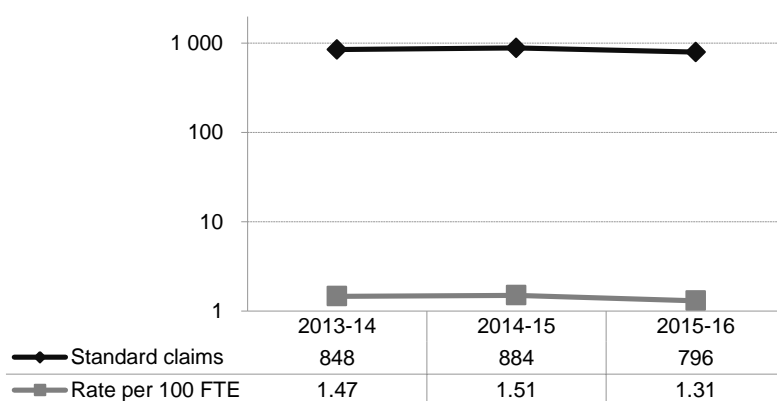
The main activities during 2015–16 were:

- delivered face-to-face workers' compensation training to over 1,500 participants
- ongoing improvement of the Department's workers' compensation management through employee and stakeholder consultation and analysis of workplace data
- undertook and completed a Request for Submission for the provision of WorkSafe Victoria Agent Workers' Compensation Insurance Services to the Department. This resulted in the Department moving its workers' compensation insurance policies from CGU Workers' Compensation Ltd to Gallagher Bassett Services Workers' Compensation Vic Pty Ltd
- ongoing review of existing workers' compensation claims and incident management systems, data and processes to identify opportunities for improvement
- ongoing review and implementation of improved reconciliation processes and procedures
- 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
- continued implementation of online learning workers' compensation training

- ongoing support to Department workplaces and external stakeholders in dispute resolution matters including conciliation and workers' compensation legal proceedings
- on-boarding of the Department's new Medical Advisory Service provider. During the 2015–16 period the Medical Advisory Service managed 402 referrals. Eighty-four per cent of referrals were initiated by principals directly. Forty-four per cent of cases came from primary schools, with 34 per cent coming from secondary schools. There was a relatively even spread of cases received from the regions:
 - 29 per cent South Western
 - 27 per cent South Eastern
 - 22 per cent North Western
 - 20 per cent North Eastern.

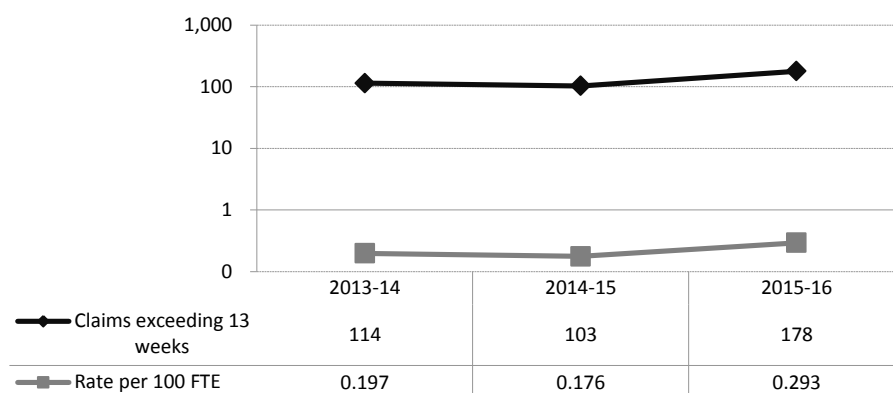
There were 796 standard workers' compensation claims in 2015–16, compared with 884 in 2014–15. The decrease in claim numbers is attributed to improved OHS and workers' compensation management systems and processes. This resulted on an improvement in the rate per 100 FTE staff which decreased from 1.51 per 100 in 2014–15 to 1.31 in 2015–16 (Figure 2).

Figure 2—Number of standard claims and rate per 100 FTE 2013–14 to 2015–16



The number of claims exceeding 13 weeks increased to 178 in 2015–16 compared with 103 in 2014–15 (Figure 3). This is attributed to the Department's WorkSafe Agent performance.

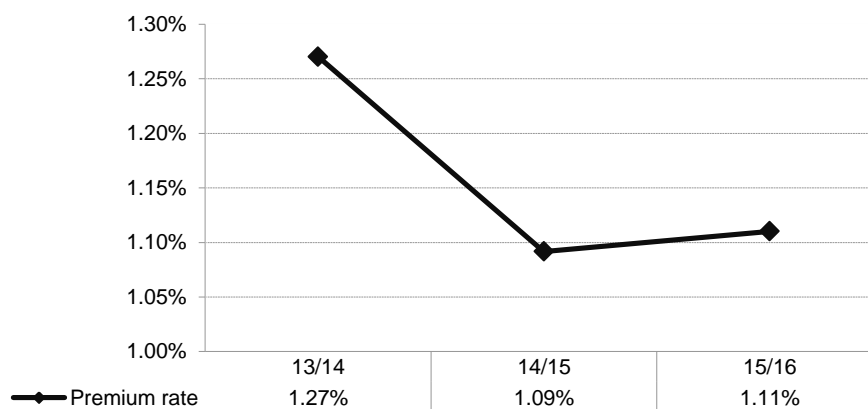
Figure 3—Claims exceeding 13 weeks and rate per 100 FTE 2013–14 to 2015–16



The Department's initial workers' compensation premium increased from \$53.81 million (excluding GST) in 2014–15 to \$58.16 million (excluding GST) in 2015–16, due to an increase in the weighted industry rate set by WorkSafe Victoria for premium calculation purposes. The Department's workers' compensation premium rate slightly increased in 2015–16 (Figure 4) from 1.09 per cent in 2014–15 to 1.11 per cent in 2015–2016, which is attributed to an increase in the weighted industry rates for premium calculation purposes set by WorkSafe Victoria.

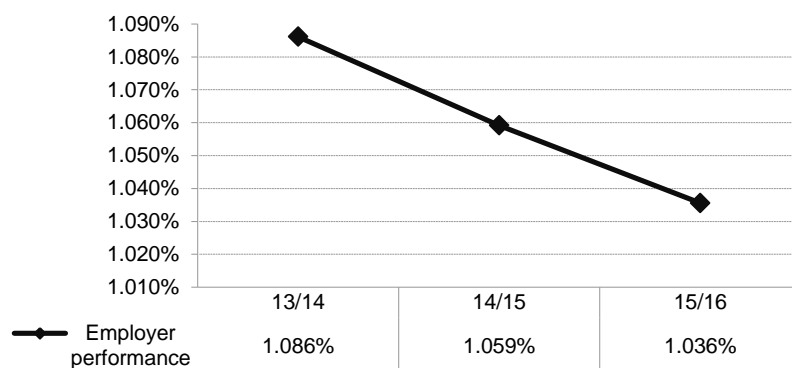
The average cost per standard claim increased from \$40,407 in 2014–15 to \$55,810 in 2015–16.

Figure 4—Premium rate 2013–14 to 2015–16



The Department's workers' compensation employer performance rate decreased in 2015–16 (Figure 5) from 1.059 per cent in 2014–15 to 1.036 per cent in 2015–2016 even though WorkSafe rates and Department remuneration increased. This is attributed to the Department's improved Workers' Compensation and OHS processes and management systems.

Figure 5—Employer performance 2013–14 to 2015–16



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

Measure	Key performance indicator	2013–14	2014–15	2015–16
Incidents	Number of incidents	8,266	10,320	11,092
	Rate per 100 FTE	14.29	17.7	18.25
Claims	Number of standard claims ¹	848	884	796
	Rate per 100 FTE	1.47	1.52	1.31
	Number of lost time claims ¹	326	321	291
	Rate per 100 FTE	0.563	0.551	0.479
	Number of claims exceeding 13 weeks ¹	114	103	178
	Rate per 100 FTE	0.197	0.200	0.300
Fatalities	Fatality claims	1 ²	1	0
Claim costs	Average cost per standard claim (\$) ¹	42,603	40,047	55,810
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) (%)	60	66	70
	Percentage of HSRs trained (acceptance of role, re-training/refresher, & reporting of incidents & injuries) (%)	60	77	86

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

2. A fatality claim was lodged with the VWA but liability was rejected on the grounds that it was not work related.

Comparative workforce data

Full-time equivalent of Department staff^{1,2,3}

	2012	2013	2014	2015	2016
Victorian Public Service	2831.1	2326.3	2349.9	2332.2	2473.7
Government Teaching Service	53,677.1	54,365.6	55,499.4	56,349.2	58,326.0
Total	56,508.2	56,691.9	57,849.3	58,681.4	60,799.7

1 Victorian Public Service includes Executive Officers, VPS classified staff, Allied Health Nurses, Senior Medical Advisors, Ministerial Transport Officers and LOTE advisors.

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

3. 'Senior Officer' is a Governor in Council appointment to a statutory office, as defined in the Public Administration Act 2004. Governor in Council appointments are not included in total staff count. The table includes employees of the VCAA and VRQA who are also reported in those Authorities' annual reports.

Summary of employment levels in June 2015 and 2016

	Ongoing employees			Fixed term and casual employees	
	Employees (headcount)	Full time (headcount)	Part time (headcount)	FTE	FTE
June 2015					
Victorian Public Service	2432	1713	719	2168.9	163.3
Government Teaching Service	47,546	32,352	15,194	42,083.0	14,266.2
Total	49,978	34,065	15,913	44,251.9	14,429.5
June 2016					
Victorian Public Service	2479	1727	752	2209.6	264.1
Government Teaching Service	49,874	33,105	16,769	43,842.0	14,484.0
Total	52,353	34,832	17,521	46,051.6	14,748.1

Victorian Public Service staff employment levels June 2015 and 2016

	2015			2016		
	Ongoing		Fixed term and casual employees ²	Ongoing		Fixed term and casual employees ²
	Employees (headcount ¹)	FTE		Employees (headcount ¹)	FTE	
Gender						
Male	595	581.4	36.3	597	582.9	66.7
Female	1,837	1,587.5	127.0	1,882	1,626.7	197.4
Total	2,432	2,168.9	163.3	2,479	2,209.6	264.1
Age³						
Under 25	21	20.9	10.2	18	17.6	11.7
25-34	398	361.1	73.6	376	341.2	107.6
35-44	610	525.6	42.1	641	553.0	73.4
45-54	670	602.0	23.4	668	604.2	39.9
55-64	659	598.3	11.0	674	608.8	28.3
Over 64	74	61.0	3.0	102	84.8	3.2
Total	2,432	2,168.9	163.3	2,479	2,209.6	264.1
Classification¹						
VPSG1	4	3.8	0.5	1	1.0	1.9
VPSG24	107	97.1	18.7	117	108.1	7.0
VPSG3	272	253.4	15.6	280	261.1	34.7
VPSG4	329	309.7	40.1	337	319.4	38.8
VPSG5	617	579.3	32.4	642	599.8	97.8
VPSG6	308	300.1	13.7	339	330.8	44.4
STS	14	14.0	0.8	18	17.3	1.8
Executive Officers	75	74.3	–	74	73.2	–
Allied Health	462	363.6	19.3	423	324.3	19.2
Nurse	242	172.8	22.2	246	173.7	18.5
Other ^{5,6}	2	0.9	–	2	0.9	0.0
Total	2,432	2,168.9	163.3	2,479	2,209.6	264.1

1 'Headcount' refers to the number of people employed where each person counts as an employee regardless of the number of hours engaged to work.

2 'Casual' means a person who is subject to clause 25, Casual Employees—loading of the VPS Agreement 2006, or similar clauses in other relevant agreements. It includes a person employed on a seasonal basis where such provision is made under an applicable industrial agreement.

3 'Age' of staff calculated as at 30 June each year.

4 The category VPSG2 includes graduate recruits.

5 'Other' includes Senior Medical Advisors, Ministerial Transport Officers and LOTE Advisors.

6 For 2016, comprises Senior Medical Advisors.

Government teaching service staff employment levels in June 2015 and 2016

	2015			2016		
	Ongoing		Fixed term and casual employees	Ongoing		Fixed term and casual employees
	Employees (headcount)	FTE	FTE	Employees (headcount)	FTE	FTE
Gender						
Male	11,668	11,121.5	3,032.5	12,044	11,436.2	3,148.1
Female	35,878	30,961.4	11,233.7	37,830	32,405.8	11,335.9
Total	47,546	42,083	14,266.2	49,874	43,842	14,484
Age						
Under 25	493	475	2,074.6	668	622.9	2,110.3
25–34	10,537	9,840.6	5,220.6	11,294	10,492.6	5,461.1
35–44	10,070	8,724.7	2,830.5	11,169	9,565.8	2,768
45–54	12,951	11,442.7	2,783.4	12,911	11,328.4	2,758.7
55–64	12,182	10,584	1,243.5	12,342	10,687.3	1,275.5
Over 64	1,313	1,016	113.6	1,490	1,145	110.4
Total	47,546	42,083	14,266.2	49,874	43,842	14,484
Classification						
Executive Class	72	71.5	1.5	98	97.0	11
Principal Class ¹	3,032	3,010.4	–	3,008	2,986.5	–
Teacher Class ²	33,836	30,411.7	8,661.9	34,904	31,295.0	8,944.9
Education Support Class	10,606	8,589.4	5,602.8	11,864	9,463.5	5,528.1
Total	47,546	42,083	14,266.2	49,874	43,842	14,484

1 Principal class includes Principals, Assistant Principals and Liaison Principals.
2 Teacher Class includes Classroom Teachers and Paraprofessionals.

Workforce inclusion

The Department is committed to supporting and developing a diverse and inclusive workforce. It adheres to the principles of access, equity and equal opportunity, and the Department's policies and practices also encourage people of all backgrounds to pursue challenging and rewarding public sector careers at all levels. In the coming year, the Department will formalise plans to improve the diversity and inclusion of its VPS workforce by developing a Workforce Diversity and Inclusion Strategy with measures to track and report on progress. It will also develop a new Aboriginal Inclusion Plan that builds on the existing plan and contains specific actions to engender a more inclusive workplace culture and provide greater support to Koori employees.

Industrial relations

Department employees, other than Executive Officers, are covered by industrial agreements. Industrial action is not permitted on matters within industrial agreements prior to their nominal expiry dates.

The Victorian Government Schools Agreement 2013 covers Government Teaching Service employees and has a nominal expiry date of 31 October 2016. Negotiations towards a new enterprise agreement have been underway since March 2016.

The Victorian Public Service Agreement 2016 came into effect on 18 May 2016 and will not expire until 31 December 2019. Negotiations to replace the Nurses (Department of Education and Early Childhood Development) Agreement 2012 have been underway since March 2016 following its 31 December 2015 expiration. Should negotiations for the Victorian Government Schools Agreement 2013 not be resolved by 31 October 2016, industrial action may be taken by the unions after that date. Similarly, should no agreement be reached to replace the Nurses (Department of Education and Early Childhood) Agreement 2012, the unions may pursue industrial action.

No time was lost due to industrial action during 2015–16.

Executive officers' data

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	42	–	42	–	–	–
EO–3	30	–	30	–	–	–
Total	76	–	76	–	–	–

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	(+1)	–	–	–	–	–	–
EO–2	17	(-3)	18	–	7	–	–	–	–	–
EO–3	10	–	15	(-1)	5	–	–	–	–	–
Total	28	(-3)	36	–	12	–	–	–	–	–

Reconciliation of executive officer numbers

		2015	2016
	Executives with total remuneration over \$100,000 (see Note 20)	70	71
Add	Vacancies	9	12
	Executives employed with total remuneration less than \$100,000	13	13
	Accountable Officer (Secretary)	1	1
Less	Separations	(17)	(21)
Total executive numbers at 30 June		76	76

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	–	0	4	–	2	–
VRQA	3	–	0	2	–	1	–
Total	9	–	0	6	–	3	–

Number of executive officers for the Department's portfolio entities

Portfolio agency	2016			2015			Change		
	Female	Male	Total	Female	Male	Total	Female	Male	Total
AMES Australia	6	5	11	3	4	7	3	1	4
Bendigo Kangan Institute	4	6	10	5	6	11	-1	0	-1
Box Hill Institute	8	5	13	6	6	12	2	-1	1
Centre for Adult Education	0	0	0	0	0	0	0	0	0
Chisholm Institute	6	5	11	5	5	10	1	0	1
Federation Training Institute	3	3	6	2	2	4	1	1	2
Gordon Institute of TAFE	3	1	4	1	2	3	2	-1	1
Goulburn Ovens Institute of TAFE	2	3	5	1	3	4	1	0	1
Holmesglen Institute	10	7	17	9	10	19	1	-3	-2
International Fibre Centre	0	1	1	0	1	1	0	0	0
Melbourne Polytechnic	12	20	32	8	11	19	4	9	13
South West Institute of TAFE	1	3	4	2	2	4	-1	1	0
Sunraysia Institute of TAFE	1	3	4	3	2	5	-2	1	-1
VET Development Centre	0	1	1	1	0	1	-1	1	0
Victorian Institute of Teaching	1	0	1	1	0	1	0	0	0
William Angliss Institute of TAFE	0	5	5	0	5	5	0	0	0
Wodonga Institute of TAFE	0	5	5	1	3	4	-1	2	1
Total	57	73	130	48	62	110	9	11	20

Notes:

1. For the purpose of this table, Executive Officers are defined as employees who have significant management responsibility and receive a TRP of \$152,000 or more.
2. All figures reflect executive levels as at 30 June 2016.
3. Excluded are those on leave without pay or absent on secondment; external contractors / consultants; and temporary staff employed by employment agencies.

Pecuniary interests

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

Shares held by senior officers

No shares are held by a senior officer as nominee or held beneficially in a statutory authority or subsidiary.

Report of Operations—other disclosures

Victorian industry participation policy

The *Victorian Industry Participation Policy Act 2003* requires departments and public sector bodies to report on the implementation of the Victorian Industry Participation Policy (VIPP). The policy applies to procurement activities valued at \$3 million or more for projects in Metropolitan Melbourne, and \$1 million or more for procurement activities in regional Victoria.

During 2015–16, the Department commenced and completed contracts under the State Capital Works Program. The VIPP applied to 34 contracts totalling \$175 million: 10 metropolitan contracts totalling \$44.5 million and 24 regional contracts totalling \$130.5 million.

The commitments under the VIPP policy included:

- an average level of local content of 86.8 per cent across the contracts
- 900 continuing and new full-time equivalent jobs and 110 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 trades.

Government advertising expenditure

Campaigns with a media spend of \$100,000 or greater 2015–16 (excluding GST)

Campaign	Summary	Start/ End	Adver- tising (media)	Creative & campaign develop- ment	Research & evaluat- ion	Print & collateral	Other	Total
Never Leave Kids in Cars	To raise awareness of the dangers of leaving children unattended in cars on hot days, and the speed the temperature doubles inside a parked car. In partnership with the Department of Health and Human Services, Ambulance Victoria and KidSafe.	Dec 2015– Feb 2016	\$171,884	0	0	\$34,640	\$110,010	\$316,534

Consultancy expenditure

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

In 2015–16, there were 114 consultancies where the total fees payable to the consultants were \$10,000 or greater. The total expenditure incurred during 2015–16 in relation to these consultancies was \$11.5 million (excluding GST).

A list of consultancies \$10,000 or greater is published in the *Department of Education and Training Annual Report 2015–16 Additional Information* available at www.education.vic.gov.au.

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

In 2015–16, there was one consultancy where the total fees payable to the consultant was less than \$10,000. The total expenditure incurred during 2015–16 in relation to this consultancy was \$6,500 (excluding GST).

Information and Communication Technology (ICT) expenditure

In accordance with the ICT Reporting Standard the Victorian Public Service, the Department's ICT is reported in the table below.

Reference	Requirement	Expenditure \$ million	Detail
ICT-01	ICT BAU expenditure	286.83	Total agency ICT business-as-usual (BAU) expenditure for the full 12-month reporting period.
ICT-02	ICT Non-BAU expenditure	33.13	Total agency ICT Non BAU expenditure for the full 12-month reporting period.
	classified by		
	Operating Expenditure	5.02	

Disclosure of major contracts

The Department has disclosed, in accordance with the requirements of government policy and accompanying guidelines, all contracts greater than \$10 million in value which it entered into during the year ended 30 June 2016. Details of contracts that have been disclosed in the Victorian Government contracts publishing system can be viewed on the internet at www.procurement.vic.gov.au.

Contractual details have not been disclosed for those contracts for which disclosure is exempted under the *Freedom of Information Act 1982* and/or government guidelines.

Freedom of information

The *Freedom of Information Act 1982* (FOI Act) allows the public a right of access to documents held by the Department. During 2015–16, the Department received 373 applications. Of these, 193 were from individuals seeking access to their own records. Fifty-four were requests from Members of Parliament, 46 from media organisations and 80 from members of the public seeking access to policy-related documents.

In most instances, full or partial access was provided; 17 decisions were reviewed by the FOI Commissioner and two were reviewed by the Victorian Civil & Administrative Tribunal (VCAT). The FOI Commissioner also investigated 13 complaints relating to FOI applications made to the Department.

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

Making a request

Access to documents is via written request to the Freedom of Information Unit within the Department as detailed in section 17 of the FOI Act. In summary, a request must:

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

Freedom of Information contacts

Agency	Postal address	Email	Telephone
Department of Education and Training	Manager, Freedom of Information Department of Education and Training GPO Box 4367 Melbourne 3001	foi@edumail.vic.gov.au	(03) 9637 2670
Victorian Curriculum and Assessment Authority	Level 1 2 Lonsdale Street Melbourne, 3000 Australia	vcaa.foi@edumail.vic.gov.au	(03) 9032 1700 1800 134 197
Victorian Registration and Qualifications Authority	Level 4 2 Lonsdale Street Melbourne 3000	vrqa@edumail.vic.gov.au	(03) 9637 2806
Merit Protection Boards	Level 4 2 Lonsdale Street Melbourne 3000	meritboards@edumail.vic.gov.au	(03) 9032 1701
Victorian Institute of Teaching	PO Box 531 Collins Street West Victoria 8007	vit@vit.vic.edu.au	1300 888 067
Disciplinary Appeals Boards	Level 4 2 Lonsdale Street Melbourne 3000	meritboards@edumail.vic.gov.au	(03) 9032 1701

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

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

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

Compliance with DataVic Access Policy

Consistent with the DataVic Access Policy issued by the Victorian Government in 2012 the Department has released a total of 130 datasets to DataVic. These are available at www.data.vic.gov.au in an open format for public use. These datasets represent a cross-section of the Department's information assets.

Compliance with the *Building Act 1993*

Mechanisms to ensure that buildings conform with the building standards

The Department complies with the *Building Act 1993* and other statutory obligations with respect to 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 2015–16 Budget Paper No. 4: State Capital Program.

During 2015–16, major works (greater than \$50,000) not subject to certification of plans, mandatory inspections of the works, and issue of occupancy permits or certificates of final inspection, were undertaken at the following schools:

Mount Waverley Secondary College	Lindenow Primary School
Epping Secondary College	Heatherhill Primary School
Thomastown Secondary College	Melton South Primary School
Sunshine Heights Primary School	Torquay P-6 College
Lalor East Primary School	Romsey Primary School
Baimbridge College	Woolsthorpe Primary School
Hamlyn Banks Primary School	Mooroopna Park Primary School
Roxburgh Park Primary School	Park Orchards Primary School
Drouin Secondary College	Noble Park Primary School
Thomastown Primary School	Dandenong North Primary School
Mortlake P-12 College	Drouin South Primary School
Lara Lake Primary School	Wonthaggi Primary School
Bell Park North Primary School	Willmott Park Primary School
Sunbury Heights Primary School	Glenferrie Primary School
Leopold Primary School	Wonthaggi Secondary College
Cobden Technical School	Gisborne Secondary College
Araluen Primary School	Leongatha Primary School
Lara Primary School	Traralgon (Liddiard Road) Primary School
Newcomb Secondary College	Ceres Primary School
Bellbrae Primary School	Katandra West Primary School
Glen Waverley Secondary College	Grovedale Primary School
Manifold Heights Primary School	Dimboola Primary School
Grovedale College	Noorat Primary School
Epping Primary School	Laharum Primary School
Horsham West and Haven Primary School	Mansfield Primary School

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

The Department 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. Compliance programs cover areas such as asbestos removal, fire service upgrades, 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 unforeseen issues that pose an immediate and serious health and safety risk.

National Competition Policy

Under the National Competition Policy, the guiding 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

- 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, that 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 are therefore required to 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 and focuses on efficient service provision.

The Department continues to comply with the National Competition Policy.

Assessment of new legislation and regulations

All new legislation and regulations enacted within the portfolio during 2015–16 were subject to assessment against the National Competition Policy to ensure continued compliance.

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

The *Protected Disclosure Act 2012* encourages and helps people disclose improper conduct by public officers and public bodies. It provides protection to people who make disclosures 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, nor reprisals taken against those who disclose such conduct. It is committed to ensuring transparency and accountability in 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 takes all reasonable steps to protect people from any detrimental action in reprisal for making such disclosures.

Making a disclosure

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

Ms Melissa Dwyer
Protected Disclosure Coordinator
A/Executive Director, Integrity and Assurance Division

Department of Education and Training

Street address:
2 Treasury Place
East Melbourne Victoria 3002

Document Exchange address:
DX 210083

Postal address:
GPO Box 4367
Melbourne VIC 3001

Telephone: 03 9651 3650
Email: dwyer.melissa.j@edumail.vic.gov.au

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:

The Independent Broad-based Anti-corruption Commission (IBAC)

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 2012:

www.education.vic.gov.au/about/contact/Pages/protecteddisclosure.aspx

Disclosures under the Protected Disclosure Act 2012

Disclosures under the <i>Protected Disclosure Act 2012</i>	2015–16	2014–15
The number of disclosures made by an individual to the Department and notified to the Independent Broad-based Anti-corruption Commission—assessable disclosures	3	9
Non-assessable disclosures	21	38
Matters referred by IBAC pursuant to section 73 of the <i>Independent Broad-based Anti-corruption Commission Act 2011</i>	37	3
Total number of disclosures	61	50

Compliance with the *Disabilities Act 2006*

The Department of Education and Training has a Disability Action Plan (2013–16) in place, setting out the Department's commitments and actions within the Victorian State Disability Action Plan 2013–16.

The Department is currently participating in the development of a new Victorian State Disability Plan 2017–20.

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 full-time equivalents (FTE).

The Environmental Management System objectives include:

- reducing the amount of waste and maximising re-use and recycling
- separating office waste into reusable, recyclable, compostable and landfill
- 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 their environmental impacts.

Unless otherwise stated, all consumption data is for 1 April 2015 – 31 March 2016.

Energy

The data presented below was collected through energy retailer billing information and represents 100 per cent of sites and 99 per cent of FTE staff.

Target

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

Indicator	2015–16			2014–15		
	Electricity	Natural gas	Green power	Electricity	Natural gas	Green power
Total energy usage segmented by primary source, measured in mega joules (MJ)	20,910,815	6,858,907	0	19,682,232	5,195,820	0
Greenhouse gas emissions	7319	380	–	7271	287	–
Units of energy used per FTE (MJ/FTE)		12,823			12,053	
Percentage of electricity purchased as green power		0			0	
Units of energy used per unit of office area (MJ/m2)		736			664	

Actions undertaken

- Solar panels have been installed at one regional office.
- Lighting sensors and times restored where necessary across all central and some regional offices.
- The lease was not extended for one energy intensive regional office premise with staff relocated to another existing office.
- Significant improvements conducted to the HVAC gas system of the centrally-based offices.
- The Department participated in the national Earth Hour event.

Explanatory notes

Electricity and gas consumption has increased since 2013–14, 6 per cent and 13 per cent respectively in aggregate and 7 per cent in office areas. Given this increase, the Department will re-assess energy consumption and take further action to meet targets.

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

Waste

The Department continues to address waste generation through a variety of re-use and recycling methods. The data below is based on collections at four central offices, which comprise 54 per cent of the total reportable net leased area and 55.8 per cent of FTEs.

Indicator	2015–16					2014–15				
	Landfill	Co-mingled recycling	Compost	Shredded paper	Other	Landfill	Co-mingled recycling	Compost	Shredded paper	Other
Total units of waste disposed of by destination (kg/yr)	24,343	8,734	13,440	12,103	1,435	15,198	9,225	10,103	36,507	2,138
Units of waste disposed of per FTE by destination (kg/FTE)	20	7	11	10	1	14	8	9	33	2
Recycling rate (% of total waste)	59					79				

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

Target

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

Explanatory notes

Landfill waste increased significantly in 2015–16.

There has been a significant number of office relocations within the precinct adding to the increase in landfill. This was accompanied by lower co-mingled recycling (5 per cent reduction) and other waste (28 per cent reduction). This is despite a large (33 per cent) increase in compost which diverts organic waste from landfill.

Waste diverted from landfill represents 59 per cent of total waste, lower than diversion in 2014–15 (79 per cent). The Department will re-assess landfill waste in particular and take further action to meet targets.

Paper

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

Indicator	2015–16	2014–15
Total units of copy paper used (reams)	33,185	27,967
Units of copy paper used per FTE (reams/FTE)	15	13
Percentage of 75–100% recycled content copy paper purchased (%)	74	79
Percentage of 50–74% recycled content copy paper purchased (%)	5	11
Percentage of 0–49% recycled content copy paper purchased (%)	21	9
Total units of A4-equivalent paper used in publications (reams)	30,012	39,326

Target

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

Increase the amount of copy paper purchased with 75–100 per cent recycled content to minimum of 75 per cent by 31 March 2016.

Explanatory notes

There was a significant increase in paper consumption (19 per cent) in 2015–16, compared to a reduction in 2014–15.

The Department nearly met its target to increase the use of paper with the highest recycled content (74 per cent). An increase in lower recycled content used (0–49 per cent) offset this.

An increase in online publications has reduced the need for printed copies, resulting in a record low for the total units of A4 equivalent paper used.

Water

The data in the table below is based on water meter readings at 78 per cent of office sites covering 86 per cent of FTEs.

Indicator	2015–16	2014–15
Total units of metered water consumed by usage types (kL)	18,013	17,723
Units of metered water consumed in offices per FTE (kL/FTE)	9.69	9.96
Units of metered water consumed in offices per unit of office area (kL/m ²)	0.55	0.51

Target

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

Explanatory notes

The central region recorded a modest 2 per cent increase in water consumption.

All central and some regional offices share a water meter with other non-Departmental buildings. The data presented is therefore based on a percentage of the buildings' net leased area held by the Department. Water consumption data for some regional offices is unavailable due to the offices being shared facilities. The shared meter makes it impossible to confirm the source of any increase.

The Department will re-assess its water consumption and take further action to meet targets.

Transport

The Department-owned operational fleet comprises 249 vehicles. Of these, 42 per cent are hybrid electric vehicles, 2 per cent are LPG-fuelled, 52 per cent are petrol-fuelled, and 4 per cent are diesel-fuelled.

The data in the table below measures the kilometres, energy consumption and associated emissions for work-related travel by corporate employees, segmented by transport type, excluding public transport. This excludes executive vehicles.

Operational vehicles

Operational vehicles	2015–16				2014–15			
	Hybrid	LPG	Petrol	Diesel	Hybrid	LPG	Petrol	Diesel
Total energy consumption by vehicles (MJ)	3,659,494	609,523	5,702,249	963,027	4,680,322	1,387,730	4,532,459	1,149,078
Total vehicle travel associated with entity operations (km)	2,051,734	195,262	2,053,244	357,327	2,509,970	437,410	1,635,819	434,770
Total greenhouse gas emissions from vehicle fleet (t CO ₂ -e)	261	39	406	71	338	90	327	86
Greenhouse gas emissions from vehicle fleet per 1,000 km travelled (t CO ₂ -e)	0.13	0.20	0.20	0.20	0.13	0.21	0.20	0.20

Air travel

Air travel	2015–16			2014–15		
	Short <500 km	Medium 500–3,700 km	Long >3,700 km	Short <500 km	Medium 500–3,700 km	Long >3,700 km
Total distance (km) travelled by aeroplane	156,412	495,194	483,802	234,744	660,031	1,197,003

Sustainable commuting

Sustainable commuting	2015–16		2014–15	
	CBD	Regional	CBD	Regional
Percentage of employees regularly (>75 per cent of attendance days) using public transport, cycling, walking or car-pooling to and from work or working from home, by workplace locality.	93	0	70	4

Target

Reduce by five per cent of 2014–15 levels the total kilometres travelled by operational vehicles by 31 March 2016. Reduce air travel by 25 per cent by 31 March 2016.

Explanatory notes

Total kilometres travelled by operational vehicle fleet fell by 7.2 per cent against the previous year resulting in the reduction target of 5 per cent being achieved. Hybrid-fuelled vehicles were the most used, contributing to a 7 per cent fall in total energy consumption against last year. These factors clearly led to the 8 per cent reduction in total emissions.

In 2015–16, air travel reduced by 46 per cent to 1,135,408 km compared to the previous year. This is the lowest distance recorded in all flight categories since 2010–11. The greatest contributor to this overall reduction is the significant 60 per cent fall in long-distance flights compared to 2014–15.

Sustainable commuting figures are obtained via staff survey and depend on response rates.

Greenhouse gas emissions

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

Indicator	2015–16	2014–15
Total greenhouse gas emissions from energy use (t CO ₂ e)	7,699	7,559
Total greenhouse gas emissions from waste production (t CO ₂ e)	29	18
Total greenhouse gas emissions from paper purchases (t CO ₂ e)	115	103
Total greenhouse gas emissions from water consumption (t CO ₂ e)	25	24
Total greenhouse gas emissions from vehicle fleet (t CO ₂ e)	777	842
Total greenhouse gas emissions from air travel (t CO ₂ e)	251	477
Grand total greenhouse gas emissions created by the Department	8,896	9,023

Target

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

Explanatory notes

Total greenhouse gas emissions decreased in 2015–16 compared to the previous year with two indicators, air travel and vehicle fleets, achieving a reduction.

Procurement

The Department continues to promote the purchase of environmental friendly products, specifically in stationery/office products. This is achieved by incorporating more environmentally friendly items listed as 'preferred product options'. Before purchasing new stationery items, business units are also encouraged to visit the Department's 'Swap Shop'—a stationery re-use system.

The Department continues to work with print management provider Finsbury Green to ensure sustainability is a consideration in all externally printed publications, for example, by using vegetable dyes and minimal packaging.

The Procurement Division encourages Procurement Evaluation Panels to add environmental commitments into the Invitation to Supply (ITS) template. This ITS template is available on request to all business units.

With infrastructure projects, tenders are evaluated against the criteria of their 'ability to satisfy environmental sustainability requirements'.

Details of changes in prices, fees, charges, rates and levies

Details of current prices, fees, charges, rates and levies charged by the Department are outlined on www.education.vic.gov.au and www.foi.vic.gov.au.

Additional information available on request

Financial Reporting Direction (FRD) 22G requires the Accountable Officer to retain and make available specified information. This material may be made available subject to the provisions of the *Freedom of Information Act 1982*.

The Department has made this information available (or provided details of how the material may be sourced) in the *Department's Annual Report 2015–16* or the *Department's Annual Report 2015–16—Additional Information* report.

Requirements covered in this report include:

- 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
- details of changes in prices, fees, charges, rates and levies charged by the entity.

The requirements listed below are included in the *Department's Annual Report 2015–16—Additional Information* report available from the Department's website at www.education.vic.gov.au.

- details of any major external reviews carried out on the entity
- details of major research and development activities undertaken by the entity
- details of overseas visits undertaken including a summary of the objectives and outcomes of each visit
- details of major promotional, public relations and marketing activities undertaken by the entity to develop community awareness of the entity and its services
- a list of major committees sponsored by the entity, the purposes of each committee and the extent to which the purposes have been achieved
- details of all consultancies and contractors including:
 - consultants/contractors engaged
 - services provided
 - expenditure committed to for each engagement.

Risk attestation

Risk management context

During 2015-2016, the Department has progressed significant and system-wide Education reforms. This level of activity has necessarily increased the number, and altered the nature of risks being managed by the Department of Education and Training. At the same time, the Department has initiated large scale organisational transformation activities.

Risk attestation

I, Jenny Atta, certify that the Department of Education and Training has partially complied with *Ministerial Standing Direction 4.5.5 - Risk Management Framework and Processes (Standing Direction 4.5.5)*.

The partial compliance is due to the evolving maturity of management of inter-agency risk. The Department will collaborate with other agencies to progressively strengthen and further integrate inter-agency risk management into new and existing risk review processes. This will ensure there are improvements in the quality of inter-agency risk information and an improved understanding of the management of these risks across Departments.

The Department is also partially compliant in relation to the insurance requirements of *Standing Direction 4.5.5*, because it has not fully maintained a current register of all indemnities. The Department has alternatively provided a list of significant indemnities to the Victorian Managed Insurance Authority and accounts for these as contingent liabilities.

The Department has fully complied with all other mandatory requirements of the *Standing Direction 4.5.5*.

The Department of Education and Training's Portfolio Audit and Risk Committee has verified this.



Jenny Atta
Acting Secretary
19 September 2016

Details of publications about the Department

Publication	Produced	
<i>The Department's Strategic Intent</i>	October 2015	www.education.vic.gov.au/about/department/Pages/stratplan.aspx
<i>The Department's Annual Report 2014–15</i>	November 2015	www.education.vic.gov.au/about/department/Pages/annual-reports-2014–15.aspx

About this report

In accordance with Ministerial Reporting Direction (FRD) 22G that annual reports be 'reports of the financial and business operations of an entity, produced to comply with relevant Victorian legislation and pronouncements', material not required under relevant legislation and pronouncements is not included in this report.

An index that identifies the Department's compliance with statutory requirements is provided in Appendix 1.

Financial statements

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

The Department of Education and Training is a government department of the State of Victoria.

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

Contents

Accountable Officer's and Chief Finance and Accounting Officer's declaration	82
Auditor-General's independent auditor's report	83
Comprehensive operating statement for the financial year ended 30 June 2016	85
Balance sheet as at 30 June 2016	86
Statement of changes in equity for the financial year ended 30 June 2016	87
Cash flow statement for the financial year ended 30 June 2016	88
Notes to the financial statements	89

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

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

The attached financial statements for the Department of Education and Training have been prepared in accordance with Direction 4.2 of the Standing Directions of the Minister for Finance under the *Financial Management Act 1994*, applicable Financial Reporting Directions, Australian accounting standards including interpretations and other mandatory professional reporting requirements.

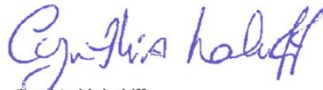
We further state that, in our opinion, the information set out in the comprehensive operating statement, balance sheet, statement of changes in equity, cash flow statement and accompanying notes, presents fairly the financial transactions during the year ended 30 June 2016 and financial position of the Department as at 30 June 2016.

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 12 September 2016.



Gill Callister
Secretary
Department of Education and Training




Cynthia M. Lahiff
Chief Finance and Accounting Officer
Department of Education and Training

Melbourne
12 September 2016

Melbourne
12 September 2016

Auditor-General's independent auditor's report

 Victorian Auditor-General's Office	<p>Level 24, 35 Collins Street Melbourne VIC 3000</p> <p>Telephone 61 3 8601 7000 Facsimile 61 3 8601 7010 Website www.audit.vic.gov.au</p>
INDEPENDENT AUDITOR'S REPORT	
To the Secretary, Department of Education and Training	
<i>The Financial Report</i>	
<p>I have audited the accompanying financial report for the year ended 30 June 2016 of the Department of Education and Training which comprises the comprehensive operating statement, balance sheet, statement of changes in equity, cash flow statement, notes comprising a summary of significant accounting policies and other explanatory information, and the Accountable Officer's and Chief Finance and Accounting Officer's declaration.</p>	
<i>The Secretary's Responsibility for the Financial Report</i>	
<p>The Secretary of the Department of Education and Training is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards, and the financial reporting requirements of the <i>Financial Management Act 1994</i>, 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.</p>	
<i>Auditor's Responsibility</i>	
<p>As required by the <i>Audit Act 1994</i>, 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.</p>	
<p>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.</p>	
<p>I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.</p>	
<i>Auditing in the Public Interest</i>	

Independent Auditor's Report (continued)

Independence

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

Basis for Qualified Opinion

Last year, I did not **express** an opinion on the financial report for 2014–15. This was because the Department of Education and Training was unable to provide, and consequently I was unable to obtain, sufficient appropriate evidence in relation to the 2014–15 property, plant and equipment transactions and balances and the 2014–15 transactions and balances of the 1 569 government schools which are incorporated into its financial report.

This year the Department's substantial corrective action has allowed me to obtain sufficient appropriate evidence for the 2014–15 comparative amounts of the property, plant and equipment balances and transactions. These comparatives are fairly presented in the 2015–16 financial report.

However, the Department has not been able to provide me sufficient appropriate evidence for certain school based comparative amounts for 2014–15. Consequently, readers of the financial report are unable to compare the relevant current period's amounts, which are fairly stated, and the prior year's amounts, for the following financial statement line items:


- Supplies and services expenditure (\$1 107.1 million of a total of \$2 687.9 million)
- Other income (\$510.1 million of a total of \$523.3 million)
- Sales of goods and services revenue (\$160.9 million of a total \$214.4 million).

My opinion on the current period's financial report is only modified in respect to these 2014–15 comparative amounts.

Qualified Opinion

In my opinion, except for the effects of the matter described in the *Basis for Qualified Opinion* paragraph, the financial report presents fairly, in all material **respects**, the financial position of the Department of Education and Training as at 30 June 2016 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*.

MELBOURNE
29 September 2016



Andrew Greaves
Auditor-General

Comprehensive operating statement for the financial year ended 30 June 2016

	Note	2016 \$m	2015 \$m
Income from transactions			
Output appropriations	6(a)	11,172.0	10,683.3
Special appropriations	6(b)	22.0	0.2
Interest		17.2	19.9
Grants	4(a)	23.4	19.7
Sales of goods and services	4(b)	209.6	214.4
Other	4(c)	526.7	523.3
Total income from transactions		11,970.9	11,460.7
Expenses from transactions			
Employee expenses	4(d)	(5,817.9)	(5,477.5)
Depreciation and amortisation	4(e)	(310.5)	(316.7)
Interest expenses		(14.3)	(14.2)
Grants and other expense transfers	4(f)	(1,466.4)	(1,374.2)
Capital asset charge		(1,291.7)	(1,287.1)
Supplies and services	4(g)	(2,677.3)	(2,687.9)
Other operating expenses	4(h)	(162.0)	(122.6)
Total expenses from transactions		(11,740.0)	(11,280.3)
Net result from transactions (net operating balance)		230.9	180.5
Other economic flows included in net result			
Net gain/(loss) on non-financial assets	5(a)	0.1	20.3
Net gain/(loss) on financial instruments	5(b)	(17.4)	(7.7)
Other gains/(losses) from other economic flows	5(c)	(31.1)	(34.2)
Total other economic flows included in net result		(48.4)	(21.7)
Net result		182.5	158.8
Other economic flows—other comprehensive income Items that will not be classified to net result			
Changes in physical asset revaluation surplus	16	3,018.4	815.5
Total other economic flows—other comprehensive income		3,018.4	815.5
Comprehensive result		3,200.9	974.3

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

Balance sheet as at 30 June 2016

	Note	2016 \$m	2015 \$m
Assets			
Financial assets			
Cash and deposits	7	703.3	715.3
Receivables	8	1,990.8	1,725.9
Other financial assets	7	274.9	132.5
Total financial assets		2,969.0	2,573.7
Non-financial assets			
Non-financial physical assets classified as held for sale	9	7.8	107.9
Intangible assets	10	67.7	65.7
Property, plant and equipment	11	19,869.9	16,830.2
Prepayments		17.6	20.1
Other non-financial assets		23.5	11.0
Total non-financial assets		19,986.5	17,034.9
Total assets		22,955.5	19,608.5
Liabilities			
Payables	12	461.4	342.4
Borrowings	13	249.6	255.1
Provisions	14	1,425.1	1,332.4
Unearned income		30.7	11.0
Total liabilities		2,166.9	1,940.8
Net assets		20,788.6	17,667.7
Equity			
Accumulated surplus/(deficit)		1,710.8	1,478.6
Physical asset revaluation surplus	16	10,400.7	7,382.3
Contributed capital		8,677.1	8,806.8
Net worth		20,788.6	17,667.7
Contingent assets and contingent liabilities	21		
Commitments for expenditure	22		

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

Statement of changes in equity for the financial year ended 30 June 2016

	Physical asset revaluation surplus \$m	Accumulated surplus/ (deficit) \$m	Contributed capital \$m	Total equity \$m
Balance at 1 July 2014	6,566.9	1,319.8	8,741.2	16,627.9
Net result for the year	-	158.8	-	158.8
Other comprehensive income for the year	815.5	-	-	815.5
Capital appropriations	-	-	155.8	155.8
Contributed capital transfers in	-	-	276.1	276.1
Contributed capital transfers (out)	-	-	(366.3)	(366.3)
Balance at 30 June 2015	7,382.4	1,478.6	8,806.8	17,667.7
Net result for the year	-	182.5	-	182.5
Prior year adjustments	(165.4)	49.8	-	(115.6)
Other comprehensive income for the year	3,183.8	-	-	3,183.8
Capital appropriations	-	-	3.5	3.5
Contributed capital transfers in	-	-	0.1	0.1
Contributed capital transfers (out)	-	-	(133.3)	(133.3)
Balance at 30 June 2016	10,400.7	1,710.8	8,677.1	20,788.6

The above statement of changes in equity for the financial year ended 30 June 2016 should be read in conjunction with the accompanying notes.

Cash flow statement for the financial year ended 30 June 2016

	Note	2016 \$m	2015 \$m
Cash flows from operating activities			
Receipts			
Receipts from government		10,999.1	10,316.4
Receipts from other entities		746.2	794.4
Goods and Services Tax recovered from the ATO		269.7	306.0
Interest received		17.2	19.9
Total receipts		12,032.2	11,436.7
Payments			
Payments of grants and other transfers		(1,461.3)	(1,395.0)
Payments to suppliers and employees		(8,798.4)	(8,529.4)
Goods and Services Tax paid to the ATO		(11.1)	(23.2)
Capital asset charge payments		(1,291.7)	(1,287.1)
Interest and other costs of finance paid		(14.3)	(14.2)
Total payments		(11,576.8)	(11,249.0)
Net cash flows from/(used in) operating activities	23	455.4	187.8
Cash flows from investing activities			
Purchases of non-financial assets		(288.0)	(311.5)
Net payments for investments ¹		-	(5.4)
Proceeds from investments		44.8	-
Payments for investments		(58.7)	-
Sales of plant and equipment		3.4	1.6
Proceeds from Loan and advances		3.6	5.9
Payment of Loan and advances		(21.8)	(34.1)
Other adjustments ²		(143.8)	-
Net cash flows from/(used in) investing activities		(460.5)	(343.5)
Cash flows from financing activities			
Owner contributions received from State Government		3.5	155.8
Proceeds from borrowings		0.5	11.2
Repayment of borrowings and finance leases		(10.9)	(14.4)
Net cash flows from/(used in) financing activities		(6.9)	152.7
Net increase/(decrease) in cash and deposits		(12.0)	(3.0)
Cash and deposits at the beginning of the financial year		715.3	718.3
Cash and deposits at the end of the financial year	7	703.3	715.3

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

¹ Net payments from investments represents for schools' term deposits with a maturity of three months or more. The Department did not have information available from each school to determine these gross cash flows; therefore, investment movement has been disclosed on a net basis in 2014–15. In 2015–16, this item is represented on a gross basis across two lines: 'Proceeds from investments' and 'Payments for investments'.

² Due to the limitation of available information, schools' term deposits with a maturity of three months or more were based on estimates in the past. In 2015–16, the Department has collected this data from schools, and adjusted the cash flows statement to reflect the movement from an estimate to actuals.

Notes to the financial statements

Contents

Note 1	Summary of significant accounting policies	90
Note 2	Departmental (controlled) outputs	115
Note 3	Administered (non-controlled) items	121
Note 4	Net result from transactions (net operating balance)	122
Note 5	Other economic flows included in net result	124
Note 6	Summary of compliance with annual parliamentary and special appropriations	125
Note 7	Cash and deposits/other financial assets	126
Note 8	Receivables	127
Note 9	Non-financial physical assets classified as held for sale	129
Note 10	Intangible assets	130
Note 11	Property, plant and equipment—Education purpose group	131
Note 12	Payables	139
Note 13	Borrowings	140
Note 14	Provisions	141
Note 15	Superannuation	143
Note 16	Physical asset revaluation surplus	144
Note 17	Financial instruments	145
Note 18	Leases	151
Note 19	Ministers and accountable officers (responsible persons)	152
Note 20	Remuneration of executives and payments to other personnel (that is, contractors with significant management responsibilities)	154
Note 21	Contingent assets and contingent liabilities	157
Note 22	Commitments for expenditure	158
Note 23	Cash flow information	161
Note 24	Subsequent events	162
Note 25	Annotated income agreements	162
Note 26	Trust account balances	163
Note 27	Glossary of terms and style conventions	164

Note 1 Summary of significant accounting policies

These annual financial statements represent the audited general purpose financial statements for the Department of Education and Training (the Department) for the year ended 30 June 2016. The purpose of the report is to provide users with information about the Department's stewardship of resources entrusted to it.

(a) Statement of compliance

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

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

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

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

These annual financial statements were authorised for issue by the Secretary of the Department on 12 September 2016.

(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 AASs that have significant effects on the financial statements and estimates relate to:

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

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 (Note 1(k)). Revaluations are made with sufficient regularity to ensure that the carrying amounts do not materially differ from their fair value
- certain liabilities, most notably employee entitlements.

Consistent with AASB 13 *Fair Value Measurement*, the Department determines the policies and procedures for both recurring fair value measurements such as property, plant and equipment, and financial instruments and for non-recurring fair value measurements such as non-financial physical assets held for sale, in accordance with the requirements of AASB 13, AASB 5 *Assets Held for Sale and Discontinued Operations* and relevant Financial Reporting Directions (FRDs).

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

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

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

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

The Valuer-General Victoria 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 as a community service obligation (CSO) is applied to such assets (Note 1(k)).

Administered items

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

Administered income includes Commonwealth on-passing grants, fees and the proceeds from the sale of administered surplus land and buildings. Administered assets include government income earned but yet to be collected. Administered liabilities include government expenses incurred but yet to be paid. Disclosures related to administered items can be found in Note 3.

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

Funds held in Administered trust

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

The Department has responsibility for transactions and balances relating to trust funds on behalf of third parties external to the Victorian Government. The Department has received monies in a trustee capacity for various trusts including prizes and scholarships. Income, expenses, assets and liabilities managed on behalf of third parties are not recognised in these financial statements as they are managed on a

fiduciary and custodial basis, and therefore not controlled by the Department or the Victorian Government.

(c) Reporting entity

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

Its principal address is:

Department of Education and Training
2 Treasury Place
Melbourne VIC 3002

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

The financial statements include all the controlled activities of the Department.

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

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

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

The financial statements include all transactions of the Department and the Victorian Government's primary and secondary schools. All transactions between the Department and these schools have been eliminated as required by AASs. Transactions with non-government schools are not eliminated.

Objectives and funding

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

The Department implements Victorian Government policy on early childhood services, school education and training and higher education services. The Department manages Victorian government schools and drives improvement in primary and secondary government education.

The Department provides support and advisory services to the Minister for Education, Minister for Training and Skills and the Minister for Families and Children, as well as a number of statutory bodies.

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

Outputs of the Department

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

(d) Scope and presentation of financial statements

Comprehensive operating statement

The comprehensive operating statement comprises three components, being:

- Net result from transactions (also termed net operating balance)

- Other economic flows included in net result
- Other economic flows—other comprehensive income.

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

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

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

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

Balance sheet

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

Current and non-current assets and liabilities are disclosed in the notes, where relevant. In general, non-current assets or liabilities are expected to be recovered or settled more than 12 months after the reporting period, except for the provisions of employee benefits, which are classified as current liabilities if the Department does not have the unconditional right to defer the settlement of the liabilities within 12 months after the end of the reporting period.

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 related to 'Transactions with owner in its capacity as owner'.

Cash flow statement

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

Proceeds from/payments for investments represent flows of schools' term deposits with a maturity of three months or more.

Rounding of amounts

Amounts in the financial statements have been rounded to the nearest \$100,000, unless otherwise stated. Figures in the financial statements may not equate due to rounding (Note 27—Style conventions).

(e) 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 Treasurer and applied to the purposes defined under the relevant appropriations Act. Additionally, the Department is permitted under Section 29 of the *Financial Management Act 1994* (FMA) to have certain income annotated to the annual appropriation. The income which forms part of a Section 29 agreement is recognised by the Department and the receipts paid into the

consolidated fund as an administered item. At the point of income recognition, Section 29 provides for an equivalent amount to be added to the annual appropriation. Examples of receipts which can form part of a Section 29 agreement are Commonwealth specific purpose grants, the proceeds from the sale of assets and income from the sale of products and services.

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

Output appropriations

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

Special appropriations

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

Under Section 10 of the *Financial Management Act 1994*, revenue related to the Commonwealth funding for Digital Education Revolution and Occasional Care is recognised when the amount appropriated for that purpose is due and payable by the Department.

Interest

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

Grants

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

Where such grants are payable into the consolidated fund, they are reported as administered income (Note 1(b) and 1(h)). 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 is recognised when:

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

Income from sale of goods and services

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

Cash received in schools is recognised upon receipt by the school and is processed in accordance with controls established by the schools council.

Other

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

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

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

(f) 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(l) regarding employee benefits.

These expenses include all forms of considerations (other than superannuation which is accounted for separately) given by the Department in exchange for service rendered by employees or for the termination of employment. This includes wages and salaries, fringe benefits tax, leave entitlements, termination 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 Administered note disclosure, discloses on behalf of the State as the sponsoring employer, the net defined benefit cost related to the members of these plans as an administered liability. See the Department of Treasury and Finance's *Annual Financial Statements* for more detailed disclosures in relation to these plans.

Depreciation and amortisation

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

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

The following are estimated useful lives for the different asset classes for both current and prior years.

Asset Class	Useful life Years
Buildings	10–60
Heritage buildings	40–60
Leasehold buildings	60
Leasehold improvements	3–10
Plant and equipment (including vehicles leased assets)	3–10
Software	3–10

Land is considered to have an indefinite life and is not depreciated. Depreciation is not recognised in respect of land 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 that have materially different useful lives and subject to regular replacement, those components are assigned useful lives distinct from the item of buildings to which they relate. For the Department, identifiable components include different building materials and structures such as an annex or a wing and landscaping for each site. These components are then depreciated separately in accordance with useful life of assets. The useful lives for these items are between 10 and 60 years.

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

Interest expense

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

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

Grants and other expense transfers

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

Capital asset charge

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

Supplies and services

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

Other operating expenses

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

Bad and doubtful debts

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

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

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

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

(g) Other economic flows

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

Net gain/(loss) on non-financial assets

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

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

Refer to Note 1(k).

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

Any gain or loss on the disposal of non-financial assets is recognised at the date of disposal and is determined after deducting the proceeds from the carrying value of the asset at the time.

Impairment of non-financial assets

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

All other assets are assessed annually for indications of impairment, except for non-financial physical assets held for sale (Note 1(k)).

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

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

It is deemed that, in the event of the loss or destruction of an asset, the future economic benefits arising from the use of the asset will be replaced unless a specific decision to

the contrary has been made. The recoverable amount for most assets is measured at the higher of depreciated replacement cost and fair value less costs to sell.

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

Assets previously not recognised

Where it is found that an asset has been omitted from the financial records, it is recognised as 'assets previously not recognised'.

Net gain/(loss) on financial instruments

Net gain/(loss) on financial instruments includes impairment and reversal of impairment for financial instruments at amortised cost.

Other gains/(losses) from other economic flows

Other gains/(losses) from other economic flows include the gains or losses from the revaluation of the present value of the long service leave liability due to changes in the bond interest rate.

(h) Administered income

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.

Other income

Other income includes regulatory fees such as fees charged to schools for alarm call-out and quarterly monitoring fee for security service, contributions for Public Sector Commuter Club, and rental income from Victoria YMCA. The Department does not gain control over assets arising from these transactions, therefore no income is recognised in the Department's financial statements.

(i) Financial instruments

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

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

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

The following refers to financial instruments unless otherwise stated.

Categories of non-derivative financial instruments

Loans and receivables

Loans and receivables are financial instrument assets with fixed and determinable payments that are not quoted on an active market. These assets are initially recognised

at fair value plus any directly attributable transaction costs. Subsequent to initial measurement, loans and receivables are measured at amortised cost using the effective interest method, less any impairment.

The loans and receivables category includes cash and deposits (Note 1(j)), 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.

Financial liabilities at amortised cost

Financial instrument liabilities are initially recognised on the date they are originated. They are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial instruments are measured at amortised cost with any difference between the initial recognised amount and the redemption value being recognised in profit and loss over the period of the interest bearing liability, using the effective interest rate method (Note 27).

Financial instrument liabilities measured at amortised cost include all of the Department's contractual payables, advances received, and interest bearing arrangements other than those designated at fair value through profit or loss.

(j) 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.

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, and finance lease receivables (Note 1(m)).

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

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.

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 judgment is applied in assessing materiality and using estimates in accordance with AASB 136 *Impairment of Assets*.

(k) Non-financial assets

Non-financial assets classified as held for sale

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

This condition is regarded as met only when:

- the asset is available for immediate sale in the current condition; and
- the sale is highly probable, the asset is actively marketed and the asset's sale is expected to be completed within 12 months from the date of classification.

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

Property, plant and equipment

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

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

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

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

Specialised land has no feasible alternative use because it is restricted to only provide education services to the community group. There is also little or no observable market evidence of the market-selling price as a community service obligation (CSO) is applied to such assets.

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

Plant and equipment is capitalised when the individual asset value is \$5,000 or greater.

The fair value of plant and equipment is normally determined by reference to the asset's depreciated replacement cost.

Certain assets are acquired under finance leases, which may form part of a service concession arrangement (i.e. public private partnership). Refer to Notes 1(m) Leases and 1(o) Commitments for more information.

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

For the accounting policy on impairment of non-financial physical assets, refer to Note 1(g) Impairment of non financial assets.

More details about the valuation techniques and inputs used in determining the fair value of non-financial physical assets are discussed in Note 11 Property, plant and equipment.

Leasehold improvements

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

Restrictive nature of heritage buildings and Crown land

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

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

(i) Revaluations of non-financial physical assets

Non-financial physical assets are measured at fair value on a cyclical basis, in accordance with Financial Reporting Direction (FRD) 103F Non-financial physical assets issued by the Minister for Finance. A full revaluation normally occurs every five years, based upon the asset's government purpose classification but may occur more frequently if fair value assessments indicate material changes in values. Independent valuers are generally used to conduct these scheduled revaluations. Any interim revaluations are determined in accordance with the requirements of the FRD. Revaluation increases or decreases arise from differences between an asset's carrying value and fair value.

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

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. However, the net revaluation increase 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 decrease is 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. Otherwise, the net revaluation decreases are recognised immediately as other economic flows in the net result. 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. The asset revaluation surplus is not transferred to accumulated funds on de-recognition of the relevant asset.

Land

The market approach is also used for specialised land, although is adjusted for the community service obligation (CSO) to reflect the specialised nature of the land being valued.

The CSO is an adjustment for the difference in value between unrestricted assets (e.g. freehold land) and assets held by the public sector, taking into account any legal, financial or physical restrictions imposed on the use or sale of the assets. As adjustments of CSO are considered as significant unobservable inputs, specialised land is classified as Level 3 assets.

An independent valuation of the Department's specialised land was performed by the Valuer-General Victoria. The valuation was performed using the market approach adjusted for CSO. The effective date of the valuation is 30 June 2016.

Buildings

The valuations are undertaken by the Valuer-General Victoria in accordance with the Department's policies. School buildings are specialised assets that are restricted to primarily providing education services, with some ancillary community services also provided. As such, there is generally little or no observable market-based evidence for determining the fair value of such assets. Accordingly, school buildings and other improvements are valued under the Depreciated Replacement Cost (DRC) method which represents the highest and best use under AASB 13 *Fair Value Measurement*.

DRC is the current replacement cost of an asset less where applicable, accumulated depreciation calculated on the basis of such cost to reflect age and the already consumed or expired future economic benefits of the asset. For the majority of the Department's specialised buildings, the depreciated replacement cost method is used, adjusting associated depreciation. Depreciation adjustments are considered as significant and unobservable inputs in nature, therefore these specialised buildings are classified as level 3 fair value measurements.

Where assets acquired within 12 months of the relevant scheduled revaluation have not been revalued, the acquisition cost is deemed to be fair value.

An independent valuation of the Department's specialised buildings was performed by the Valuer-General Victoria. The valuation was performed using the depreciated replacement cost approach. The effective date of the valuation is 30 June 2016.

Vehicles

Vehicles are valued using the depreciated replacement cost method. The Department acquires new vehicles and at times disposes of them before the end of their economic life. The process of acquisition, use and disposal in the market is managed by experienced fleet managers in the Department who set relevant depreciation rates during use to reflect the utilisation of the vehicles.

(ii) Plant and equipment

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(g).

Non-financial physical assets arising from finance leases

The initial cost for non-financial physical assets under a finance lease (Note 1(m)) 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(m) and 1(o) in relation to such assets and arrangements.

Intangibles

Intangible assets are initially recognised at cost. Subsequently, intangible assets with finite useful lives are carried at cost less accumulated depreciation/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 depreciation/amortisation and impairment.

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

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.

(I) 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 (Note 1(m)).

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

Provisions

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

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

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

Employee benefits

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

i. Wages and salaries, and annual leave

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

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

ii. 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:

- nominal value—if the Department expects to wholly settle within 12 months; and
- present value—if the Department does not expect to wholly settle within 12 months.

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

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

iii. Sabbatical leave

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

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

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

iv. 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.

On-costs related to employee expenses

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

The measurement of employee benefits on-costs mirrors 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.

(m) Leases

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

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and rewards incidental to ownership. Leases of property, plant and equipment are classified as finance infrastructure leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership from the lessor to the lessee. For service concession arrangements (Note 1(q)), 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. If there is certainty that the Department will obtain the ownership of the lease asset by the end of the lease term, the asset shall be depreciated over the useful life of the asset. If there is no reasonable certainty that the lessee will obtain ownership by the end of the lease term, the asset shall be fully depreciated over the shorter of the lease term and its useful life.

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 is 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 is 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.

(n) Equity

Contributions by owners

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

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

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

(o) Commitments

Commitments for future expenditure include operating and capital commitments arising from contracts. These commitments are disclosed by way of note (Note 22) at their nominal value and inclusive of GST payable. These future expenditures cease to be disclosed as commitments once the related liabilities are recognised in the balance sheet.

(p) Contingent assets and contingent liabilities

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

(q) Public Private Partnerships (Service concession arrangements)

The Department sometimes 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.

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 (Note 1(m)). The remaining components are accounted for as commitments for operating costs (Note 1(o)), which are expensed in the comprehensive operating statement as they are incurred.

(r) Accounting for goods and services tax

Income, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case, the GST payable 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.

Commitments and contingent assets and liabilities are also stated inclusive of GST (Note 1(o) and 1(p)).

(s) Foreign currency

All foreign currency transactions during the financial year are brought to account using the exchange rate in effect at the date of the transaction. Foreign monetary items at reporting date are translated at the exchange rate existing at reporting date.

(t) Events after reporting date

Assets, liabilities, income or expenses arise from past transactions or other past events. Where the transactions result from an agreement between the Department and other parties, the transactions are only recognised when the agreement is irrevocable at or before balance date. Adjustments are made to amounts recognised in the financial statements for events 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 that are considered to be of material interest.

(u) Correction of prior year errors

(i) Property, plant and equipment

For the financial report for the year ended 30 June 2015, the Victorian Auditor - General's Office (VAGO) issued a disclaimer of opinion, partly due to asset balances. VAGO identified that the Department had not maintained proper accounts and records to support its property, plant and equipment balances.

In response, the Department has allocated dedicated resources to review the property, plant and equipment balances including undertaking a full asset revaluation (Note 1 (k)).

In addition, the review identified that corrections were required to the Department's property, plant and equipment work in progress balances, and the accounting treatment for trade training centres, plant and equipment, intangibles and non-financial assets classified as held for sale.

The Department has undertaken detailed analysis over the historical transactions that form part of the Department's property, plant and equipment, and non-financial assets classified as held for sale balances.

The analysis has been undertaken based on available transactions and supporting evidence. Where appropriate, judgements and estimates have been used to determine the corrections required to ensure the 30 June 2016 closing balances are fairly reported.

The work in progress balance corrections, for buildings, plant and equipment, and intangibles, specifically related to the requirement to capitalise completed assets from the work in progress account and the recognition of the associated depreciation expenditure. In addition, some of the work in progress balances have been deemed to be operating in nature and therefore have been expensed to the Operating Statement in the current year expenditure and to Equity (Accumulated Surplus/ (deficit)) in the Balance Sheet where it related to prior year expenditure.

The Department has identified that for the Trade Training Centre program, a Federal Government initiative project managed by schools, there was inconsistent accounting treatments for the:

- recognition of assets constructed in this program
- recognition of grant income by the schools
- determination of the control of assets, in some instances the funding passed through Government schools for assets that are situated on third party sites such as TAFEs or Catholic schools.

Based on analysis performed on the Trade Training Centre program that was delivered through 42 lead schools, it was determined that there were errors in the accounting for the program and financial statement adjustments are necessary.

The Department has identified that in the prior year not all non-financial assets classified as held for sale met the recognition requirements of AASB 5 Non-current Assets Held for Sale and Discontinued Operations. The Department has ensured these requirements have been met in the current financial year.

The Department has commenced implementation of significantly improved processes for the ongoing management of property, plant and equipment balances.

It is impracticable to restate the opening positions of the property, plant and equipment, and non-financial assets classified as held for sale balances, as well as any related balance (such as depreciation, reserves or accumulated surpluses). That is, opening position at 1 July 2014, and the comparative position as at 30 June 2015. Restatement is impracticable due to the following:

- many of the errors, in most instances, originally arose several years past
- there have been limitations in gathering supporting evidence, as it has not been available for aged transactions
- the volume of issues, and thereby corrections, is high at a transactional level.

Based on the work performed for Property, Plant and Equipment, it was determined that the net impact of the errors (corrected in the current year only) which require adjusting is as follows:

- decrease to intangible assets \$4.2 million (assets)
- decrease to property, plant and equipment of \$99.4 million (assets)
- increase to accumulated surplus/(deficit) of \$61.8 million (equity)

- decrease to asset revaluation reserve of \$165.4 million (equity).

All adjustments were processed against the opening balances of the current financial year, 1 July 2015.

(v) Reclassification of financial information

The Department has elected to reclassify some items in the financial statements for the year ended 30 June 2016 to appropriately reflect the nature of transactions. This has had an impact on the comparative information presented in the financial statements. The reclassification of comparative financial information is as followed:

(i) Motor vehicle sold under finance lease

The Department has reclassified the value of motor vehicle sold under finance lease from supplies and services to net gain/(loss) on non-financial assets.

The following 2015 comparative balances have been restated:

- decrease to supplies and services of \$2.5 million (expenses)
- decrease to net gain/(loss) on non-financial assets of \$2.5 million (other economic flows included in net result).

(ii) Conveyance and Education Maintenance Allowance payments

The Department has separated Education Maintenance Allowance payments and Conveyance payments in Note 4. The reclassification has no impact on the overall balance of expenses.

(iii) Other IT related expenses

The Department has reclassified other IT related expenses from other expenses in Note 4. The reclassification has no impact on the overall balance of expenses.

The following 2015 comparative balances have been restated:

- increase in other IT related expenses of \$105.6 million (expenses)
- decrease in other expenses of \$105.6 million (expenses).

(iv) Purchase of other non-financial assets

The Department has reclassified purchase of other non-financial assets to purchase of non-financial assets in the cash flow statements. The reclassification has no impact on the overall movement of cash flows from investing activities.

The following 2015 comparative balances have been restated:

- increase in purchase of non-financial assets of \$11.0 million (cash flows from investing activities)
- decrease in purchase of other non-financial assets of \$11.0 million (cash flows from investing activities)

(w) Australian Accounting Standards and interpretation issues that are not yet effective

Certain new Australian Accounting Standards and interpretations have been published that are not mandatory for the 30 June 2016 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 2016, the following Australian Accounting Standards have been issued by the AASB, but are not mandatory for financial year ending 30 June 2016. The Department has not, and does not intend to, adopt these standards early.

Standard/ Interpretation	Summary	Applicable for annual reporting periods beginning on	Impact on public sector entity financial statements
AASB 9 Financial Instruments	The key changes include the simplified requirements for the classification and measurement of financial assets, a new hedging accounting model and a revised impairment loss model to recognise impairment losses earlier, as opposed to the current approach that recognises impairment only when incurred.	1 January 2018	The assessment has identified that the financial impact of available for sale (AFS) assets will now be reported through other comprehensive income (OCI) and no longer recycled to the profit and loss. While the preliminary assessment has not identified any material impact arising from AASB 9, it will continue to be monitored and assessed.
AASB 2010–7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)	The requirements for classifying and measuring financial liabilities were added to AASB 9. The existing requirements for the classification of financial liabilities and the ability to use the fair value option have been retained. However, where the fair value option is used for financial liabilities the change in fair value is accounted for as follows: <ul style="list-style-type: none"> • The change in fair value attributable to changes in credit risk is presented in other comprehensive income (OCI); and • Other fair value changes are presented in profit and loss. If this approach creates or enlarges an accounting mismatch in the profit or loss, the effect of the changes in credit risk are also presented in profit or loss. 	1 January 2018	The assessment has identified that the amendments are likely to result in earlier recognition of impairment losses and at more regular intervals. Changes in own credit risk in respect of liabilities designated at fair value through profit and loss will now be presented within other comprehensive income (OCI). Hedge accounting will be more closely aligned with common risk management practices making it easier to have an effective hedge. For entities with significant lending activities, an overhaul of related systems and processes may be needed.
AASB 2014–1 Amendments to Australian Accounting Standards [Part E Financial Instruments]	Amends various AASs to reflect the AASB's decision to defer the mandatory application date of AASB 9 to annual reporting periods beginning on or after 1 January 2018 as a consequence of Chapter 6 Hedge Accounting, and to amend reduced disclosure requirements.	1 January 2018	This amending standard will defer the application period of AASB 9 to the 2018–19 reporting period in accordance with the transition requirements.
AASB 2014–7 Amendments to Australian Accounting Standards arising from AASB 9	Amends various AASs to incorporate the consequential amendments arising from the issuance of AASB 9.	1 January 2018	The assessment has indicated that there will be no significant impact for the public sector.

Standard/ Interpretation	Summary	Applicable for annual reporting periods beginning on	Impact on public sector entity financial statements
AASB 14 Regulatory Deferral Accounts ¹¹	AASB 14 permits first-time adopters of Australian Accounting Standards who conduct rate-regulated activities to continue to account for amounts related to rate regulation in accordance with their previous GAAP.	1 January 2016	The assessment has indicated that there is no expected impact, as those that conduct rate-regulated activities have already adopted Australian Accounting Standards.
AASB 15 Revenue from Contracts with Customers	The core principle of AASB 15 requires an entity to recognise revenue when the entity satisfies a performance obligation by transferring a promised good or service to a customer.	1 January 2018	<p>The changes in revenue recognition requirements in AASB 15 may result in changes to the timing and amount of revenue recorded in the financial statements. The Standard will also require additional disclosures on service revenue and contract modifications.</p> <p>A potential impact will be the upfront recognition of revenue from licences that cover multiple reporting periods. Revenue that was deferred and amortised over a period may now need to be recognised immediately as a transitional adjustment against the opening retained earnings if there are no former performance obligations outstanding.</p>
AASB 2014–5 Amendments to Australian Accounting Standards arising from AASB 15	<p>Amends the measurement of trade receivables and the recognition of dividends.</p> <p>Trade receivables that do not have a significant financing component, are to be measured at their transaction price, at initial recognition.</p> <p>Dividends are recognised in the profit and loss only when:</p> <ul style="list-style-type: none"> • the entity's right to receive payment of the dividend is established • it is probable that the economic benefits associated with the dividend will flow to the entity; and • the amount can be measured reliably. 	1 January 2017, except amendments to AASB 9 (December 2009) and AASB 9 (December 2010) apply from 1 January 2018.	The assessment has indicated that there will be no significant impact for the public sector.

¹¹ This Standard of Amendment may not be relevant to Victorian not-for-profit entities when operative.

Standard/ Interpretation	Summary	Applicable for annual reporting periods beginning on	Impact on public sector entity financial statements
AASB 2015–8 Amendments to Australian Accounting Standards— Effective Date of AASB 15	This Standard defers the mandatory effective date of AASB 15 from 1 January 2017 to 1 January 2018.	1 January 2018	This amending standard will defer the application period of AASB 15 to the 2018–19 reporting period in accordance with the transition requirements.
AASB 2016–3 Amendments to Australian Accounting Standards— Clarifications to AASB 15	<p>This Standard amends AASB 15 to clarify the requirements on identifying performance obligations, principal versus agent considerations and the timing of recognising revenue from granting a licence. The amendments require:</p> <ul style="list-style-type: none"> • A promise to transfer to a customer a good or service that is 'distinct' to be recognised as a separate performance obligation • for items purchased online, the entity is a principal if it obtains control of the good or service prior to transferring to the customer; and • for licences identified as being distinct from other goods or services in a contract, entities need to determine whether the licence transfers to the customer over time (right to use) or at a point in time (right to access). 	1 January 2018	The assessment has indicated that there will be no significant impact for the public sector, other than the impact identified in AASB 15.
AASB 16 Leases	The key changes introduced by AASB 16 include the recognition of most operating leases (which are currently not recognised) on balance sheet.	1 January 2019	<p>The assessment has indicated that as most operating leases will be recognised on the balance sheet.</p> <p>Depreciation of lease assets and interest on lease liabilities will be recognised in the income statement with marginal impact on the operating surplus.</p> <p>The amounts of cash paid for the principal portion of the lease liability will be presented within financing activities and the amounts paid for the interest portion will be presented within operating activities in the cash flow statement.</p> <p>No change for lessors.</p>

Standard/ Interpretation	Summary	Applicable for annual reporting periods beginning on	Impact on public sector entity financial statements
AASB 2014-4 Amendments to Australian Accounting Standards— Clarification of Acceptable Methods of Depreciation and Amortisation [AASB 116 & AASB 138]	<p>Amends AASB 116 <i>Property, Plant and Equipment</i> and AASB 138 <i>Intangible Assets</i> to:</p> <ul style="list-style-type: none"> • establish the principle for the basis of depreciation and amortisation as being the expected pattern of consumption of the future economic benefits of an asset • prohibit the use of revenue-based methods to calculate the depreciation or amortisation of an asset, tangible or intangible, because revenue generally reflects the pattern of economic benefits that are generated from operating the business, rather than the consumption through the use of the asset. 	1 January 2016	The assessment has indicated that there is no expected impact as the revenue-based method is not used for depreciation and amortisation.
AASB 2014-9 Amendments to Australian Accounting Standards—Equity Method in Separate Financial Statements [AASB 1, 127 & 128]	Amends AASB 127 <i>Separate Financial Statements</i> to allow entities to use the equity method of accounting for investments in subsidiaries, joint ventures and associates in their separate financial statements.	1 January 2016	The assessment indicates that there is no expected impact as the entity will continue to account for the investments in subsidiaries, joint ventures and associates using the cost method as mandated if separate financial statements are presented in accordance with FRD 113A.
AASB 2014- 10 Amendments to Australian Accounting Standards—Sale or Contribution of Assets between Investor and its Associate or Joint Venture [AASB 10 & AASB 128]	<p>AASB 2014-10 amends AASB 10 <i>Consolidated Financial Statements</i> and AASB 128 <i>Investments in Associates</i> to ensure consistent treatment in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require that:</p> <ul style="list-style-type: none"> • a full gain or loss to be recognised by the investor when a transaction involves a business (whether it is housed in a subsidiary or not); and • a partial gain or loss to be recognised by the parent when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. 	1 January 2016	The assessment has indicated that there is limited impact, as the revisions to AASB 10 and AASB 128 are guidance in nature.

Standard/ Interpretation	Summary	Applicable for annual reporting periods beginning on	Impact on public sector entity financial statements
AASB 2015-1 Amendments to Australian Accounting Standards— Annual Improvements to Australian Accounting Standards 2012– 2014 Cycle [AASB 1, AASB 2, AASB 3, AASB 5, AASB 7, AASB 11, AASB 110, AASB 119, AASB 121, AASB 133, AASB 134, AASB 137 & AASB 140]	Amends the methods of disposal in AASB 5 <i>Non-current Assets held for sale and discontinued operations</i> . Amends AASB 7 <i>Financial Instruments</i> by including further guidance on servicing contracts.	1 January 2016	The assessment has indicated that when an asset (or disposal group) is reclassified from 'held to sale' to 'held for distribution', or vice versa, the asset does not have to be reinstated in the financial statements. Entities will be required to disclose all types of continuing involvement the entity still has when transferring a financial asset to a third party under conditions which allow it to derecognise the asset.
AASB 2015-6 Amendments to Australian Accounting Standards— Extending Related Party Disclosures to Not-for-Profit Public Sector Entities [AASB 10, AASB 124 & AASB 1049]	The Amendments extend the scope of AASB 124 <i>Related Party Disclosures to Not-for-Profit Public Sector Entities</i> . A guidance has been included to assist the application of the Standard by not-for-profit public sector entities.	1 January 2016	The amending standard will result in extended disclosures on the entity's key management personnel (KMP), and the related party transactions.
AASB 2016-4 Amendments to Australian Accounting Standards— Recoverable Amount of Non- Cash-Generating Specialised Assets of Not-for- Profit Entities	The standard amends AASB 136 <i>Impairment of Assets</i> to remove references to using depreciated replacement cost (DRC) as a measure of value in use for not-for-profit entities.	1 January 2017	The assessment has indicated that there is minimal impact. Given the specialised nature and restrictions of public sector assets, the existing use is presumed to be the highest and best use (HBU), hence current replacement cost under AASB 13 <i>Fair Value Measurement</i> is the same as the depreciated replacement cost concept under AASB 136.

In addition to the new standards and amendments above, the AASB has issued a list of other amending standards that are not effective for the 2015-16 reporting period (as listed below). In general, these amending standards include editorial and references changes that are expected to have insignificant impacts on public sector reporting.

AASB 1056 *Superannuation Entities*

AASB 1057 *Application of Australian Accounting Standards*

AASB 2014–1 *Amendments to Australian Accounting Standards [PART D—Consequential Amendments arising from AASB 14 Regulatory Deferral Accounts only]*¹

AASB 2014–3 *Amendments to Australian Accounting Standards—Accounting for Acquisitions of Interests in Joint Operations* [AASB 1 & AASB 11]

AASB 2014–6 *Amendments to Australian Accounting Standards—Agriculture: Bearer Plants* [AASB 101, AASB 116, AASB 117, AASB 123, AASB 136, AASB 140 & AASB 141]

AASB 2015–2 *Amendments to Australian Accounting Standards—Disclosure Initiative: Amendments to AASB 101* [AASB 7, AASB 101, AASB 134 & AASB 1049]

AASB 2015–5 *Amendments to Australian Accounting Standards—Investment Entities: Applying the Consolidation Exception* [AASB 10, AASB 12, AASB 128]¹

AASB 2015–9 *Amendments to Australian Accounting Standards—Scope and Application Paragraphs* [AASB 8, AASB 133 & AASB 1057]

AASB 2015–10 *Amendments to Australian Accounting Standards—Effective Date of Amendments to AASB 10 and AASB 128*

AASB 2016–1 *Amendments to Australian Accounting Standards—Recognition of Deferred Tax Assets for Unrealised Losses* [AASB 112]

AASB 2016–2 *Amendments to Australian Accounting Standards—Disclosure Initiative: Amendments to AASB 107*

¹ This Standard or Amendment may not be relevant to Victorian not-for-profit entities when operative.

Note 2 Departmental (controlled) outputs

A description of departmental outputs performed during the year ended 30 June 2016, and the objectives of these outputs, are summarised below.

(a) Strategy, Review and Regulation

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

(b) Early Childhood Development

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

(c) School Education

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

School Education—primary

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

School Education—secondary

This output involves provision of education and other associated services designed to improve the quality of student learning and transition of students in Year 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.

(d) Higher Education and Skills

The higher education and skills output supports Victorians to gain the skills and capabilities essential for a rewarding life and helps create a globally competitive workforce. This output includes the functions of system design, market facilitation, consumer information, contracting and monitoring of vocational education and training services. It also involves the development and implementation of effective strategies for accredited and pre-accredited vocational education and training through adult community education. This output group contributes towards providing and improving services to support all the Department's objectives of achievement, engagement, wellbeing and productivity.

(e) Support Services Delivery

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

(f) Support for Students with Disabilities

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

Table 1—Departmental outputs schedule—controlled income and expenses for the year ended 30 June 2016

	Strategy, Review and Regulation	Early Childhood Develop- ment	School Education	Higher Education and Skills	Support Services Delivery	Support for Students with Disabilities	Depart- mental total
	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Income from transactions							
Output appropriations	84.6	532.9	7,774.1	1,578.8	342.3	859.3	11,172.0
Special appropriations	-	1.1	20.9	-	-	-	22.0
Interest	-	-	17.2	-	-	-	17.2
Grants	0.4	0.4	22.4	0.2	-	-	23.4
Sales of goods and services	1.7	0.1	206.6	0.3	-	0.9	209.6
Other income	1.4	-	524.4	0.2	0.6	0.1	526.7
Total income from transactions	88.1	534.5	8,565.6	1,579.5	342.9	860.3	11,970.9
Expenses from transactions							
Employee expenses	(44.6)	(42.3)	(4,841.5)	(38.1)	(160.3)	(691.0)	(5,817.9)
Depreciation and amortisation	(4.9)	(4.0)	(284.8)	(3.1)	(1.4)	(12.4)	(310.5)
Interest expenses	-	-	(14.3)	-	-	-	(14.3)
Grants and other expense transfers	(14.1)	(19.5)	(677.3)	(618.1)	(130.9)	(6.5)	(1,466.4)
Capital asset charge	(0.4)	(2.4)	(1,029.3)	(216.5)	(0.1)	(42.9)	(1,291.7)
Supplies and services	(23.8)	(465.7)	(1,400.1)	(652.6)	(42.2)	(92.8)	(2,677.3)
Other operating expenses	(0.3)	(0.5)	(131.8)	(6.7)	(8.1)	(14.7)	(162.0)
Total expenses from transactions	88.1	534.5	8,379.1	1,535.1	342.9	860.3	11,740.0
Net result from transactions (net operating balance)	0.0	0.0	186.5	44.4	0.0	0.0	230.9
Other economic flows included in net result							
Net gain/(loss) on non-financial assets	0.0	0.0	0.1	0.0	0.0	0.0	0.1
Net gain/(loss) on financial instruments	-	-	(14.8)	(2.6)	-	-	(17.4)
Other gains/(losses) from other economic flows	(0.2)	(0.2)	(25.9)	(0.2)	(0.9)	(3.7)	(31.1)
Total other economic flows included in net result	(0.2)	(0.2)	(40.6)	(2.8)	(0.9)	(3.7)	(48.4)
Net result	(0.2)	(0.2)	145.9	41.6	(0.9)	(3.6)	182.5
Other economic flows—other comprehensive income							
Changes in physical asset revaluation surplus	-	-	2,744.5	-	1.1	272.7	3,018.4
Total other economic flows—other comprehensive income	-	-	2,744.5	-	1.1	272.7	3,018.4
Comprehensive result	(0.2)	(0.2)	2,890.4	41.6	0.2	269.1	3,200.9

Table 2—Departmental outputs schedule—controlled assets and liabilities as at 30 June 2016

	Strategy, Review and Regulation	Early Childhood Develop- ment	School Education	Higher Education and Skills	Support Services Delivery	Support for Students with Disabilities	Depart- mental total
Assets and Liabilities	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Assets							
Financial assets	17.4	76.0	2,315.9	223.3	96.6	239.7	2,969.0
Non-financial assets	12.7	75.1	17,976.9	6.7	125.7	1,789.4	19,986.5
Total assets	30.1	151.1	20,292.8	230.0	222.3	2,029.1	22,955.5
Liabilities							
Liabilities	14.3	22.8	1,789.5	43.5	63.2	233.7	2,166.9
Total liabilities	14.3	22.8	1,789.5	43.5	63.2	233.7	2,166.9
Net assets/(liabilities)	15.9	128.3	18,503.3	186.5	159.2	1,795.5	20,788.6

Table 3—Departmental outputs schedule—controlled income and expenses for the year ended 30 June 2015

	Strategy, Review and Regulation	Early Childhood Develop- ment	School Education	Higher Education and Skills	Support Services Delivery	Support for Students with Disabilitie s	Depart- mental total
	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Income from transactions							
Output appropriations	83.5	509.4	7,340.3	1,659.7	273.7	816.7	10,683.3
Special appropriations	-	-	0.2	-	-	-	0.2
Interest	-	-	19.9	-	-	-	19.9
Grants	0.4	0.3	18.4	0.6	-	-	19.7
Sales of goods and services	1.6	0.1	211.6	0.3	-	0.7	214.4
Other income	0.9	-	519.4	0.1	2.7	0.1	523.3
Total income from transactions	86.4	509.8	8,109.8	1,660.7	276.4	817.5	11,460.7
Expenses from transactions							
Employee expenses	(41.3)	(45.6)	(4,540.5)	(34.0)	(175.2)	(641.0)	(5,477.5)
Depreciation and amortisation	(4.6)	(4.0)	(290.1)	(3.1)	(1.3)	(13.5)	(316.7)
Interest expenses	-	-	(14.2)	-	-	-	(14.2)
Grants and other expense transfers	(15.5)	(8.8)	(769.3)	(525.5)	(48.9)	(6.3)	(1,374.2)
Capital asset charge	(0.4)	(2.4)	(1,021.7)	(216.5)	(0.1)	(46.0)	(1,287.1)
Supplies and services	(24.3)	(448.4)	(1,284.0)	(793.7)	(42.7)	(94.7)	(2,687.9)
Other operating expenses	(0.2)	(0.6)	(94.6)	(3.7)	(8.0)	(15.6)	(122.6)
Total expenses from transactions	(86.3)	(509.8)	(8,014.3)	(1,576.6)	(276.2)	(817.1)	(11,280.3)
Net result from transactions (net operating balance)	0.1	0.0	95.5	84.1	0.2	0.4	180.5
Other economic flows included in net result							
Net gain/(loss) on non-financial assets	0.0	0.1	17.9	0.0	0.2	2.0	20.3
Net gain/(loss) on financial instruments	-	-	(7.7)	-	-	-	(7.7)
Other gains/(losses) from other economic flows	(0.3)	(0.3)	(28.4)	(0.2)	(1.1)	(4.0)	(34.2)
Total other economic flows included in net result	(0.2)	(0.2)	(18.2)	(0.2)	(0.9)	(2.0)	(21.7)
Net result	(0.1)	(0.1)	77.3	83.9	(0.7)	(1.6)	158.8
Other economic flows—other comprehensive income							
Changes in physical asset revaluation surplus	-	-	578.0	-	3.4	234.1	815.5
Total other economic flows—other comprehensive income	-	-	578.0	-	3.4	234.1	815.5
Comprehensive result	(0.1)	(0.1)	655.3	83.9	2.7	232.5	974.3

Table 4—Departmental outputs schedule—controlled assets and liabilities as at 30 June 2015

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

Note 3 Administered (non-controlled) items

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

	Departmental total	
	2016 \$m	2015 \$m
Administered income from transactions		
<i>Commonwealth on-passing to non-government schools</i>		
General recurrent grants	2,777.7	2,632.7
Other	51.9	49.7
Prizes and scholarships	0.3	0.3
Other income	29.5	4.1
Amounts received via Consolidated Fund	98.4	-
Total administered income from transactions	2,957.7	2,686.8
Administered expenses from transactions		
<i>Commonwealth on-passing to non-government schools</i>		
General recurrent grants	(2,777.7)	(2,632.7)
Other	(51.9)	(49.7)
Prizes and scholarships	(0.4)	(0.9)
Amounts paid to Consolidated Fund	-	(52.3)
Other	(0.8)	(0.8)
Total administered expenses from transactions	(2,830.7)	(2,736.5)
Total administered net result from transactions (net operating balance)	126.9	(49.7)
Administered other economic flows included in the administered net result		
Net gain/(loss) on non-financial assets	(124.1)	54.3
Total administered other economic flows	(124.1)	54.3
Administered net result	2.9	4.7
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	2.9	4.7
Administered financial assets		
Receivables	13.5	10.5
Investments	1.3	1.5
Total administered financial assets	14.9	12.0
Administered non-financial assets		
Property, plant and equipment	-	8.3
Total administered non-financial assets	-	8.3
Total administered assets	14.9	20.3
Administered liabilities		
Total administered liabilities	-	-
Total administered net assets	14.9	20.3

Note 4 Net result from transactions (net operating balance)

	2016 \$m	2015 \$m
Income from transactions		
(a) Grants		
Commonwealth	18.8	15.7
Other public bodies	4.7	4.1
Total grants	23.4	19.7
(b) Sales of goods and services		
Schools revenue – including sales of classroom material, before and after school care, and other trading operations	141.7	160.9
Provision of services	68.0	53.4
Total sales of goods and services	209.6	214.4
(c) Other income		
Schools revenue – including parents' voluntary contributions and other locally raised funds	512.3	510.1
Other revenue	14.4	13.2
Total other income	526.7	523.3
Expenses from transactions		
(d) Employee expenses		
Salaries and wages—departmental employees	4,499.7	4,226.0
Salaries and wages—staff employed by school councils	231.3	226.2
Superannuation	473.2	451.9
Annual leave and long service leave expense	298.7	276.3
Other on-costs (fringe benefits tax, payroll tax and WorkCover levy)	315.1	297.1
Total employee expenses	5,817.9	5,477.5
(e) Depreciation and amortisation		
Depreciation		
Buildings	248.6	238.2
Heritage buildings	2.6	2.5
Leasehold buildings	3.2	3.2
Leasehold improvements	1.3	0.2
Plant and equipment	39.1	52.3
	294.8	296.4
Amortisation		
Software	15.7	20.3
	15.7	20.3
Total depreciation and amortisation	310.5	316.7

	2016 \$m	2015 \$m
(f) Grants and other expense transfers		
Grants to Victorian Curriculum and Assessment Authority	49.9	47.3
Grants to Victorian Registration and Qualifications Authority	12.2	9.1
Grants to Technical and Further Education	548.5	495.7
Grants to Adult, Community and Further Education Board	29.0	25.4
Grants to non-government schools	661.5	669.3
Grants to external organisations	129.2	95.0
Education Maintenance Allowance payments	0.0	10.9
Camps Sports and Excursions Fund payments	15.9	-
Conveyance payments	20.1	21.5
Total grants and other expense transfers	1,466.4	1,374.2
(g) Supplies and services		
Administration	273.3	243.4
Maintenance	252.5	240.2
School requisites	945.0	886.2
Service agreement payments	1,072.8	1,186.2
Student transport	68.1	67.4
Rental expense relating to operating leases—Minimum lease payments	65.5	64.5
Total supplies and services	2,677.3	2,687.9
(h) Other operating expenses		
Fair value of assets and services provided free of charge or for nominal consideration		
Rent provided free of charge—Victorian Curriculum and Assessment Authority	2.3	2.3
Rent provided free of charge—Victorian Registration and Qualifications Authority	0.5	0.5
Total fair value of assets and services provided free of charge or for nominal consideration	2.9	2.8
Victorian Auditor-General's Office audit fees		
Audit of the financial statements	0.8	0.6
Total audit fees	0.8	0.6
Ex-gratia expenses	—	—
Teachers notebook program reimbursement	37.2	—
Other expenses	15.5	13.7
Other IT related expenses	105.6	105.6
Total other operating expenses	162.0	122.6

Note 5 Other economic flows included in net result

	2016 \$m	2015 \$m
(a) Net gain/(loss) on non-financial assets		
Net gain/(loss) on disposals of non-financial assets	0.1	0.7
Assets previously not recognised	-	22.0
Impairment of non-financial assets	-	(2.4)
Total net gain/(loss) on non-financial assets	0.1	20.3
(b) Net gain/(loss) on financial instruments		
Impairment of loans and receivables	(17.4)	(7.7)
Total net gain/(loss) on financial instruments	(17.4)	(7.7)
(c) Other gains/(losses) from other economic flows		
Net gain/(loss) arising from revaluation of long service leave liability	(31.1)	(34.2)
Total other gains/(losses) from other economic flows	(31.1)	(34.2)

Note 6 Summary of compliance with annual parliamentary and special appropriations

(a) Summary of compliance with annual parliamentary appropriations

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

Appropriation Act			Financial Management Act 1994					Total parliamentary authority	Appropriations applied	Variance ¹
Annual appropriation	Advance from Treasurer	Section 3(2)	Section 29	Section 30	Section 32	Section 35 advances				
\$m	\$m	\$m	\$m	\$m	\$m	\$m				
2016 Controlled										
Provision for outputs	10,840.3	212.0	–	493.0	4.0	325.1	–	11,874.4	11,172.0	702.4
Additions to net assets	–	–	–	25.5	(4.0)	–	–	21.5	3.5	18.0
Total	10,840.3	212.0	–	518.5	–	325.1	–	11,895.8	11,175.4	720.4
Annual appropriation	Advance from Treasurer	Section 3(2)	Section 29	Section 30	Section 32	Section 35 advances	Total parliamentary authority	Appropriations applied	Variance ²	
\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	
2015 Controlled										
Provision for outputs	10,211.9	182.3	–	482.9	–	229.2	41.3	11,147.6	10,683.3	464.3
Additions to net assets	–	–	–	145.6	–	10.2	–	155.8	155.8	–
Total	10,211.9	182.3	–	628.6	–	239.4	41.3	11,303.5	10,839.1	464.3

¹ The provision of outputs variance of \$702.4 million primarily reflects a \$246.0 million carryover of provisions of outputs appropriation related to initiatives including Non-Government schools and early childhood grants of \$40.0 million, Schools infrastructure including maintenance related projects of \$37.8 million, reform activities of \$29.9 million, IT systems licencing and maintenance payments of \$22.5 million, TAFE Structural Adjustment Fund of \$17.9 million, Early childhood and education programs of \$14.2 million, and other Departmental programs of \$83.6 million. In addition, savings of \$91.3 million and lapsed prior year's appropriation and carryover, Treasurer Advance and VTG funding totalling \$365.1 million also contribute to the variance.

The additions to net assets variance of \$18.0 million reflects the carryover of the Commonwealth funding for the Trade Training Centre initiative.

² The provision of outputs variance of \$464.3 million primarily reflects the carryover of provisions of outputs appropriation related to initiatives including Victoria Training Guarantee of \$134.1 million and grant payments to non-government schools of \$25.7 million and the rollout of maintenance funding to schools following the condition assessment process of \$24.0 million. The appropriation rephasing and lapsed Treasurer Advance and the section 35 advance totalling \$79.8 million also contribute to the variance.

(b) Summary of compliance with special appropriations

Authority controlled	Purpose	Appropriations applied	
		2016 \$m	2015 \$m
Section 5.6.8 of the <i>Education and Training Reform Act 2006</i>	Volunteers workers' compensation	0.3	0.2
Section 10 of the <i>Financial Management Act 1994</i>	Digital Education Revolution	20.6	-
Section 10 of the <i>Financial Management Act 1994</i>	Occasional Care	1.1	-
Total		22.0	0.2

Note 7 Cash and deposits/other financial assets

	2016 \$m	2015 \$m
Cash and deposits		
Amounts held by schools ¹	497.8	557.8
Bank accounts held in trust	196.9	152.2
Other bank accounts	8.6	5.2
Total cash and deposits (a)	703.3	715.3
Other financial assets held by schools¹ (b)	274.9	132.5

¹ Due to limitation of available information, the value of instruments from schools with 0-3-month maturity as at June 2015 was apportioned to *Cash and Deposits*, from *Other Financial Assets*, based on estimates.

(a) Cash at bank

Amounts held by schools at the end of the financial year disclosed as 'Cash and deposits' include bank accounts and short-term deposits with a maturity of less than three months.

Due to the State of Victoria's investment policy and government funding arrangements, the Department generally does not hold a large cash reserve in its bank accounts. The Departmental operating bank accounts hold funds on behalf of trusts and for working accounts (Note 26).

Cash received by the Department from the generation of income is generally paid into the State's bank account, known as the Public Account. Similarly, any Departmental expenditure, including those payments for goods and services to its suppliers and creditors, are made via the Public Account. The process is such that, the Public Account would remit to the Department the cash required to cover its transactions. This remittance by the Public Account occurs upon the electronic transfer of funds and the presentation of the cheques by the Department's suppliers or creditors.

(b) Other financial assets

Amounts held by schools with a maturity of three months or more are disclosed as 'Other financial assets'.

Note 8 Receivables

	2016 \$m	2015 \$m
Current Receivables		
Statutory		
Amounts owing from Victorian Government ¹	1,627.0	1,434.0
GST receivables	64.3	41.8
Total	1,691.3	1,475.8
Contractual		
Other debtors ^{2,3}	52.5	30.6
Loan receivables	4.9	12.3
Total	57.4	43.0
Allowance for doubtful debts ²	(32.0)	(14.6)
Total current receivables	1,716.8	1,504.2
Non-current receivables		
Statutory		
Amounts owing from Victorian Government ¹	213.5	190.1
Contractual		
Loan receivables	60.5	31.6
Total non-current receivables	274.0	221.7

	2016 \$m	2015 \$m
Aggregate carrying number of receivables		
Current	1,716.8	1,504.2
Non-current	274.0	221.7
Total aggregate carrying number of receivables	1,990.8	1,725.9

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.

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

(a) Movement in the allowance for doubtful debts

	2016 \$m	2015 \$m
Balance at beginning of the year	(14.6)	(5.2)
Reversal of unused provision recognised in the net result	2.3	0.9
Increase in provision recognised in the net result	(19.7)	(10.6)
Reversal of provision of receivables written off during the year as uncollectable	0.1	0.2
Balance at end of the year	(32.0)	(14.6)

(b) Ageing analysis of contractual receivables

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

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

See Note 17 for the ageing analysis of contractual receivables.

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

(a) Non-financial physical assets classified as held for sale

	2016 \$m	2015 \$m
Non-current assets		
Land	7.1	107.5
Buildings	0.4	0.0
Plant and equipment	0.2	0.4
Total non-financial physical assets classified as held for sale	7.8	107.9

(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 2016 \$m	Fair value measurement at end of reporting period using: ¹		
		Level 1 \$m	Level 2 \$m	Level 3 \$m
Land	7.1	-	-	7.1
Buildings	0.4	-	-	0.4
Plant and equipment	0.2	-	-	0.2
Total	7.8	-	-	7.8

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

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

Note 10 Intangible assets

2016	Note	Software at cost \$m	Software work in progress \$m	Total \$m
Opening balance		110.9	38.5	149.4
Prior year adjustments		11.8	(11.6)	0.2
Additions		0.6	21.2	21.8
Disposals		(0.4)	-	(0.4)
Impairment		-	-	-
Transfer to completed assets		16.6	(16.6)	-
Closing balance		139.6	31.5	171.1
Accumulated Amortisation				
Opening balance		(83.7)	-	(83.7)
Prior year amortisation adjustments		(4.2)	-	(4.2)
Amortisation expense	4(e)	(15.7)	-	(15.7)
Write back due to disposals		0.3	-	0.3
Closing balance		(103.3)	-	(103.3)
Net book value at end of financial year		36.2	31.5	67.7

2015	Note	Software at cost \$m	Software work in progress \$m	Total \$m
Opening balance		92.6	34.7	127.3
Additions		0.6	24.3	24.9
Disposals		(0.4)	-	(0.4)
Impairment ¹		-	(2.4)	(2.4)
Transfer to completed assets		18.1	(18.1)	-
Closing balance		110.9	38.5	149.4
Accumulated Amortisation				
Opening balance		(63.8)	-	(63.8)
Amortisation expense	4(e)	(20.3)	-	(20.3)
Write back due to disposals		0.3	-	0.3
Closing balance		(83.7)	-	(83.7)
Net book value at end of financial year		27.2	38.5	65.7

¹ Impairment losses are included in the line item 'net gain/(loss) on non-financial assets' in the comprehensive operating statement. The annual impairment review performed by the Department on intangible assets for 2015 resulted in an impairment of the Enterprise online assessment system following a determination to not implement this system.

Note 11 Property, plant and equipment—Education purpose group¹

	2016 \$m	2015 \$m
Land		
At fair value ²	9,367.6	7,895.7
Buildings		
At fair value	10,014.0	8,756.9
Less accumulated depreciation	-	(490.1)
Total buildings	10,014.0	8,266.8
Heritage Buildings		
At fair value	104.1	63.1
Less accumulated depreciation	-	(5.0)
Total heritage buildings	104.1	58.1
Leasehold buildings		
Leasehold buildings - at fair value	145.0	205.7
Less accumulated depreciation	-	(14.7)
Total leasehold buildings	145.0	191.0
Leasehold improvements		
Leasehold improvements - at fair value	10.1	2.1
Less accumulated depreciation	(6.4)	(1.6)
Total leasehold improvements	3.7	0.5
Plant and equipment		
At fair value	563.1	759.0
Less accumulated depreciation	(489.9)	(661.2)
	73.2	97.8
Plant and equipment under finance lease	18.9	17.3
Less accumulated depreciation	(7.6)	(6.2)
	11.3	11.1
Total plant and equipment	84.5	109.0
Work in progress		
Buildings at cost	148.2	266.9
Plant and equipment at cost	2.8	42.1
Total work in progress	150.9	309.0
Total property, plant and equipment	19,869.9	16,830.2

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 In accordance with FRD 103F the Department conducts fair value assessments based upon the cumulative indices supplied by the Valuer-General since the last formal revaluation. Where fair value assessments indicate that the changes in valuations are greater than 10 per cent and less than 40 per cent, a management valuation is to be undertaken. As part of the fair value assessment of land for the year ended 30 June 2015, land indices were applied to land parcels which resulted in a material movement in the fair value of 12%. A managerial revaluation of \$852.9 million was recognised.

(a) Independent valuation of land and buildings

An interim independent revaluation of Department land and building assets was conducted by the Valuer-General Victoria (VGV) for the financial year ending 30 June 2016. The revaluation was conducted in accordance with policy set out in Note 1(k). A full revaluation normally occurs every five years, with the next scheduled revaluation to occur in 2018.

(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 on the following page:

2016	Land \$m	Buildings \$m	Heritage Buildings \$m	Leasehold buildings \$m	Leasehold improvements \$m	Plant and equipment \$m	Work in progress \$m	Total \$m
Opening balance	7,895.7	8,266.8	58.1	191.0	0.5	109.0	309.0	16,830.2
Prior year adjustments	(32.6)	79.4	-	-	4.3	3.5	(142.0)	(87.5)
Additions	2.5	0.3	-	-	0.1	21.9	260.1	284.9
Fair value of assets received free of charge or for nominal considerations	0.1	-	-	-	-	-	-	0.1
Transfers to completed assets	-	273.3	-	-	0.1	2.7	(276.1)	0.0
Disposals	(4.8)	(18.1)	-	-	-	(13.5)	-	(36.4)
Disposal identified through revaluation	(0.4)	(110.1)	-	-	-	-	-	(110.4)
Additions identified through revaluation	255.7	176.3	-	-	-	-	-	432.0
Revaluation increments/(decrements)	1,151.1	1,595.1	48.7	(42.8)	0.0	-	-	2,752.1
Impairment	-	-	-	-	-	-	-	-
Transfer (to)/from assets held for sale	100.2	(0.6)	-	-	-	0.1	-	99.8
Depreciation	-	(248.6)	(2.6)	(3.2)	(1.3)	(39.1)	-	(294.8)
Closing balance	9,367.6	10,014.0	104.1	145.0	3.7	84.5	150.9	19,869.9

2015	Land \$m	Buildings \$m	Heritage Buildings \$m	Leasehold buildings \$m	Leasehold improvements \$m	Plant and equipment \$m	Work in progress \$m	Total \$m
Opening balance	7,098.9	8,309.7	60.6	194.2	0.7	132.9	347.0	16,144.0
Additions	5.8	0.5	-	-	0.0	30.6	219.6	256.6
Assets previously not recognised	20.8	1.1	-	-	-	-	-	22.0
Transfers to completed assets	-	256.2	-	-	-	1.3	(257.5)	-
Disposals	(68.2)	(22.5)	-	-	-	(3.4)	-	(94.0)
Revaluation increments/(decrements)	855.5	-	-	-	-	-	-	855.5
Impairment ¹	-	(40.0)	-	-	-	-	-	(40.0)
Transfer (to)/from assets held for sale	(17.1)	-	-	-	-	(0.3)	-	(17.3)
Depreciation	-	(238.2)	(2.5)	(3.2)	(0.2)	(52.3)	-	(296.4)
Closing balance	7,895.7	8,266.8	58.1	191.0	0.5	109.0	309.0	16,830.2

¹ The change in accounting policy to the fair value measurement of closed school buildings on surplus land resulted in the impairment of school buildings of \$40.0 million in 2015. For closed school buildings on surplus land, the highest and best use is to demolish the buildings and sell the land as a vacant site. On this basis, the recoverable amount of closed school buildings is zero as there are no future economic benefits associated with the buildings.

Tables 5 to 8 provide the fair value measurement hierarchy of the Department's property, plant and equipment.

Table 5—Fair value measurement hierarchy for assets as at 30 June 2016

2016	Carrying amount as at 30 June 2016 \$m	Fair value measurement at end of reporting period using:		
		Level 1 ¹ \$m	Level 2 ¹ \$m	Level 3 ¹ \$m
Land at fair value				
Land	9,367.6	—	—	9,367.6
Total land at fair value	9,367.6	—	—	9,367.6
Buildings at fair value				
Buildings	10,014.0	—	—	10,014.0
Total of buildings at fair value	10,014.0	—	—	10,014.0
Heritage buildings at fair value				
Heritage Buildings	104.1	—	—	104.1
Total of heritage buildings at fair value	104.1	—	—	104.1
Leasehold buildings at fair value				
Leasehold buildings	145.0	—	—	145.0
Total of leasehold buildings at fair value	145.0	—	—	145.0
Leasehold improvements at fair value				
Leasehold improvements	3.7	—	—	3.7
Total of leasehold improvements at fair value	3.7	—	—	3.7
Plant and equipment at fair value				
Plant and equipment	84.5	—	11.3	73.2
Total of plant and equipment at fair value	84.5	—	11.3	73.2

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

Table 6—Reconciliation of Level 3 fair value 30 June 2016

2016	Land \$m	Buildings \$m	Heritage buildings \$m	Leasehold buildings \$m	Leasehold improvements \$m	Plant and equipment \$m
Opening balance	7,895.7	8,266.8	58.1	191.0	0.5	97.8
Prior year adjustments	(32.6)	79.4	—	—	4.3	3.5
Purchases (sales)	(2.2)	(17.8)	—	—	0.1	5.0
Assets previously not recognised	—	—	—	—	—	—
Transfers to completed assets	—	273.3	—	—	0.1	2.7
Transfer (to)/from assets held for sale	100.2	(0.6)	—	—	—	—
Depreciation	—	(248.6)	(2.6)	(3.2)	(1.3)	(35.7)
Impairment loss	—	—	—	—	—	—
Disposals identified through revaluation	(0.4)	(110.1)	—	—	—	—
Additions identified through revaluation	255.7	176.3	—	—	—	—
Revaluation	1,151.1	1,595.1	48.7	(42.8)	0.0	—
Closing balance	9,367.6	10,014.0	104.1	145.0	3.7	73.2

Table 7—Fair value measurement hierarchy for assets as at 30 June 2015

2015	Carrying amount as at 30 June 2015 \$m	Fair value measurement at end of reporting period using:		
		Level 1 ¹ \$m	Level 2 ¹ \$m	Level 3 ¹ \$m
Land at fair value				
Land	7,895.7	–	–	7,895.7
Total land at fair value	7,895.7	–	–	7,895.7
Buildings at fair value				
Buildings	8,266.8	–	–	8,266.8
Total of buildings at fair value	8,266.8	–	–	8,266.8
Heritage buildings at fair value				
Heritage buildings	58.1	–	–	58.1
Total of heritage buildings at fair value	58.1	–	–	58.1
Leasehold buildings at fair value				
Leasehold buildings	191.0	–	–	191.0
Total of leasehold buildings at fair value	191.0	–	–	191.0
Leasehold improvements at fair value				
Leasehold improvements	0.5	–	–	0.5
Total of leasehold improvements at fair value	0.5	–	–	0.5
Plant and equipment at fair value				
Plant and equipment	109.0	–	11.1	97.8
Total of plant and equipment at fair value	109.0	–	11.1	97.8

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

Table 8—Reconciliation of Level 3 fair value 30 June 2015

2015	Land \$m	Buildings \$m	Heritage buildings \$m	Leasehold buildings \$m	Leasehold improvements \$m	Plant and equipment \$m
Opening balance	7,098.9	8,309.7	60.6	194.2	0.7	121.1
Purchases (sales)	(62.4)	(22.0)	—	—	0.0	24.5
Assets previously not recognised	20.8	1.1	—	—	—	—
Transfers to completed assets	—	256.2	—	—	—	1.3
Transfer (to)/from assets held for sale	(17.1)	—	—	—	—	—
Depreciation	—	(238.2)	(2.5)	(3.2)	(0.2)	(49.1)
Impairment loss	—	(40.0)	—	—	—	—
Revaluation	855.5	—	—	—	—	—
Closing balance	7,895.7	8,266.8	58.1	191.0	0.5	97.8

Table 9—Description of significant unobservable inputs to Level 3 valuations

2016 and 2015	Valuation technique	Significant unobservable inputs
Land	Market approach	Community Service Obligation (CSO)
Buildings	Depreciation replacement cost	Direct cost per square metre Useful life of specialised buildings
Heritage buildings	Reproduction cost	Direct cost per square metre Useful life of heritage buildings
Leasehold buildings	Depreciation replacement cost	Direct cost per square metre Useful life of leasehold buildings
Leasehold improvements	Depreciation replacement cost	Direct cost per square metre Useful life of leasehold buildings
Plant and equipment	Depreciation replacement cost	Cost per unit Useful life of plant and equipment

The significant unobservable inputs have remained unchanged from 2015.

Note 12 Payables

	2016 \$m	2015 \$m
Current payables		
Contractual		
Salaries, wages and on-costs	97.9	66.4
Accrued grants and transfer payments	43.9	38.8
Other accruals	8.7	7.4
Schools creditors	12.1	10.8
Capital expenditure	41.0	13.0
Operating expenditure	190.1	159.6
Total	393.8	296.1
Statutory		
Taxes payable	23.7	23.9
Advance payable to Public Account	43.9	22.4
Total	67.6	46.3
Total current payables	461.4	342.4
Total payables	461.4	342.4

(a) Maturity analysis of contractual payables

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

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

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

Note 13 Borrowings

	2016 \$m	2015 \$m
Current borrowings		
Finance lease liabilities¹		
PPP related finance lease liabilities	15.2	15.2
Motor vehicles related finance lease liabilities	4.0	3.7
Advance from Public Account ²	7.4	14.4
Other current ³	1.6	-
Total current borrowings	28.2	33.3
Non-current borrowings		
Finance lease liabilities		
PPP related finance lease liabilities	160.1	164.5
Motor vehicles related finance lease liabilities	4.6	4.2
Advance from Public Account ²	48.3	41.7
Other non-current ³	8.4	11.5
Total non-current borrowings	221.4	221.8
Total Borrowings	249.6	255.1

1 Secured by the assets leased. Finance leases are effectively secured as the rights to the leased assets revert to the lessor in the event of default. Refer to Note 18 Leases for further information on finance lease liabilities.

2 These are unsecured loans which bear no interest. The terms of the loans are generally agreed by the Treasurer at the time the advance was provided.

3 Other borrowings are made up of co-operative loans. Due to limitation of available information, the split between current and non-current other borrowings was not available in 2015.

(a) Maturity analysis of borrowings

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

(b) Nature and extent of risk arising from borrowings

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

(c) Defaults and breaches

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

Note 14 Provisions

	Note	2016 \$m	2015 \$m
Current provisions			
Employee benefits¹—annual leave			
Unconditional and expected to be settled within 12 months		77.7	75.6
Unconditional and expected to be settled after 12 months		10.1	9.7
Employee benefits¹—long service leave			
Unconditional and expected to be settled within 12 months		141.6	125.1
Unconditional and expected to be settled after 12 months		809.6	761.7
Employee benefits¹—other			
Unconditional and expected to be settled within 12 months		3.3	2.5
Total	14(a)	1,042.2	974.6
Provisions related to employee benefit on-costs			
Unconditional and expected to be settled within 12 months		33.4	33.2
Unconditional and expected to be settled after 12 months		134.4	132.5
Total	14(a)	167.8	165.6
Make good ²	14(b)	0.3	0.2
Sabbatical leave	14(b)	0.9	1.5
Total current provisions		1,211.3	1,142.0
Non-current Provisions			
Employee benefits ¹	14(a)	183.4	163.0
Employee benefit on-costs	14(a)	30.1	27.1
Make good ²	14(b)	0.3	0.3
Total non-current provisions		213.8	190.4
Total Provisions		1,425.1	1,332.4

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 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	2016 \$m	2015 \$m
Current employee benefits			
Annual leave entitlements		87.8	85.3
Long service leave entitlements		951.2	886.8
Other		3.3	2.5
Total		1,042.2	974.6
Non-current employee benefits			
Long service leave entitlements		183.4	163.0
Total employee benefits		1,225.7	1,137.6
On-costs			
Current on-costs		167.8	165.6
Non-current on-costs		30.1	27.1
Total on-costs	14(b)	197.9	192.8
Total employee benefits and related on-costs		1,423.6	1,330.4

(b) Movements in provisions

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

2016	On-costs \$m	Make good \$m	Sabbatical leave \$m	Total \$m
Opening balance	192.8	0.5	1.5	194.8
Additional provisions recognised	35.7	-	(0.6)	35.1
Reductions arising from payments/other sacrifices of future economic benefits	(39.3)	-	-	(39.3)
Reductions resulting from re-measurement	(3.9)	0.1	-	(3.8)
Unwind of discount and effect of changes in the discount rate	12.6	-	-	12.6
Closing balance	197.9	0.6	0.9	199.4

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 2016 \$m	Paid contributions for the year 2015 \$m
Defined benefit plans		
State Superannuation Schemes	98.8	103.1
Other—State Employees Retirement Benefits Scheme	2.3	2.5
Defined contribution plans		
Vic Super	302.3	279.5
Other	69.8	66.7
Total	473.2	451.8

There are no contributions outstanding as at June 2016 and June 2015.

Note 16 Physical asset revaluation surplus

	2016 \$m	2015 \$m
Physical asset revaluation surplus		
Balance at beginning of financial year	7,382.3	6,566.9
Revaluation increment/(decrement) of land during the year ¹	1,406.7	855.5
Revaluation increment/(decrement) of buildings during the year	1,777.2	-
Prior year adjustments	(165.4)	
Impairment losses ²	-	(40.0)
Balance at the end of the financial year	10,400.7	7,382.3

¹ 2015 figures include land managerial revaluation.

² See Note 11.

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

Note 17 Financial instruments

(a) Financial risk management objectives and policies

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

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

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

The Department's main financial risks include credit risk, liquidity risk, interest rate risk and foreign currency risk. The Department manages these financial risks in accordance with its financial risk management policy. Each school manages its financial risks in accordance with its policies as determined by its school council.

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

The carrying amounts of the Department's contractual financial assets and financial liabilities by category are disclosed in Table 10 below.

Table 10—Categorisation of financial instruments

	Note	2016 \$m	2015 \$m
Contractual financial assets—loans and receivables			
Cash and deposits—Department	7	205.4	157.5
Cash and deposits—Schools	7	497.8	557.8
Receivables	8	86.0	59.9
Term deposits	7	274.9	132.5
Total contractual financial assets		1,064.2	907.7
Contractual financial liabilities at amortised cost			
Payables	12	393.8	296.1
Borrowings	13	249.6	255.1
Total contractual financial liabilities		643.4	551.2

(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 associated with the Department's contractual financial assets is minimal because the main debtor is the Victorian Government. 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 and deposits, which are

mainly cash at bank. As with the policy for debtors, the Department's policy is to only deal with financial institutions with high credit ratings.

Credit risk arises at schools for amounts due from parents and individuals and is managed by each school.

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 Table 11, 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 11—Ageing analysis of contractual financial assets

2016	Carrying amount \$m	Not past due and not impaired \$m	Past due but not impaired			
			Less than 1 month \$m	1–3 months \$m	3 months–1 year \$m	Over 1 year \$m
Receivables ¹	86.0	9.4	3.2	1.8	19.7	52.0
Term deposits	274.9	274.9	-	-	-	-
Total	360.9	284.3	3.2	1.8	19.7	52.0

2015	Carrying amount \$m	Not past due and not impaired \$m	Past due but not impaired			
			Less than 1 month \$m	1–3 months \$m	3 months–1 year \$m	Over 1 year \$m
Receivables ¹	59.9	8.4	0.2	3.6	10.9	37.0
Term deposits	132.5	132.5	-	-	-	-
Total	192.4	140.9	0.2	3.6	10.9	37.0

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

(c) Liquidity risk

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

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

- close monitoring of its short-term and long-term borrowings by senior management, including monthly reviews on current and future borrowing levels and requirements
- maintaining an adequate level of uncommitted funds that can be drawn at short notice to meet its short-term obligations
- holding investments and other contractual financial assets that are readily tradable 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 Standards and Poor's Triple-A) which assists in accessing the debt market at a lower rate.

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

Table 12 discloses the contractual maturity analysis for the Department's contractual financial liabilities.

Table 12—Maturity analysis of contractual financial liabilities

2016	Maturity dates						
	Carrying amount \$m	Nominal amount \$m	Less than 1 month \$m	1–3 months \$m	3 months–1 year ¹ \$m	Over 1 year ¹ \$m	> 5 years ¹ \$m
Payables	393.8	393.8	398.7	0.4	(0.4)	(4.8)	0.0
Borrowings	249.6	383.4	2.0	4.9	18.9	110.7	247.0
Total	643.4	777.3	400.7	5.2	18.5	105.8	247.0

2015	Maturity dates						
	Carrying amount \$m	Nominal amount \$m	Less than 1 month \$m	1–3 months \$m	3 months–1 year ¹ \$m	Over 1 year ¹ \$m	> 5 years ¹ \$m
Payables	296.1	296.1	301.7	1.4	(4.4)	(0.8)	(1.9)
Borrowings	255.1	400.5	1.3	4.4	27.6	90.3	276.8
Total	551.2	696.5	303.0	5.8	23.3	89.6	274.9

¹ Includes credit notes from registered training providers arising from reporting issues (other than compliance). The Department will review its processes during 2016-17 to determine whether these credit notes are likely to be redeemed.

(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 as it is not the Department's ordinary business to enter such transactions, 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.

When the Department is exposed to significant foreign currency risk, 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, bank overdrafts and schools' co-operative loans that are at floating rate.

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

The carrying amounts of financial assets and financial liabilities that are exposed to interest rates are set out in Table 13. In addition, the Department's sensitivity to interest rate risk is set out in the Table 14.

Table 13—Interest rate exposure of financial instruments

2016	Weighted average effective interest rate %	Carrying amount \$m	Interest rate exposure		
			Fixed interest rate \$m	Variable interest rate \$m	Non- interest bearing \$m
Financial assets					
Cash and deposits—Department	-	205.4	-	-	205.4
Cash and deposits—Schools	1.9	497.8	23.5	474.3	-
Receivables	-	86.0	-	-	86.0
Term deposits	4.7	274.9	273.6	1.3	-
Total		1,064.2	297.0	475.5	291.4
Financial liabilities					
Payables	-	393.8	-	-	393.8
Borrowings	6.4	249.6	193.9	-	55.7
Total		643.4	193.9	-	449.5

2015	Weighted average effective interest rate %	Carrying amount \$m	Interest rate exposure		
			Fixed interest rate \$m	Variable interest rate \$m	Non- interest bearing \$m
Financial assets					
Cash and deposits—Department	-	157.5	-	-	157.5
Cash and deposits—Schools	2.6	557.8	153.0	404.8	-
Receivables	-	59.9	-	-	59.9
Term deposits	3.9	132.5	131.5	1.0	-
Total		907.7	284.5	405.8	217.4
Financial liabilities					
Payables	-	296.1	-	-	296.1
Borrowings	6.4	255.1	199.0	-	56.0
Total		551.2	199.0	-	352.1

Sensitivity disclosure analysis and assumptions

The Department's sensitivity to market risk is determined based on the observed range of actual historical data for the preceding five-year period, with all variables other than the primary risk variable held constant. The Department cannot be expected to predict movements in market rates and prices. Sensitivity analyses shown are for illustrative purposes only. A movement of 100 basis points up and down (2015: 100 down and 100 up) in market interest rates (AUD) is 'reasonably possible' over the next 12 months.

Table 14 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.

The interest rates applied to the vehicle leases are not variable or floating in nature. Therefore, the vehicle leases are not subject to the sensitivity analysis prescribed under this standard.

Table 14—Market risk exposure

2016	Carrying amount \$m	Interest rate risk	
		(-100 basis points)	(+100 basis points)
		Net result \$m	Net result \$m
Financial assets			
Cash and deposits—Department	205.4	-	-
Cash and deposits—Schools ¹	497.8	(5.0)	5.0
Receivables	86.0	-	-
Term deposits ²	274.9	(2.8)	2.8
Financial liabilities	-	-	-
Payables	393.8		
Borrowings	249.6	-	-
Total increase/(decrease)		(7.7)	7.7

2015	Carrying amount \$m	Interest rate risk	
		(-100 basis points) Net result \$m	(+100 basis points) Net result \$m
Financial assets			
Cash and deposits—Department	157.5	-	-
Cash and deposits—Schools ³	557.8	(5.6)	5.6
Receivables	59.9	-	-
Term deposits ⁴	132.5	(1.3)	1.3
	-	-	-
Financial liabilities			
Payables	296.1	-	-
Borrowings	255.1	-	-
Total increase/(decrease)		(6.9)	6.9

1 Sensitivity of cash and equivalents: sensitivity impact on net result due to a +/-100 basis points movement in market interest rate is \$497.8 million x +/- 1 per cent = +/- \$5.0 million.

2 Sensitivity of term deposits: sensitivity impact on net result due to a +/-100 basis points movement in market interest rate is \$274.9 million x +/- 1 per cent = +/- \$2.8 million.

3 Sensitivity of cash and equivalents: sensitivity impact on net result due to a +/-100 basis points movement in market interest rate is \$557.8 million x +/- 1 per cent = +/- \$5.6 million.

4 Sensitivity of term deposits: sensitivity impact on net result due to a +/-100 basis points movement in market interest rate is \$132.5million x +/- 1 per cent = +/- \$1.3 million.

(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 the quoted price 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. (Note 1(i))

Note 18 Leases

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

Under the PPP 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	
	2016 \$m	2015 \$m	2016 \$m	2015 \$m
PPP related finance lease liabilities				
Not longer than one year	15.8	15.8	15.2	15.2
Longer than one year but not longer than five years	63.4	63.4	52.1	52.1
Longer than five years	229.6	245.5	108.2	112.4
Motor vehicles lease liabilities payable				
Not longer than one year	4.2	4.0	4.0	3.7
Longer than one year but not longer than five years	4.7	4.3	4.6	4.3
Minimum future lease payments	317.8	333.0	184.0	187.6
Less future finance charges	(133.8)	(145.3)	-	-
Present value of minimum lease payments	184.0	187.6	184.0	187.6

Included in the financial statements as:

Current borrowings finance lease liabilities (Note 13)	-	-	19.2	18.9
Non-current borrowings finance lease liabilities (Note 13)	-	-	164.8	168.7
Total aggregate carrying amount of borrowings	-	-	184.0	187.6

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

	2016 \$m	2015 \$m
Assets pledged as security		
Motor vehicles under finance lease	8.3	7.4
Partnership Victoria in Schools assets	148.7	179.4
Total assets pledged as security	157.0	186.8

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. 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.

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.

Note 19 Ministers and accountable officers (Responsible persons)

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

(a) Names

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

Position	Name	Dates they were Minister/Secretary
Minister for Education	The Hon. James Merlino MP	1 July 2015 to 30 June 2016
Minister for Training and Skills (International Education)	The Hon. Steve Herbert MP	1 July 2015 to 30 June 2016
Minister for Families and Children	The Hon. Jenny Mikakos MP	1 July 2015 to 30 June 2016
Secretary	Gill Callister	1 July 2015 to 30 June 2016

- The Hon. Steve Herbert MP acted in the office of the Minister for Education for the period of 21 to 30 September 2015, 30 October to 3 November 2015, 5 to 10 January 2016, and 25 to 29 March 2016.
- The Hon. Jenny Mikakos MP acted in the office of the Minister for Education for the period of 28 December 2015 to 4 January 2016.
- The Hon. James Merlino MP acted in the office of the Minister for Training and Skills for the period 1 to 9 July 2015, 10 to 31 January 2016, 11 to 18 May 2016 and 25 to 30 June 2016.
- The Hon. Fiona Richardson MP acted in the office of the Minister for Training and Skills for the period 20 to 22 September 2015.
- The Hon. Jenny Mikakos MP acted in the office of the Minister for Training and Skills for the period 23 to 27 September 2015.
- The Hon. Jill Hennessy MP acted in the office of the Minister for Families and Children for the period of 29 to 30 October 2015 and 30 March to 1 April 2016.
- The Hon. Martin Foley MP acted in the office of the Minister for Families and Children for the period of 31 October to 8 November 2015 and 5 to 8 January 2016.
- The Hon. John Eren MP acted in the office of the Minister for Families and Children for the period of 13 to 26 July 2015.
- Mr Craig Robertson, Deputy Secretary, Higher Education and Skills Group acted as Secretary from 24 to 31 December 2015.
- Ms Katy Haire, Deputy Secretary, Early Childhood and School Education Group acted as Secretary from 1 to 18 January 2016 and 29 February to 7 March 2016.

(b) Remuneration

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

Income band (\$)	2016 Number	2015 Number
\$480,000–\$489,999	1	-
\$270,000–\$279,999		1
\$210,000–\$219,999		1

Amounts relating to ministers are reported in the financial statements of the Department of Premier and Cabinet. For information regarding related party transactions of ministers, the register of members' interests is publicly available from: [www.parliament.vic.gov.au/publications/register of interests](http://www.parliament.vic.gov.au/publications/register%20of%20interests).

(c) Related party transactions included in the reconciliation amount

The Secretary is an ex-officio member of the boards of the Victorian Registration and Qualifications Authority and the Victorian Curriculum and Assessment Authority, to which the Department paid grants on normal commercial terms during the financial year. As these roles are ex-officio the Secretary receives no remuneration to perform these roles.

The Secretary is the president of The Institute of Public Administration Australia's Victorian Branch. The Institute of Public Administration Australia provides services to the Department on normal commercial terms.

The Secretary is on the Advisory Board for the Melbourne Institute of Applied Economic and Social Research. The Secretary receives no remuneration for her role on this advisory board.

	2016 \$m	2015 \$m
Grants paid during the year		
Victorian Registration and Qualifications Authority	12.2	9.1
Victorian Curriculum and Assessment Authority	49.9	47.3
Rent provided free of charge during the year		
Victorian Registration and Qualifications Authority	0.5	0.5
Victorian Curriculum and Assessment Authority	2.3	2.3
Payments made during the year		
The Institute of Public Administration Australia Victoria	0.1	0.1

(d) Other transactions

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

Note 20 Remuneration of executives and payments to other personnel (that is, contractors with significant management responsibilities)

(a) Remuneration of executives

The numbers of executive officers, other than Ministers and the Accountable Officer, whose total remuneration exceeded \$100,000 during the reporting period are shown in the first two columns in the table below in their 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. The total annualised employee equivalent provides a measure of full-time equivalent executive officers over the reporting period.

Income Band (\$)	Total remuneration		Base remuneration	
	2016	2015 ¹	2016	2015 ¹
	Number	Number	Number	Number
\$40,000–\$49,999	-	-	-	1
\$50,000–\$59,999	-	-	1	-
\$60,000–\$69,999	-	-	1	-
\$100,000–\$109,999	1	-	8	-
\$110,000–\$119,999	6	-	2	-
\$120,000–\$129,999	2	1	5	1
\$130,000–\$139,999	4	1	2	4
\$140,000–\$149,999	4	6	3	4
\$150,000–\$159,999	5	5	4	10
\$160,000–\$169,999	4	2	8	4
\$170,000–\$179,999	6	7	5	6
\$180,000–\$189,999	5	8	4	5
\$190,000–\$199,999	4	4	3	7
\$200,000–\$209,999	-	1	2	9
\$210,000–\$219,999	7	12	7	3
\$220,000–\$229,999	5	3	3	2
\$230,000–\$239,999	4	2	3	5
\$240,000–\$249,999	2	8	3	3
\$250,000–\$259,999	2	2	3	1
\$260,000–\$269,999	5	1	2	1
\$270,000–\$279,999	4	2	2	1
\$280,000–\$289,999	-	1	-	-
\$290,000–\$299,999	-	-	-	1
\$300,000–\$309,999	1	-	-	-
\$310,000–\$319,999	-	1	-	-
\$330,000–\$339,000	-	-	-	1
\$350,000–\$359,999	-	1	-	1
\$370,000–\$379,999	-	1	-	-
\$830,000–\$839,999	-	1	-	-
Total Number	71	70	71	70
Total annualised employee equivalents	61.9	66.7	61.9	66.7
Total remuneration \$m	13.7	15.1	12.6	13.5

¹ The 2015 comparatives have been adjusted to reflect the removal of data relating to the Victorian Registration and Qualifications Authority (2 executive officers), and the Victorian Curriculum and Assessment Authority (6 executive officers), both of which report this data in their respective annual reports. This maintains parity with data presented in 2016.

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

The following disclosures are made in relation to other personnel of the Department of Education and Training, i.e. contractors charged with significant management responsibilities.

Payments have been made to contractors with significant management responsibilities, which are disclosed in the \$10,000 expense band. These contractors are responsible for planning, directing or controlling, directly or indirectly, of the Department's activities.

Expenses band (\$)	Total expenses (exclusive of GST)	
	2016 Number	2015 Number
\$130,000–\$139,999	1	-
\$250,000–\$ 259,999	-	1
Total expenses (exclusive of GST) \$m	0.1	0.3

Note 21 Contingent assets and contingent liabilities

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

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

(a) Quantifiable contingent liabilities

Table 15—Quantifiable contingent liabilities

Quantifiable contingent liabilities	2016 \$m	2015 \$m
Claims for damages	18.8	48.5
TAFE Structural Adjustment Fund (TSAF) arrangement ¹	-	82.0
Total quantifiable contingent liabilities	18.8	130.5

¹The Department has entered into funding agreements with TAFEs. The release of these funds is contingent on the TAFEs demonstrating that they have achieved agreed milestones in 2014-15. The funding related to 2015-16 is disclosed as other expenditure commitments in Note 22(d).

(b) Unquantifiable contingent liabilities

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

Indemnities are provided by the Department to:

- Volunteer school workers and volunteer student workers: *The Education and Training Reform Act 2006* provides a specific indemnity for personal injuries suffered by volunteer school workers and volunteer student workers arising out of or in the course of engaging in school work or community work respectively.
- Members of school councils: *The Education and Training Reform Act 2006* provides an indemnity to members of school councils for any legal liability, whether in contract, negligence or defamation.
- Teachers: If a teacher is named as a defendant in a student personal injury claim, any costs and damages will generally be paid by the Department provided the teacher was not drunk, under the influence of illicit drugs or engaging in a criminal offence and the behaviour was not outrageous and was related to their employment.
- School councils: The Department will usually indemnify school councils in claims of common law negligence, and will often indemnify in relation to employment disputes, for the cost of settlement and legal representation. The Department will take into account the impact of payment upon the school's educational program and any insurance cover for the school council, and will likely indemnify if the Department is satisfied that:
 - the school council acted in good faith and according to issued guidelines and directions; and
 - the school council has insufficient funds to pay the claim.

Note 22 Commitments for expenditure

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

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

Commissioned public-private partnership

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.

Uncommissioned public-private partnership

In October 2015, the State of Victoria entered into a 25-year agreement with Learning Communities Victoria under the new Schools Public-Private Partnership (PPP) Project. 15 schools will open in 2017 and 2018 school years. Under the PPP model, Learning Communities Victoria is responsible for the finance, design, construction, and maintenance of the new schools over a 25-year period. The Department retains school ownership and responsibility for delivering educational service. The construction projects are yet to commence as at June 2016.

The total commitments for public private partnerships are as follows:

	Other Commitments		Other Commitments	
	Present value 2016 \$m	Nominal value 2016 \$m	Present value 2015 \$m	Nominal value 2015 \$m
Commissioned public private partnerships—other commitments				
Partnerships Victoria in Schools—Operations, maintenance and contingent rental commitments	174.4	388.6	171.4	397.8
Sub-total	174.4	388.6	171.4	397.8
	Minimum lease payments	Other commitments	Total commitments ¹	
	Discounted value \$m	Present value \$m	Nominal value \$m	
Uncommissioned public private partnerships—total commitments ²				
New Schools PPP	393.6	176.0	1,088.0	
Sub-total	393.6	176.0	1,088.0	
Total commitments for public private partnerships	393.6	350.4	1,476.6	171.4 397.8

¹ Total commitment will not equal the sum of the minimum lease payments and other commitments because they are discounted, whereas total commitments are at nominal value.

² Figures exclude Operating Phase Insurance because the quantum of these costs is unknown until the schools are operational.

Total commitments are payable as follows:

	2016 \$m	2015 \$m
Within one year	23.1	11.9
Later than one year but not later than five years	195.9	52.8
Later than five years	1,257.7	333.1
Total operation and maintenance commitments	1,476.6	397.8

(b) Capital commitments

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

	2016 \$m	2015 ¹ \$m
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:		
Within one year	133.0	49.2
Later than one year but not later than five years	17.2	2.0
Total capital commitments	150.2	51.2

¹ Due to the limitation of available information, capital commitments for 2015 were based on estimated unspent budgets as at June 2015.

(c) Operating leases

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

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

	2016 \$m	2015 \$m
Within one year	12.2	11.0
Later than one year but not later than five years	21.4	22.0
Later than five years	43.1	39.2
Total operating leases commitments	76.7	72.3

(d) Other expenditure commitments

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

	2016 \$m	2015 \$m
Other expenditure commitments		
Within one year ¹	703.0	271.2
Later than one year but not later than five years	53.6	48.1
Total other expenditure commitments	756.6	319.3
Total commitments for expenditure	2,460.1	840.6

¹ Figures include a commitment to pay grants to non-government schools of \$559.4 million (2015: \$189.3 million). The variance is due to the timing of the grant payments to non-government schools.

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

Note 23 Cash flow information

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

	2016 \$m	2015 \$m
Net result for the reporting period	182.5	158.8
Non-cash movements		
Net (gain)/loss on sale of non-financial assets	(0.1)	(20.3)
Depreciation and amortisation	310.5	316.7
Movements in assets and liabilities		
Decrease/(increase) in current receivables	(220.1)	(331.7)
Decrease/(increase) in prepayments	2.5	(1.7)
Decrease/(increase) in non-current receivables	(23.4)	(11.0)
Increase/(decrease) in current payables	91.1	(17.4)
Increase/(decrease) in other liabilities	19.8	(2.7)
Increase/(decrease) in current employee entitlements	69.3	86.1
Increase/(decrease) in non-current employee entitlements	23.4	11.0
Net cash inflow from/(used in) operating activities	455.4	187.8

Note 24 Subsequent events

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

Note 25 Annotated income agreements

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

	Note	2016 \$m	2015 \$m
Sales of goods and services			
Alarms		0.1	0.1
Housing rent		1.1	1.1
Total		1.1	1.2
Asset sales			
Sale of land		4.6	136.6
Total		4.6	136.6
Commonwealth Specific Purpose Payments			
Trade Training Centres		20.9	9.0
National Skills and Workforce Development		364.7	357.2
TAFE fee waivers for childcare qualifications		5.3	2.4
More support for students with disabilities		-	11.1
Universal access to early education		98.4	85.9
National Quality Agenda for Early Childhood Education and Care		2.3	6.9
Joint group training program		2.5	3.1
MoneySmart Teaching		0.3	0.2
Independent Public Schools		4.5	2.3
National School Chaplaincy Program		12.6	12.6
National Occasional Care Programme		1.2	-
Total		512.7	490.7
Total annotated income agreements	6(a)	518.5	628.6

Note 26 Trust account balances

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

2016	Opening balance as at 1 July 2015 \$m	Total receipts \$m	Total payments \$m	Closing balance as at 30 June 2016 \$m
Controlled trusts				
State Treasury Trust	135.2	125.6	(99.6)	161.2
Commonwealth Treasury Trust	17.0	38.0	(19.3)	35.7
Total controlled trusts	152.2	163.6	(118.9)	196.9
Administered trusts				
Prizes and scholarships	1.6	0.3	(0.4)	1.5
Commuter club	0.0	0.7	(0.8)	0.0
On-passing from the Commonwealth	0.6	2,829.6	(2,829.6)	0.6
Total administered trusts	2.3	2,830.6	(2,830.7)	2.1

2015	Opening balance as at 1 July 2014 \$m	Total receipts \$m	Total payments \$m	Closing balance 30 June 2015 \$m
Controlled trusts				
State Treasury Trust	132.7	71.3	(68.8)	135.2
Commonwealth Treasury Trust	10.0	15.5	(8.4)	17.0
Total controlled trusts	142.7	86.8	(77.3)	152.2
Administered trusts				
Prizes and scholarships	2.3	0.3	(0.9)	1.6
Commuter club	(0.1)	0.9	(0.8)	-
On-passing from the Commonwealth	0.6	2,682.5	(2,682.5)	0.6
Total administered trusts	2.8	2,683.6	(2,684.2)	2.3

There were no trust accounts opened and closed by the Department during 2016.

The State trust fund of the State of Victoria operates by virtue of Section 19 of the *Financial Management Act 1994*.

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

Trust accounts are used as the legal mechanism to record and access monies 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.

Monies recorded in the trust accounts have been recently reviewed by the Department. Upon this review, some categories of monies have been identified as needing to be corrected which will include creating separate authorities. During the 2016/17 financial year, the Department will continue to work through these monies and re-allocate them where appropriate.

Note 27 Glossary of terms and style conventions

Active and Liquid Market

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

Actuarial gains or losses on superannuation defined benefit plans

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

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

Administered item

Administered item generally refers to a department lacking the capacity to benefit from that item in the pursuit of the entity's objectives and to deny or regulate the access of others to that benefit.

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.

Associates

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

Borrowings

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

Capital asset charge

A charge levied on the written down value of controlled non-current physical assets in a department's balance sheet which aims to: attribute to agency outputs the opportunity cost of capital used in service delivery; and provide incentives to departments to identify and dispose of underutilised or surplus assets in a timely manner.

Commitments

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

Community service obligation

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

Comprehensive result

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

Controlled item

Controlled item generally refers to the capacity of a department to benefit from that item in the pursuit of the entity's objectives and to deny or regulate the access of others to that benefit.

Current grants

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

Depreciation

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

Depreciated replacement cost

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

Economic obsolescence

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

Effective interest method

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

Employee benefits expenses

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

Ex-gratia expenses

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

Financial asset

A financial asset is any asset that is:

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

Financial instrument

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

Financial liability

A financial liability is any liability that is:

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

Financial Reporting Directions (FRDs)

The FRDs are applicable to all entities defined as either a public body or a department under section 3 of the *Financial Management Act 1994*, unless otherwise stated. The aims of FRDs are to ensure consistent application of accounting treatment across the Victorian public sector in compliance with that particular standard and also to impose other government non-financial policy and disclosure requirements.

Financial statements

A complete set of financial statements comprises:

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

Functional obsolescence

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

Grants and other transfers

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

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

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

General government sector

The general government sector comprises all government departments, offices and other bodies engaged in providing services free of charge or at prices significantly below their cost of production. General government services include those which are mainly non market in nature, those which are largely for collective consumption by the community and those which involve the transfer or redistribution of income. These services are financed mainly through taxes, or other compulsory levies and user charges.

Grants for on-passing

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

Intangible produced assets

See Produced Assets in this glossary.

Intangible non-produced assets

See Non-produced Assets in this glossary.

Interest expense

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

Interest income

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

Net result

Net result is a measure of financial performance of the operations for the period. It is the net result of items of income, gains and expenses (including losses) recognised for the period, excluding those that are classified as other economic flows—other comprehensive income.

Net result from transactions/net operating balance

Net result from transactions or net operating balance is a key fiscal aggregate and is income from transactions minus expenses from transactions. It is a summary measure of the ongoing sustainability of operations. It excludes gains and losses resulting from changes in price levels and other changes in the volume of assets. It is the component

of the change in net worth that is due to transactions and can be attributed directly to government policies.

Net worth

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

Non-financial assets

Non-financial assets are all assets that are not 'financial assets'. These include land, buildings, plant and equipment, heritage buildings, and intangible assets.

Non-produced assets

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

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.

Other economic flows—other comprehensive income

Other economic flows—other comprehensive income comprises items (including reclassification adjustments) that are not recognised in net result as required or permitted by other Australian Accounting Standards.

The components of other economic flows—other comprehensive income include:

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

Payables

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

Physical obsolescence

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

Produced assets

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

Receivables

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

Sales of goods and services

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

Supplies and services

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

Transactions

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

Style conventions

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

The notation used in the tables is as follows:

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

The financial statements and notes are presented based on the illustration for a government department in the *2015–16 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 report.

Appendices

Contents

Appendix 1	Disclosure index	171
Appendix 2	Budget portfolio outcomes	173
Appendix 3	Statutory authorities' reports	179
Appendix 4	Acronyms and abbreviations	186
Appendix 5	Grants and transfer payments (other than contributions by owners)	187

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.

Ministerial direction	Requirement	Page
Report of operations—Financial Reporting Direction guidance		
Charter and purpose		
FRD 22G	Manner of establishment and the relevant ministers	5,31
FRD 22G	Purpose, functions, powers and duties	5
FRD 8D	Departmental objectives, indicators and outputs	10
FRD 22G	Initiatives and key achievements	6
FRD 22G	Nature and range of services provided	5
Management and structure		
FRD 22G	Organisational structure	47
Financial and other information		
FRD 8D	Performance against output performance measures	21
FRD 8D	Budget portfolio outcomes	173
FRD 10A	Disclosure index	171
FRD 12B	Disclosure of major contracts	65
FRD 15C	Executive officer disclosures	61
FRD 22G	Employment and conduct principles	52
FRD 22G	Occupational health and safety policy	52
FRD 22G	Summary of the financial results for the year	36
FRD 22G	Significant changes in financial position during the year	36
FRD 22G	Major changes or factors affecting performance	36
FRD 22G	Subsequent events	162
FRD 22G	Application and operation of <i>Freedom of Information Act 1982</i>	65
FRD 22G	Compliance with building and maintenance provisions of <i>Building Act 1993</i>	66
FRD 22G	Statement on National Competition Policy	67
FRD 22G	Application and operation of the <i>Protected Disclosure Act 2012</i>	68
FRD 22G	Details of consultancies over \$10,000	64
FRD 22G	Details of consultancies under \$10,000	65
FRD 22G	Disclosure of government advertising expenditure	64
FRD 22G	Disclosure of ICT expenditure	65
FRD 24C	Reporting of office-based environmental impacts	69
FRD 25B	Victorian Industry Participation Policy disclosures	64
FRD 29A	Workforce Data disclosures	57
SD 4.5.5	Attestation for compliance with Ministerial Standing Direction 4.5.5 compliance attestation	79

Ministerial direction	Requirement	Page
Financial Report		
SD 4.2(j)	Sign-off requirements	82
Financial statements required under Part 7 of the FMA		
SD4.2(a)	Statement of changes in equity	87
SD4.2(b)	Operating statement	85
SD4.2(b)	Balance sheet	86
SD4.2(b)	Cash flow statement	88
Other requirements under Standing Directions 4.2		
SD4.2(c)	Compliance with Australian accounting standards and other authoritative pronouncements	82
SD4.2(c)	Compliance with Ministerial Directions	82
SD4.2(d)	Rounding of amounts	93,169
SD4.2(c)	Accountable officer's declaration	82
SD4.2(f)	Compliance with Model Financial Report	82
Other disclosures as required by FRDs in notes to the financial statements		
FRD 9A	Departmental Disclosure of Administered Assets and Liabilities by Activity	92,121
FRD 11A	Disclosure of Ex-gratia Expenses	123
FRD 13	Disclosure of Parliamentary Appropriations	125
FRD 21B	Disclosures of Responsible Persons, Executive Officers and other Personnel (Contractors with Significant Management Responsibilities) in the Financial Report	152-156
FRD 102	Inventories	NA
FRD 103F	Non-Financial Physical Assets	131
FRD 106A	Impairment of Assets	100
FRD 109A	Intangible Assets	103
FRD 107B	Investment Properties	NA
FRD 110A	Cash Flow Statements	88
FRD 112D	Defined Benefit Superannuation Obligations	143
FRD 113A	Investments in Subsidiaries, Jointly Controlled Entities and Associates	92
FRD 114B	Financial Instruments—General Government Entities and Public Non-Financial Corporations	145
FRD 119A	Transfers through Contributed Capital	87
Legislation		
	<i>Freedom of Information Act 1982</i>	65
	<i>Building Act 1993</i>	66
	<i>Protected Disclosure Act 2012</i>	68
	<i>Victorian Industry Participation Policy Act 2003</i>	64
	<i>Financial Management Act 1994</i>	82

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 Budget Paper No. 5 (BP5), 2015-16 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 BP5.

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

- Department of Education and Training (including government schools)
- Adult, Community and Further Education Board
- Victorian Curriculum and Assessment Authority
- Victorian Registration and Qualifications Authority
- 12 TAFE institutes.

Comprehensive operating statement for the year ended 30 June 2016

	2016 actual (\$m)	2016 budget (\$m)	Variation (%)
Net result from continuing operations			
Income from transactions			
Output appropriations	11,172.0	11,407.8	-2.1
Special appropriations	22.0	13.0	69.1
Interest	25.4	29.1	-12.6
Sales of goods and services	674.6	764.5	-11.8
Grants	30.1	8.4	260.0
Other income	571.6	593.5	-3.7
Total income from transactions	12,495.7	12,816.2	-2.5
Expenses from transactions			
Employee benefits	(6,483.8)	(6,443.9)	0.6
Depreciation and amortisation	(377.0)	(420.1)	-10.3
Interest expense	(15.4)	(15.1)	2.2
Grants and other transfers	(828.3)	(899.3)	-7.9
Capital asset charge	(1,291.7)	(1,291.7)	0.0
Other operating expenses	(3,238.8)	(3,629.8)	-10.8
Total expenses from transactions	(12,235.1)	(12,699.8)	-3.7
Net result from transactions (net operating balance)	260.6	116.4	123.9
Other economic flows included in net result			
Net gain/(loss) on non-financial assets	11.1	(0.3)	-36.80
Net gain/(loss) on financial instruments	(13.4)	(1.2)	10.54
Other gains/(losses) from other economic flows	(32.2)	(0.7)	43.10
Total other economic flows included in net result	(34.5)	(2.2)	1,473
Net result	226.1	114.2	98
Other economic flows—other non-owner changes in equity			
Change in physical asset revaluation ¹	3,058.6	5.8	52,755
Adjustment to accumulated surplus/(deficit) due to a change in accounting policy	49.8	—	0
Other	(3.9)	—	0
Total other economic flows—other non-owner changes in equity	3,104.5	5.8	53,548
Comprehensive result	3,330.6	120.0	2,676

¹ The variance between the actual result and the published budget is mainly due to the full asset revaluation undertaken by the Department in 2015-16 in addressing the disclaimer of opinion issued by Victorian Auditor – General's Office (VAGO) in 2015 on the Department's property, plant and equipment balances.

Balance sheet as at 30 June 2016

	2016 actual (\$m)	2016 budget (\$m)	Variation (%)
Assets			
Financial assets			
Cash and deposits	994.0	882.6	13
Receivables	1,900.3	1,614.9	18
Other financial assets	421.8	380.0	11
Total financial assets	3,316.1	2,877.5	15
Non-financial assets			
Non-financial assets classified as held for sale, including disposal group assets	9.7	111.7	-91
Property, plant and equipment ¹	21,787.4	18,136.0	20
Intangible assets	78.0	86.4	-10
Inventories	1.8	2.3	-21
Biological assets	0.3	1.8	-84
Investment properties	91.9	33.0	179
Other	29.5	28.4	4
Total non-financial assets	21,998.6	18,399.5	20
Total assets	25,314.7	21,277.0	19
Liabilities			
Payables	467.6	598.6	-22
Borrowings	196.2	197.3	-1
Provisions	1,570.5	1,501.4	5
Total liabilities	2,234.3	2,297.2	-3
Net assets	23,080.4	18,979.7	22
Equity			
Accumulated surplus/(deficit)	2,373.9	2,017.9	18
Reserves	11,304.3	7,559.5	50
Contributed capital	9,402.2	9,402.3	0
Total equity	23,080.4	18,979.7	22

¹ The variance between the actual result and the published budget is mainly due to the full asset revaluation undertaken by the Department in 2015-16 in addressing the disclaimer of opinion issued by Victorian Auditor – General's Office (VAGO) in 2015 on the Department's property, plant and equipment balances.

Statement of cash flows for the year ended 30 June 2016

	2016 actual (\$m)	2016 budget (\$m)	Variation (%)
Cash flows from operating activities			
Receipts			
Receipts from Government	9,709.9	11,359.0	-15
Receipts from other entities	651.3	688.1	-5
Interest received	25.3	29.3	-14
Goods and Services Tax recovered from the ATO	(23.1)	0.2	-13,063
Dividends received	2.4	2.0	17
Other receipts	623.2	638.0	-2
Total receipts	10,989.0	12,716.6	-14
Payments			
Payments of grants and other transfers	(828.0)	(897.2)	-8
Payments to suppliers and employees	(9,603.1)	(10,024.5)	-4
Capital asset charge	(1,291.7)	(1,291.7)	0
Interest and other costs of finance paid	(15.4)	(15.1)	2
Goods and Services Tax paid to the ATO	(1.4)	0.5	-372
Total payments	(11,739.6)	(12,228.0)	-4
Net cash flows from/(used in) operating activities	(750.7)	488.6	-254
Cash flows from investing activities			
Net investments	(125.4)	(21.0)	(388.9)
Payments for non-financial assets	(399.2)	(487.6)	13.5
Proceeds from sale of non-financial assets	12.5	2.4	(16.9)
Net loans to other parties	(14.3)	3.5	n/a
Net cash flow from/(used in) investing activities	(526.5)	(502.6)	6.9
Cash flows from financing activities			
Owner contributions by State Government	43.0	57.2	-25
Net borrowings	1,299.5	(13.8)	-9,535
Repayment of finance leases	(4.8)	(4.8)	0
Net cash flows from/ (used in) financing activities	1,337.8	38.7	3,358
Net increase/(decrease) in cash and cash equivalents	60.6	24.6	146
Cash and cash equivalents at the beginning of the financial year	933.4	858.0	9
Cash and cash equivalents at the end of the financial year	994.0	882.6	13

Statement of changes in equity for the year ending 30 June 2016

	Accumulated surplus/ (deficit) (\$m)	Contributions by owner (\$m)	Other reserves (\$m)	Asset revaluation reserve (\$m)	Total equity (\$m)
Opening balance at 1 July 2015 (Actual)	2,094.0	9,531.9	9.2	8,243.9	19,879.2
Comprehensive result	226.1	–	(7.8)	3,224.4	3,442.6
Transactions with owners in their capacity as owners	–	(129.7)	–	–	(129.7)
Other-including prior year adjustments	53.8	–	–	(165.4)	(111.6)
Closing balance 30 June 2016	2,373.9	9,402.2	1.4	11,302.9	23,080.4
Opening balance 1 July 2015 (Published Budget)	1,903.7	9,345.1	17.5	7,536.2	18,802.6
Comprehensive result	114.2	–	–	5.8	120.0
Transactions with owners in their capacity as owners	–	57.2	–	–	57.2
Closing balance 30 June 2016 (Published Budget)	2,017.9	9,402.3	17.5	7,542.0	18,979.7
Variation (%)	17.6	0.0	-92.1	49.9	21.6

Administered items statement for the year ended 30 June 2016

	2016 actual (\$m)	2016 budget (\$m)	Variation (%)
Administered income			
Sale of goods and services	2.4	3.0	-18
Grants	2,829.6	2,849.7	-1
Interest	0.0	0.1	n/a
Other income	27.2	1.8	1,395
Total administered income	2,859.3	2,854.5	0
Administered expenses			
Grants and other transfers	(2,830.0)	(2,849.8)	-1
Payments into the consolidated fund	98.4	(49.9)	n/a
Other operating expenses	(0.8)	–	n/a
Total administered expenses	(2,732.4)	(2,899.7)	-6
Income less expenses	126.9	(45.2)	-381
Other economic flows included in net result			
Net gain/(loss) on non-financial assets	(124.1)	45.2	-374
Total other economic flows included in net result	(124.1)	45.2	-374
Net result	2.9	0.0	5,601
Administered assets			
Receivables	13.5	4.9	178
Other financial assets	1.3	2.6	-49
Non-financial assets	–	8.3	-100
Total administered assets	14.9	15.7	-6
Administered liabilities			
Payables	–	–	n/a
Total administered liabilities	–	–	n/a
Net assets	14.9	15.7	-6
Equity			
Contributed capital	–	8.3	-100
Accumulated surplus/(deficit)	14.9	7.4	100
Total equity	14.9	15.7	-6

Appendix 3 Statutory authorities' reports

Children's Services Coordination Board

The Children's Services Coordination Board was established in 2005 under the *Child Wellbeing and Safety Act 2005*. It brings together key decision makers across the Victorian Government to ensure the coordination of activities affecting children. The role of the Children's Services Coordination Board is to sponsor and oversee coordination of effort across different Victorian Government services and policies where this is needed to improve outcomes for children and young people, particularly those vulnerable to harm, disadvantage or social exclusion.

The Board has responsibility for monitoring the establishment and progress of Children and Youth Area Partnerships in eight areas of the state. The partnerships have a focus on vulnerable children and families as well as youth disengagement.

The Board reports annually to the Minister for Families and Children on how Victoria's children and young people are faring through *The State of Victoria's Children* reports. These draw on data available through the Victorian Child and Adolescent Monitoring System.

The Children's Services Coordination Board met four times in 2015–16. The Department provides secretariat support to the Board. Members are shown in below.

Children's Services Coordination Board members

Children Services Coordination Board members at 30 June 2016

Ms Gill Callister (Chair), Secretary, Department of Education and Training

Mr Graham Ashton, Chief Commissioner, Victoria Police

Mr Chris Eccles, Secretary, Department of Premier and Cabinet

Mr David Martine, Secretary, Department of Treasury and Finance

Ms Kym Peake, Secretary, Department of Health and Human Services

Mr Greg Wilson, Secretary, Department of Justice and Regulation

Victorian Children's Council

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

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

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

Membership of the Council was refreshed during the year, with the terms of four members ending in December 2015 and four new members commencing in January 2016. The 12 members at 30 June 2016 are listed in the table below.

The Council held seven meetings in 2015–16, with additional meetings of working groups when needed. The Department provides secretariat support to the Victorian Children's Council.

Victorian Children's Council members

Victorian Children's Council members at 30 June 2016

Professor Frank Oberklaid OAM (Chair)	Director, Centre for Community Child Health
Ms Sandie de Wolf AM (Deputy Chair)	Chief Executive Officer, Berry Street Victoria
Ms Muriel Bamblett AM	Chief Executive Officer, Victorian Aboriginal Child Care Agency
Ms Heather Barnes OAM	Early childhood training consultant
Ms Carmel Guerra	Chief Executive Officer, Centre for Multicultural Youth
Mr David Huggins	Formerly Assistant Director, Student Services, Catholic Education Office
Mr Rob Spence	Chief Executive Officer, Municipal Association of Victoria
Ms Kerry Stubbings	Director of Community Services, City of Knox
Professor Kerry Arabena	Chair in Indigenous Health, University of Melbourne; Director, Onemda: VicHealth Koori Health Group
Professor Marie Connolly	Chair and Head of Social Work, University of Melbourne
Doctor Susana Gavidia-Payne	Associate Professor, RMIT University
Professor Collette Tayler	Chair in Early Childhood Education and Care, Melbourne Graduate School of Education, University of Melbourne

Disciplinary Appeals Boards

The Disciplinary Appeals Boards were established in 2005 following an amendment to the *Teaching Service Act 1981* and are empowered under the *Education and Training Reform Act 2006* to hear and determine appeals in relation to decisions of the Secretary of the Department of Education and Training made under section 2.4.6.1 of the Act.

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

Each Disciplinary Appeals Board comprises a Chairperson, a Secretary's Nominee and a Minister's Nominee.

The Disciplinary Appeals Boards had two appeals pending at 1 July 2015 and received a further seven appeals by 30 June 2016.

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

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

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

Chairpersons of the Disciplinary Appeals Boards from 1 May 2015

Dr Peter Condliffe	Mr Peter Harris	Mr Ian Scott
Ms Anne Dalton	Mr Robert Howard	Dr Ian Turnbull
Ms Leneen Forde	Ms Jo-Anne Mazzeo	Mr Peter Kempson
Mr Murray Gerkens	Ms Paula Robinson	

Secretary's nominees to the Disciplinary Appeals Boards from 1 May 2015

Ms Claire Bolster	Mr Russell Isaac	Ms Cheryl Vardon
Dr Richard Gould	Mr Robert Loader	Ms Helen Worlidge
Ms Avis Grahame	Mr Brian O'Dea	

Minister's nominees to the Disciplinary Appeals Boards from 1 May 2015

Mr Peter Brown	Ms Leonie Fitzgerald	Mr Steve McGarrigle
Ms Vincenzina Calabro	Ms Sandra Greenhill	Ms Karen O'Dowd
Mr David Finnerty	Ms Angeliki Karvouni	Ms Maureen O'Flaherty

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

The Senior Chairperson, Mr Peter Hibbins, is a full-time member of the Merit Protection Boards. Ms June Weir is 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.

Chairpersons of the Merit Protection Board

Chairpersons of the Merit Protection Boards

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	

Secretary's nominees to the Merit Protection Boards

Secretary's nominees to the Merit Protection Boards

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

Minister's nominees to the Merit Protection Boards

Minister's nominees to the Merit Protection Boards

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		

Appeals and grievances

Teaching service appeals and grievances 2015–16

Category	Received		Upheld and partially upheld		Conciliated		Disallowed		Withdrawn		Abandoned, lapsed, no grounds, no jurisdiction or out of time		Pending		Total
Male / Female	F	M	F	M	F	M	F	M	F	M	F	M	F	M	F
Personal ¹	72	33	15	0	14	5	16	16	10	3	11	6	6	3	105
Selection	13	15	0	1	0	0	1	0	3	8	8	6	1	0	28
Total	85	48	15	1	14	5	17	16	13	11	19	12	7	3	133

Public service appeals and grievances 2015–16

Category	Received		Upheld		Conciliated		Disallowed		Withdrawn		Lapsed, no grounds or no jurisdiction		Pending		Total
Male / Female	F	M	F	M	F	M	F	M	F	M	F	M	F	M	
Personal ¹	7	8	2	0	3	1	1	2	0	1	1	2	0	2	15
Selection	2	1	0	0	0	0	1	0	1	0	0	1	0	0	3
Total	9	9	2	0	3	1	2	2	1	1	1	3	0	2	18

¹ A wide range of issues were raised in personal grievances. Most concerned claims of leave applications being declined, complaints not being managed in accordance with Departmental policy, and those relating to performance management.

Merit protection training

It is a requirement that all recruitment and promotion selection panels of the Department include a merit-trained employee as a member. To facilitate this, the Merit Protection Boards provide training in the principles of merit and equity for members of the teaching service and public service staff.

The programs are conducted statewide and are supported by the Department by senior Departmental staff delivering the sections of training that focus on human resource policies. In 2015–16, the Board conducted 29 seminars and provided training for 866 members of the teaching service and public service staff.

Number of employees trained by region (includes reaccreditation)

Region	Principals	Teachers	Education Support Class	Victorian Public Service	Total
North Eastern Victoria	18	128	14	1	161
North Western Victoria	19	140	21	2	182
South Eastern Victoria	38	128	32	3	201
South Western Victoria	28	86	13	2	129
Central	0	1	0	192	193
Total	103	483	80	200	866

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.

Appendix 4 Acronyms and abbreviations

AASB	Australian Accounting Standards Board
ABS	Australian Bureau of Statistics
ACFE	Adult and Committee Further Education Board
BP3	Budget Paper No. 3
BP4	Budget Paper No. 4
CAE	Centre for Adult Education
Department	Department of Education and Training
DTF	Department of Treasury and Finance
EMS	Environmental Management System
FOI	Freedom of information
FRD	Financial Reporting Direction
FTE	Full-time equivalent
GST	Goods and services tax
IBAC	Independent Broad-based Anti-corruption Commission
ICT	Information and communication technology
LLEN	Local Learning and Employment Network
NAPLAN	National Assessment Program—Literacy and Numeracy
NQF	National Quality Framework
NQS	National Quality Standards
PARC	Portfolio Audit and Risk Committee
PSD	Program for Students with Disabilities
RTO	Registered Training Organisation
SSCV	Safe Schools Coalition Victoria
SWL	Structured workplace learning
TAFE	Technical and further education
VAGO	Victorian Auditor-General's Office
VCAA	Victorian Curriculum and Assessment Authority
VCAT	Victorian Civil and Administrative Tribunal
VET	Vocational education and training
VEYLDF	Victorian Early Years Learning and Development Framework
VGv	Valuer-General Victoria
VCAA	Victorian Curriculum and Assessment Authority
VGPB	Victorian Government Purchasing Board
VIPP	Victorian Industry Purchasing Policy
VIT	Victorian Institute of Teaching
VPS	Victorian Public Service
VRQA	Victorian Registration and Qualifications Authority
VSC	Victorian Skills Council

Appendix 5 Grants and transfer payments (other than contributions by owners)

Grant	Payment \$
Public Communication for Education and Research	1,000,000
Advocacy and Representation for Aboriginal Education	1,163,501
Aboriginal and Torres Strait Islander Scholarship	70,000
Early Childhood Capital grants—(local government)	12,382,955
Capital Funding Program for Non-government Schools	391,400
School Improvement grants	644,444
Inclusive Schools grants	63,783
Strategic Partnerships Program	5,303,539
Languages support	7,528,533
Extension learning support	1,703,326
Wellbeing, health and engagement	6,383,178
'Navigator' support for disengaged young people aged 12–17	2,870,135
Organisation/peak association support	1,863,311
TAFE Rescue Fund	66,100,000
Education Renewal: Lily Campus Re-opening Project	10,000,000
TAFE Back to Work Fund	1,897,381
TAFE Funding Boost	51,300,000
Gordon Institute of TAFE Capital Works	1,800,000
TAFE Structural Adjustment Fund	65,904,881
Governance Training for TAFE Board Members	93,250
Local Learning and Employment Network (LLEN) Initiative	6,261,649
Support for Deaf and Hard of Hearing VET Students	293,089
Asylum Seeker VET Program	165,000
Wurreker	2,822,166
Vocational Training Fellowships	308,000
VET Professional Development	2,460,000
Regional Partnership Facilitation Fund	3,368,838
Victorian TAFE Teaching Staff Multi-enterprise Agreement	80,000
Skills and Jobs Centres	19,178,534
Training Participation and Facilitation Fund	6,671,012
Automotive Auto Supply Chain initiative	37,500
Curriculum Maintenance Managers	1,332,500
Training Package Programs	500,150
Apprenticeship Support Officer	2,875,000
World Skills Australia	1,948,650
Workforce Development Centres	425,000
Victorian Group Training Program	1,406,650
Pre-apprenticeship Training	145,066

