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

The Hon. Gayle Tierney MP  
Minister for Training and Skills and Minister for Corrections

The Hon. Jenny Mikakos MP  
Minister for Families and Children and 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 2017.

Yours sincerely



Gill Callister

Secretary

21 September 2017

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Contents

Secretary’s report 2

Year in review 4

Statement of Strategic Intent 4

Purpose and functions 6

Changes to the Department during 2016–17 7

Achievements 7

Objectives, indicators and outputs 11

Progress towards achieving departmental objectives 14

Performance against output performance measures 25

Five-year financial summary 39

Current year financial summary 40

Governance and organisational structure 42

The Department’s ministers 42

The Department’s senior executives 43

Organisational structure 48

Governance structure 50

Committee structure 51

Statutory authorities and boards 55

Workforce data 57

Public sector values and employment principles 57

Occupational health and safety 57

Workers’ compensation 58

Comparative workforce data 63

Workforce inclusion 66

Industrial relations 66

Executive officer data 67

Pecuniary interests 69

Shares held by senior officers 69

Other disclosures 70

Victorian Industry Participation Policy 70

Government advertising expenditure 71

Consultancy expenditure 72

Information and Communication Technology (ICT) expenditure 72

Disclosure of major contracts 72

Freedom of information 72

Compliance with DataVic Access Policy 73

Compliance with the *Building Act 1993* 74

National Competition Policy 75

Compliance with Protected Disclosure Act 2012 (formerly Whistleblowers Protection Act 2001) 75

Compliance with Disabilities Act 2006 76

Compliance with Carers Recognition Act 2012 76

Office-based environmental impacts 77

Details of changes in prices, fees, charges, rates and levies 84

Additional information available on request 84

Attestation for compliance with Ministerial Standing Direction 3.7.1 85

Details of publications about the Department 86

About this report 86

Financial statements 87

Notes to the financial statements 95

Appendices 169

Secretary’s report

Second only to support from our family, education represents the single biggest opportunity each of us has to realise our aspirations and ambitions for a good life. It underpins our social and economic fabric and contributes to both social cohesion and our future economic innovation and success.

As the workforce rapidly changes, so too must our education system. Our children’s skills and knowledge needs are evolving.

As adults, many of us change careers and also retrain as the employment market demands new skills.

It is our job, as system stewards, to help equip Victorian children and young people with the skills they need to succeed in a world that is increasingly digital, mobile and global.

In recognition of the pivotal role that high quality education plays in our Victorian community, significant reform across each education sector has been underway for several years.

In particular, our significant Education State reforms are working to build a world class education system that strives for and achieves excellence, and creates opportunity for every Victorian. These reforms have been underpinned by best evidence and supported by significant funding.

While the concept of lifelong learning is becoming a reality, early childhood is where we can make the biggest gains in preparing children for this.

The highly anticipated Education State Early Childhood Reform Plan was released in May 2017. This landmark reform agenda for early childhood outlines the government’s long-term vision to support children and families in their crucial early years of development. This plan recognises that the first years of life are vital to lifelong learning, wellbeing and success and seeks to create more opportunities for high-quality early years education regardless of background or circumstance. By supporting our children and their families, including by providing enhanced maternal and child health services and by offering additional support to vulnerable or disadvantaged families, we can make a significant difference to a child’s lifelong development. The plan includes significant funding to strengthen the Maternal and Child Health Service and supported playgroups that give children the best start in life from birth.

In 2016–17, our focus in the school and vocational education sectors moved from policy design and development to implementation. This involved a deep and sustained support to ensure that principals, teachers and support staff where education services are delivered, are supported with the right tools, knowledge and data to lift outcomes for every student – regardless of their background or circumstances.

The introduction of the Framework for Improving Student Outcomes (FISO) has guided schools with the best evidence and ways to use additional school funding to get the best results and lift student achievement across the state as we strive for excellence. We began engaging with education expert Dr Mary Jean Gallagher, who oversaw a major system lift in Ontario, Canada. Dr Gallagher has been working as the Department’s critical friend to provide advice on implementing the Education State in Victoria. In June 2017, we released version one of a literacy and numeracy strategy, which gathers all the evidence and best practice and is designed to aid the work already underway in many schools to lift literacy and numeracy capability, which we know are foundational skills.

The Department’s newly-developed Regional Performance Framework has helped support understanding, measurement and monitoring of the performance of many Education State Initiatives through a place-based approach and has helped build a culture of evaluation within the Department.

This year, we have also made significant progress on reducing the impact of disadvantage on learning outcomes by creating more opportunities for vulnerable children to receive a high-quality education. This included implementing the Government’s Special Needs Plan, reviewing the Department’s Program for Students with Disabilities, and releasing Marrung: Aboriginal Education Plan 2016–2026 to improve outcomes for Koorie learners. Our Navigator and LOOKOUT programs have also continued to keep more vulnerable students engaged in education and support those who have disengaged to re-connect.

In 2016–17, we saw the opening of the first of 10 Tech Schools being built—such a promising example of secondary schools and TAFEs working together to provide education opportunities for Victorian young people. Following the establishment of the Victorian School Building Authority (VSBA), a number of projects have commenced that will transform communities. With $2.5 billion invested, the VSBA is delivering 56 new schools, more than 1000 school building projects and more than 30 early childhood projects— all with a focus on direct community engagement.

Further to our efforts in the schools sector, 2016–17 has been a significant year for our vocational education and training sector. This year, we provided a platform for overhauling the existing TAFE system and released Skills First, raising the benchmark for training quality and supporting students to achieve excellence. This initiative, launched in August 2016, will better manage Victoria’s training and TAFE system and deliver the current and future qualification needs of Victorians. From January 2017, we have progressively implemented Skills First across the state to build the quality of training providers and restore public confidence in the vocational education and training sector, and we have launched a TAFE campaign to drive enrolments.

All of this important work was underpinned by the Department’s values of responsiveness, integrity, impartiality, accountability, respect, leadership and human rights. Throughout 2016–17, we continued to embed our values in every aspect of our work including various initiatives encouraging all staff to consider how the values contribute to the important work we do.

It has been a big year and of course, none of this could have been achieved without the continuing efforts, energy and dedication of all the staff involved in providing our excellent education services. My thanks go out to all staff across the Department: principals, teachers, school support staff, TAFE and VET providers, maternal and child health providers and early childhood educators across the state. I’d also like to thank our many stakeholders for their support and collaboration.

Victoria is changing rapidly. As a state, our shifting demographic profile, growing population, changing economy and evolving workforce are presenting new challenges to the Department and education providers. I think we are well-placed to meet them.

We have put in place much of the architecture that will enable us to start seeing a system lift. Our challenge is to continue implementing all of these reforms so they start to land at the point of delivery—in kindergartens, classrooms, and in vocational education and training settings.

I look forward to continuing to lead the Department as we build on the important work already underway.



Gill Callister  
Secretary

Year in review

The Department of Education and Training is committed to supporting the Victorian Government to make Victoria the Education State, where all Victorians have the best learning and development experience, regardless of their background, postcode or circumstances. Education remains a cornerstone for ensuring all Victorians have the skills and knowledge they need to actively participate in and contribute to our rapidly-changing economy and society.

The Statement of Strategic Intent, as outlined in the Department’s Strategic Plan 2016–20, guides the provision of high-quality education, training, development, wellbeing and child health services. By following this plan, the Department, seeks to meet its objectives and the Victorian Government’s ambitious Education State targets.

Statement of Strategic Intent

The Department’s Statement of Strategic Intent supports the objectives and delivery of the government’s Education State agenda:

*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

integrity

impartiality

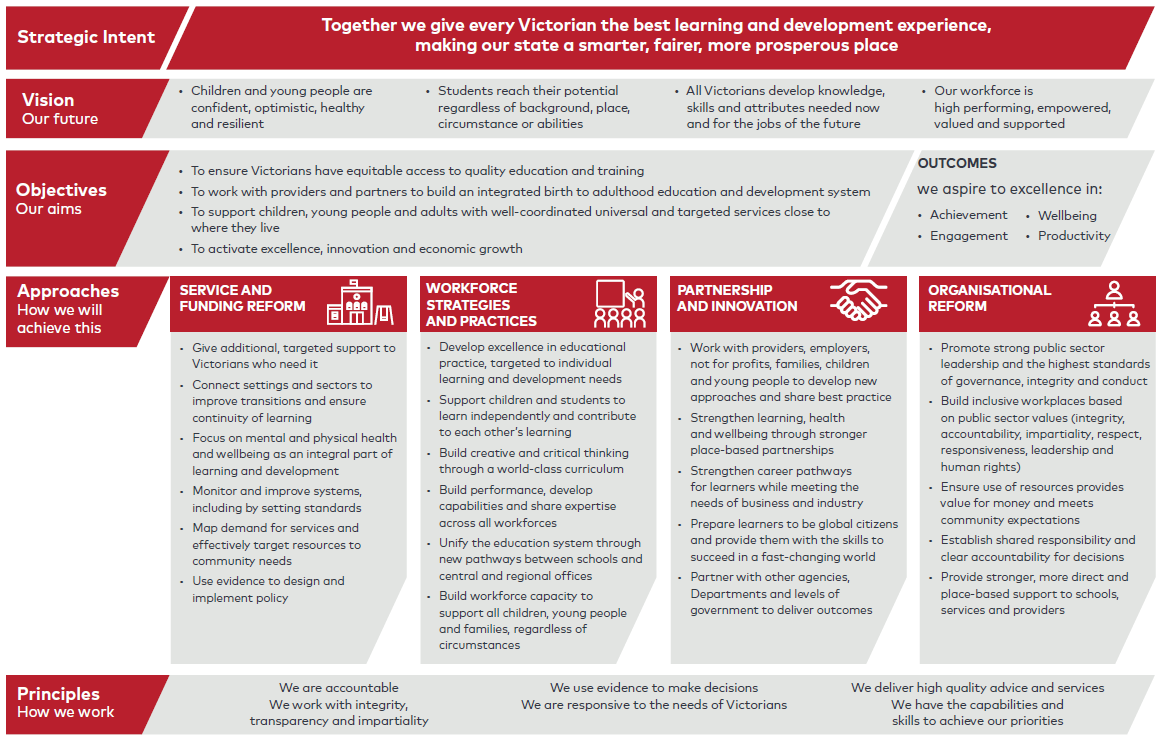
accountability

respect

leadership

human rights.

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.



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, as at June 2017, are outlined in the table below:

Table 1 – The Department’s services as at June 2017

| Early childhood | School education | Training and skills |
| --- | --- | --- |
| *Birth to 8*  *More than 400,000 children and families* | *5 to 18*  *More than 950,000 students* | *15 to 65+*  *More than 463,000 participants in government-subsidised vocational education and training* |
| * Maternal and child health services * Early years learning and development including early childhood education and care services * Early Childhood Intervention Services (ECIS) * Supported playgroups and parenting supports | * Primary education * Secondary education * Special education * Health and wellbeing | * Technical and Further Education (TAFEs) * Universities * Private registered training providers * Learn Locals |
| *We have a diverse range of public, private and not-for-profit providers serving Victorians of all ages:* | | |
| * More than 4100 approved education and care services providing long day care, kindergarten, outside-school-hours care, and family day care * Approximately 400 licensed children’s services providing limited-hour services such as occasional care * 664 maternal and child health service locations | * 1528 government schools * 711 non-government schools (492 Catholic schools and 219 independent schools) | * 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 * 346 government-contracted private registered training organisations |

Changes to the Department during 2016–17

During 2016–17, there were no changes to the Department’s objectives and output structure as a result of internal reviews or machinery-of-government changes.

Discontinued operations

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

Direct costs attributable to machinery-of-government changes

During 2016–17, neither the Department nor its entities consolidated into the Department’s annual report pursuant to section 53(1)(b) of the *Financial Management Act 1994,* incurred direct costs attributable to machinery-of-government changes.

Achievements

The Education State is building a system that provides every student with the knowledge, capabilities and attributes that will see them thrive throughout their lives, to have the skills that industry needs, and that employers expect. During 2016–17, the Department continued implementing reforms announced in the government’s statewide Education State initiatives across three areas of focus:, early childhood development, schools development and training and skills.

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. In May 2017, the Education State Early Childhood Reform Plan was released. This plan represents a landmark reform agenda for the early childhood sector and outlines the long-term vision that will:

* support higher quality services and reduce disadvantage in early education:including introducing an Australian first, school readiness funding for kindergarten services and significantly increasing the amount of support we provide to kindergartens to continue to improve their quality
* provide more support for parenting: including expanding the Enhanced Maternal and Child Health (MCH) Service and supported playgroups and, for the first time in Australia, providing an additional family violence visit for women and children at risk of, or experiencing, family violence
* make early childhood services more accessible and inclusive: including initiatives to improve kindergarten participation among children experiencing disadvantage or vulnerability, and providing more support for children with a disability
* build a better system: including a commitment to take on a greater system leadership role, strengthen our relationship with local government and work with the Commonwealth to secure longer term early childhood funding arrangements.

Throughout the year, the Department also continued to implement and deliver a range of early childhood and development reforms and programs. We:

* supported Victoria’s 96 per cent high kindergarten participation rate and increased participation rates for Aboriginal children from 82.2 per cent in 2015 to 90.5 per cent in 2016. This increase was supported by continuing the Koorie Kids Shine campaign, which engaged local community members in developing new resources to promote the benefits of kindergarten for Koorie children

increased the number of children receiving a free, 15-hour kindergarten program through the Early Start Kindergarten (ESK) initiative. In 2016, nearly 1200 three-year-old children experiencing vulnerability accessed ESK, an increase in enrolments of 18 per cent since 2015 and 50 per cent since 2014

reserved 569 kindergarten places across the state through the 2016 pre-purchased places pilot aimed at vulnerable and disadvantaged children who may present at services outside normal enrolment periods

provided $13.7 million through the Children’s Facilities Capital Program to upgrade existing, and build new, integrated children’s centres and early learning facilities. An additional $1.2 million was provided to over 300 successful applicants for minor expansions, refurbishments and information technology purchases

improved the coherence, sustainability and quality of kindergarten program delivery through the Early Years Management Policy Framework. The framework was well received by the sector and is on track for full implementation by July 2018

continued work in the national arena under the auspices of the Council of Australian Governments (COAG). Victoria played a lead role in reviewing the National Partnership for the National Quality Agenda for Early Childhood Education and Care (ECEC). The review found that the National Quality Framework is a significant achievement and considerable progress has been made implementing ambitious and ground-breaking reforms. Amendments to the *Education and Care Services National Law Act 2010*, recommended as part of the review, passed the Victorian parliament in March 2017

advanced the quality of ECEC services by assessing and rating 91 per cent by 30 June 2017. Of these, 35 per cent exceeded, and 49 per cent met, the National Quality Standards

progressed early childhood actions in Marrung: Aboriginal Education Plan 2016–2026, including developing targeted initiatives in the Early Childhood Reform Plan (Koorie Families as First Educators; Koorie Supported Playgroups). We worked with Aboriginal organisations, the MCH sector, and local governments to co-design strategies that ensure we provide a high‑quality, culturally‑safe and responsive universal MCH for all Aboriginal families across Victoria.

School education

The Education State: Schools agenda supports builds on the outcomes for every student, in every classroom, and for every community. To progress implementation and delivery of these reforms, the Department:

embedded the Framework for Improving Student Outcomes (FISO) to guide schools in ways to use school funding to get the best results and lift student achievement across the state. FISO supports schools to work through an improvement cycle that includes undertaking a School Review every four years, complete quality strategic and annual planning, select evidence-based interventions and monitor these interventions to understand their impact on improving student outcomes

implemented equity funding reforms throughout 2016 and 2017 to provide targeted funding support for students in greatest need, including through the use of the new Student Family Occupation and Education Index (SFOE) to determine the amount of equity funding schools will receive

delivered the new Victorian Curriculum F–10, which specifies the skills children and young people need for success in work and life: literacy, numeracy, scientific knowledge and skills, resilience, respectful relationships, the use of digital technologies, and the capacity for critical and creative thinking and expression

re-designed the Bastow Institute of Educational Leadership’s suite of professional learning to directly support and implement the Victorian Government’s Education State agenda. In 2016–17, there was an 18.6 per cent increase in the number of schools engaged in Bastow’s professional learning suite, with 4507 participants from 993 schools attending learning events (of whom 934 participated in regionally-delivered courses)

delivered three Education State funded programs through Bastow including, the Wise – System Leaders program for network chairs, the Inspire – Local Leaders facilitator and training program for emerging leaders, and the Unlocking Potential program for aspirant principals. This represents over 1,200 educators involved in new leadership development opportunities to drive improvement across Victoria

established Professional Learning Communities (PLCs) that provide the culture and structure teachers need to effectively collaborate, reflect on and evaluate the impact of their teaching on student learning, and determine whatways they can improve their professional practice. The PLC pilot program trained 200 instructional leaders and 130 school leaders in 2016, with hundreds more participating in 2017

introduced the Insight Assessment platform in January 2017 to provide teachers, students and school assessment administrators with a range of quality online assessment tools across several learning areas. Insight captures data on students’ progress and achievement to help with analysis and interpretation to improve learning. Since January 2017, more than 188,000 assessments have been completed on the platform

continued to implement the place-based approach to regional operations (Learning Places) by recruiting more than 150 additional staff to 17 area teams to provide multi-disciplinary support to schools, students and local communities. Since January 2017, around 800 school support services staff have been aligned with area teams

introduced the Literacy and Numeracy Strategy: Version 1 at the June 2017 Regional Principal Forums, along with the first in a suite of detailed school leadership and teaching resources for improving literacy and numeracy

delivered all nine initiatives of the Special Needs Plan for Victorian Government schools, including: building teachers’ capability for inclusive education, establishing a new Independent Office for School Dispute Resolution, and reviewing the Program for Students with Disabilities (PSD)

implemented a number of PSD review recommendations and committed to deliver, by the end of 2018, all 21 accepted recommendations under the Government’s inclusive education agenda. Reforms delivered since the PSD review in April 2016 include interim funding for students transitioning from Year 6 to Year 7 who are no longer eligible for targeted PSD funding, a funding boost to support students with autism, dyslexia and learning difficulties who are not eligible for PSD funding and the rollout of the Inclusive Schools Fund

finalised and released Marrung: Aboriginal Education Plan 2016–2026 to support improved outcomes for Koorie learners. Since the plan’s July 2016 release, more than 1200 people have participated in 15 Marrung forums co-hosted by the Department and the Victorian Aboriginal Education Association Incorporated (VAEAI). Work has also started on the 2016–17 Marrung budget initiatives including Children’s Koori Court Liaison Officers and the Extended Koorie Literacy and Numeracy Program

opened the first of Victoria’s state-of-the-art Tech Schools, as part of the government’s $128 million commitment to build 10 Tech Schools across Victoria. The Yarra Ranges Tech School opened in April 2017 and is now delivering innovative Science Technology Engineering and Mathematics (STEM) learning programs to students from partner schools. The Monash Tech School will also open in 2017. Each Tech School is an innovative STEM community hub, owned and operated by a Victorian tertiary provider and governed in partnership by local schools, industry and other stakeholders. The remaining Tech Schools will open during 2018

built five new schools to meet Victoria’s growing demand, completed a further 29 modernisation and upgrade projects for existing schools, and acquired five sites for new schools and site extensions

established four LOOKOUT Education Support Centres across Victoria to support the educational achievements of children and young people in out-of-home care. LOOKOUT centres trained more than 800 staff from government and Catholic schools to help them advocate for, and support, students in out-of-home care so they can achieve educational success

established the Navigator pilot program that funds community sector organisations to provide intensive support for disengaged young people aged 12–17 to re-engage in education. Less than a year into operation, Navigator is supporting nearly 500 young people, 270 of whom have already returned to education.

Training and skills

To support the Education State system where every student receives the support they need to gain the skills industry needs, and employers expect, the Department has taken great steps to overhaul the TAFE system and set a high benchmark for training quality.

In August 2016, the Department launched the Skills First reform agenda to ensure Victoria’s training and TAFE system offers high-quality training that is most likely to lead to employment. To progress Skills First reform implementation, the Department:

developed a new, targeted Funded Course List to ensure that Victorian training subsidies target the skills industry needs to grow and meet future demands. The Department worked closely with industry and the Victorian Skills Commissioner to reduce the number of government-funded courses from 1,500 to just over 1,000

introduced new subsidies that both support the delivery of high-quality training and reflect the true cost of training delivery

selected Skills First training providers through a rigorous selection process that reviewed expressions of interest against stringent criteria. As a result, only the highest quality training providers delivering industry-relevant courses were contracted to deliver government‑subsidised training

added targeted funding streams to subsidised training funding to: encourage businesses and training providers to work together to find new ways to train for new types of work; support high needs learners to access training and succeed; and extend training provision into specialised areas experiencing shortages

provided additional funding to restore the reputation, position and financial viability of TAFEs as providers of genuinely valuable educational experiences and outcomes. Between 2015 and 2016, the TAFE and dual‑sector market share of government-funded students increased from 31 per cent to 37 per cent. Preliminary data at 30 June 2017 shows an increase to 45 per cent of market share the introduction of since reforms were introduced

improved the apprenticeship retention rate by providing apprentices with the support they need to finish their training and get the jobs they want. A new Apprenticeship and Traineeship Taskforce was established in May 2017. The taskforce, chaired by the Victorian Skills Commissioner with members drawn from industry, employers, training organisations and unions, will look at what stops employers from hiring apprentices or trainees.

It has been a successful year of reform and implementation across the broad range of services and sectors the Department drives and supports. Underpinned by a set of ambitious, yet achievable system-wide targets, the Department continues to position Victoria to become the Education State.

Objectives, indicators and outputs

The Department’s progress is reported under the objectives, outputs and indicators set out in the 2016–17 State Budget Paper No. 3 Service Delivery (BP3). These are shown in the table below.

Progress and performance reporting

The Department’s progress towards the BP3 objectives and indicators is reported on pages 14–24.

There is a range of performance measures for each output. The Department’s performance against the output performance measures is reported on pages 25.

Table 2 – 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. | * Children developmentally ‘on track’ on the Australian Early Development Census (AEDC) in the language and cognitive skills domains * Proportion of early childhood services meeting or exceeding National Quality Standard Area 1 (NQSA1—Education program and practice) * Students meeting the expected standard in national and international literacy and numeracy assessment * Average score in Science (PISA 15‑year-olds) in Victoria compared to global top performers * Percentage of positive responses to teacher collaboration within school * Year 12 or equivalent completion rates of young people * Vocational Education and Training (VET) course completions * Certificate III or above course completions * Proportions of graduates with improved employment status after training. | * Strategy, Review and Regulation * Early Childhood Development * School Education—Primary * School Education—Secondary * Training, Higher Education, Workforce Development and Skills * Support Services Delivery * Support for Students with Disabilities. |
| Engagement  Increase the number of Victorians actively participating in education, training, development and child health services. | * Participation in a kindergarten service in the year before school * Participation in maternal and child health services * Proportion of ECEC services meeting or exceeding National Quality Standard Area 6 (NQSA6—Collaborative partnerships with families and communities) * Mean number of students absent days per full‑time equivalent (FTE) a year * Mean number of unapproved student absence days per FTE per year in secondary schools * Students with a positive opinion about their school 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 * Proportion of VET students satisfied with the teaching in their course. | * Strategy, Review and Regulation * Early Childhood Development * School Education—Primary * School Education—Secondary * Training, Higher Education, Workforce Development and Skills * Support Services Delivery * Support for Students with Disabilities. |
| Wellbeing  Increase the contribution education, training, development and child health services make to good health and quality of life for all Victorians, particularly children and young people. | * Proportion of infants fully or partially breastfed at three and six months * Proportion of children who have no behavioural issues on entry into Prep * Proportion of children who have no general development issues on entry into Prep * Children developmentally ‘on track’ on the AEDC social competence and emotional maturity domains * Students feeling connected to their school * Students with a positive opinion about their school providing a safe and orderly environment for learning * Level of student satisfaction with VET. | * Strategy, Review and Regulation * Early Childhood Development * School Education—Primary * School Education—Secondary * Training, Higher Education, Workforce Development and Skills * Support Services Delivery * Support for Students with Disabilities. |
| Productivity  Increase the productivity of our services. | * $ per kindergarten student per year (or ECIS or MCH) * $ per primary school student per year * $ per secondary school student per year * $ per VET student contact hour. | * Strategy, Review and Regulation * Early Childhood Development * School Education—Primary * School Education—Secondary * Training, Higher Education, Workforce Development and Skills * Support Services Delivery * Support for Students with Disabilities. |

Progress towards achieving departmental objectives

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 that sit across this life cycle: achievement, engagement, wellbeing and productivity.

A range of indicators are used to demonstrate current performance and trends. Data against these indicators shows that the Department’s performance against its objectives remains strong. The majority of Victorian children are engaging with early childhood services, and the quality of these services is high. Victorian students are regularly top performers in national testing of literacy and numeracy, and have maintained results in international testing, at a time when Australia’s performance in international tests has plateaued or declined.

There are, however, areas where achievement, wellbeing, engagement and productivity outcomes could improve. Hence, the Victorian Government is committed to making Victoria the Education State by providing excellence and equity in education, from early childhood through school education and the training and skills sectors.

Education State reforms are designed to bring Victoria in line with the highest levels of quality learning and achievement. In the Education State’s first year, the Department focused on setting up the foundations for success by investing record funding into systems and resources to ensure every Victorian can access an excellent education. These reforms will help Victoria keep pace with rapid global change.

Objective 1: Achievement

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

Providing high-quality ECEC services is an important starting point for child development, setting children up for future educational achievement. The majority of Victoria’s ECEC services continue to meet or exceed National Quality Standard 1 (educational program and practice). Newly‑announced reforms and investments to early childhood services will further improve Victorian children’s achievement by creating a higher‑quality, more equitable and inclusive early childhood system.

On entry to school, the majority of Victorian children perform well in their development as measured by the Australian Early Development Census (AEDC). In 2015, Prep teachers assessed nearly 85 per cent of Victorian children as ‘on track’ in their language and cognitive development, a marginal increase on the 2012 results.

Education State reforms are making sure Victoria has a world-leading school system that goes from 'good' to 'great'. This includes new funding to support students who need more classroom assistance. In combination with FISO, the extra funds will provide the resources schools need to make better‑targeted improvements, based on the needs of their students, their school and the local community.

Victoria’s performance in national testing remains strong. National Assessment Program for Literacy and Numeracy (NAPLAN) results show that Victoria remains one of Australia’s three leading jurisdictions. Since 2012, Victoria’s performance above the bottom three NAPLAN bands improved for all year levels except Year 7 Literacy, and performance in the top two bands has also trended upwards across most year levels.

Newly‑released data for international testing shows that Victoria is a consistent performer at a time when national performance has declined. In the most recent Trends in International Mathematics and Science Study (TIMSS), the proportion of Victorian students achieving international benchmarks increased for Year 8 students and remained stable for Year 4 students.

Results from the Programme for International Student Assessment (PISA) of 15‑year‑olds showed mixed results: the proportion of students achieving at or above the nationally‑agreed proficiency standard remained stable for Mathematics but decreased for Reading. In PISA Science, Victoria’s mean score improved relative to the top 25 per cent of jurisdictions. In 2015, Victoria performed above the Australian and international testing averages in both TIMSS and PISA testing.

Improving student achievement, particularly in Mathematics and Science, will be supported by the newly released STEM plan in the Education State. This plan invests in STEM programs and initiatives, providing schools with access to leading-edge resources and excellent teaching. This will help equip Victorian learners of all ages and backgrounds with the STEM skills they need now, and for the future.

Teachers play a pivotal role in building the Education State, with positive teacher collaboration being a key success factor. The School Staff Survey’s 2016 results (government school teachers) show that teachers’ perceptions of collaboration within their school decreased marginally from 2014, with three-in-five teachers responding positively. A key Education State reform, Professional Learning Communities, supports practice change across the education system, providing the culture and structure Victorian teachers need to more effectively collaborate and improve professional practice.

Keeping students engaged and in school is a key platform of the Education State reforms in schools. Completing Year 12 (or equivalent) has a range of economic, social, emotional and health benefits. The educational attainment of young people increased slightly between 2015 and 2016 with just over nine-in-ten young people aged 20–24 years attaining a Year 12 or non-school qualification at or above Certificate II level.

Overall, government funded Vocational Education and Training (VET) activity in Victoria in 2016 continues to decline, a decline that has been observed every year since the record highs of 2012, demonstrating clearly that training activity in previous years was over-inflated.

Initiatives, such as the Quality Assurance Review Blitz that started in July 2015, have made considerable progress addressing previous quality issues and helped restore certainty and stability in Victoria’s training system. As a result of the quality blitz, a number of low-quality private training providers offering poor-quality courses and poor student outcomes have been removed from the Victorian training system, in turn reducing training activity numbers.

Table 3 – Departmental indicators against achievement

| Indicators | | Unit | 2012 | 2013 | 2014 | 2015 | 2016 |
| --- | --- | --- | --- | --- | --- | --- | --- |
| Early childhood development | | | | | | | |
| Children developmentally ‘on track’ on the Australian Early Development Census language and cognitive skills domains | | | | | | | |
| Proportion of children developmentally ‘on track’ on the Australian Early Development Census language and cognitive skills domains | | per cent | 84.0 | – | – | 84.7 | – |
| Proportion of early childhood services meeting or exceeding National Quality Standard Area 1 (NQSA1—Educational program and practice) | | | | | | | |
| Proportion of early childhood services meeting or exceeding National Quality Standard Area 1 | | per cent | – | 82.7 | 85.4 | 87.0 | 87.5 |
| School education | | | | | | | |
| Students meeting the expected standard in national and international literacy and numeracy assessments[[1]](#footnote-2) | | | | | | | |
| NAPLAN Proportion of students above the bottom three bands: | | | | | | | |
| Year 3—Literacy | per cent | 73.3 | 75.3 | 73.7 | 76.2 | 75.6 |
| Year 3—Numeracy | per cent | 67.3 | 68.9 | 69.1 | 66.4 | 67.8 |
| Year 5—Literacy | per cent | 62.8 | 66.9 | 64.1 | 62.2 | 66.2 |
| Year 5—Numeracy | per cent | 58.9 | 55.5 | 57.6 | 61.2 | 61.0 |
| Year 7—Literacy | per cent | 59.8 | 59.7 | 59.2 | 59.5 | 56.9 |
| Year 7—Numeracy | per cent | 54.2 | 54.7 | 56.4 | 56.4 | 62.1 |
| Year 9—Literacy | per cent | 48.3 | 50.5 | 50.6 | 50.2 | 48.9 |
| Year 9—Numeracy | per cent | 50.3 | 49.1 | 51.5 | 54.0 | 51.5 |
| NAPLAN Proportion of students in the top two bands: | | | | | | |
| Year 3—Literacy | per cent | 51.1 | 52.2 | 51.2 | 53.6 | 54.1 |
| Year 3—Numeracy | per cent | 38.8 | 37.5 | 41.1 | 38.4 | 40.7 |
| Year 5—Literacy | per cent | 34.4 | 35.6 | 37.3 | 36.9 | 38.3 |
| Year 5—Numeracy | per cent | 29.5 | 27.3 | 28.7 | 31.9 | 31.7 |
| Year 7—Literacy | per cent | 29.9 | 27.6 | 29.8 | 30.1 | 27.4 |
| Year 7—Numeracy | per cent | 27.3 | 27.4 | 29.2 | 27.8 | 32.4 |
| Year 9—Literacy | per cent | 20.4 | 20.7 | 22.6 | 22.8 | 20.7 |
| Year 9—Numeracy | per cent | 24.7 | 25.2 | 25.3 | 26.1 | 23.3 |
| Proportion of Year 4 students reaching the international benchmarks (PIRLS)[[2]](#footnote-3)—Reading | per cent | 80.0 | – | – | – | – |
| Proportion of Year 4 students reaching the international benchmarks (TIMSS)[[3]](#footnote-4)—Mathematics | per cent | 75.0 | – | – | – | 75.0 |
| Proportion of Year 8 students reaching the international benchmarks (TIMSS)3 —Mathematics | per cent | 65.0 | – | – | – | 69.0 |
| Proportion of 15-year-old students achieving at or above proficient standard (level 3) in PISA reading literacy[[4]](#footnote-5) | per cent | 67.0 | – | – | 63.0 | – |
| Proportion of 15-year-old students achieving at or above proficient standard (level 3) in PISA mathematical literacy4 | per cent | 58.0 | – | – | 58.0 | – |
| Average score in science (PISA 15-year-olds) in Victoria compared to global top performers | | | | | | |
| Average score in science (PISA 15‑year‑olds) in Victoria compared to global top performers[[5]](#footnote-6) | Mean score | -20 | – | – | -14 | – |
| Percentage of positive responses to teacher collaboration within school | | | | | | |
| Percentage of positive responses to teacher collaboration within school | per cent | – | – | 62.4 | 60.9 | 60.6 |
| Higher education and skills | | | | | | |
| VET course completions | | | | | | |
| VET completions[[6]](#footnote-7) | number | – | – | – | 149,800 | 107,900 |
| 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[[7]](#footnote-8) | per cent | 88.0 | 90.1 | 89.0 | 89.5 | 92.6 |
| Certificate III or above completions |  |  |  |  |  |  |
| Certificate III or above completions | number | – | – | – | 120,700 | 87,100 |
| Other | number | – | – | – | 29,100 | 20,800 |
| All qualifications | number | – | – | – | 149,800 | 107,900 |
| Proportion of graduates with improved employment status after training | | | | | | |
| Proportion of graduates with improved employment status after training | per cent | – | – | 45.7 | 44.5 | n/a[[8]](#footnote-9) |

Objective 2: Engagement

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

It is a priority of the Education State agenda to ensure that all Victorians, whether children, young people or adults, have access to high‑quality education, development and child health services. Key aims of recently-announced reforms to the early childhood sector are to make early childhood services more accessible and inclusive, and to support higher quality early education services.

Through the Key Age and Stage (KAS) visits, MCH nurses provide valuable supports to parents and children at critical points in development. Participation in MCH KAS visits remains stable. Higher proportions of families participate in the earlier KAS visits, with rates dropping from universal participation in the first home consultation visit, to around one-third of children for the last visit (at 3.5 years). The Early Childhood Reform Plan aims to strengthen engagement with this service by improving and expanding current services across the state, and initiatives to aid staff development.

Kindergarten participation rates remain high in Victoria: in 2016, 96.2 per cent of children attended kindergarten in the year before starting school. This is an important achievement, given the well‑documented academic and social long-term benefits for children who attend. To build on this already high performance, the Victorian Government is including more kindergarten funding to help improve the quality of kindergarten services.

Victoria’s ECEC sector provides a high level of care, with most service providers performing strongly against national standards. In 2016, 96 per cent of Victorian ECEC services were assessed as meeting or exceeding National Quality Standard Area 6 (NQSA6—Collaborative partnerships with families and communities). This rate is generally consistent with previous years.

Student attendance and participation are important factors in engagement: there is a strong correlation between student attendance and learning outcomes, and reducing disengagement involves reducing school absenteeism. Victoria remains the only jurisdiction where average attendance in government schools across Years 1 to 10 was above 90 per cent[[9]](#footnote-10). Since 2012, however, the mean number of absent days per full‑time‑equivalent student in government schools has increased slightly for Years 5, 6,11 and 12, and has remained relatively stable, albeit higher, in Years 7 to 10.

Positive engagement with schooling also promotes achievement. General patterns show that three‑in‑five primary and about one‑in‑five secondary school students report positive perceptions of their school providing a stimulating learning environment. A range of Education State initiatives are helping improve engagement in schooling, such as, the ‘positive climate for student learning’ priority of FISO, and targeted initiatives such as the Navigator program and LOOKOUT Education Support centres.

In 2016, about 320,000 students in Victoria were enrolled in government-subsidised training, a 15 per cent decrease compared with 2015. Enrolments by males and people aged 45–64 years declined the most (16 per cent each), mainly due to lower training numbers for manufacturing, transport and logistics, construction plant operators, and foundation skills.

The proportion of students satisfied with the teaching in their course was 84 per cent in 2016, a decline of four percentage points from 2015. This is consistent with the decline in student and employer confidence in the training system, which suffered from the failure of some providers to deliver quality training.

Commonwealth Government training policy changes resulted in the shift of students to VET-FEE-HELP training and demand driven places in higher education attracting students who previously would have been expected to enrol in vocational education and training.

The other significant policy shift in Victoria was the government’s response to widespread training quality problems. The government committed to restore trust, confidence and pride in Victoria’s TAFE and Training Sector with an emphasis on quality. The quality initiatives that commenced in 2015 removed a significant number of low quality and fraudulent private RTOs, and this had the effect of further reducing training volumes corresponding to poor quality and poor outcomes for students. Government action to improve the quality of training delivery (measured by providers whose training contracts were terminated) accounts for approximately 58 per cent of the decline in enrolments between 2015 and 2016.

The actions started in mid-2015, including the quality blitz and the January 2017 Skills First reforms, are setting the foundation for a successful training system, leading to improvements in student satisfaction and employment outcomes. However, it will take time for the Skills First reforms to take full effect and show in performance measures.

Table 4 – Departmental indicators against engagement

| Indicators | Unit | 2012 | 2013 | 2014 | 2015 | 2016 |
| --- | --- | --- | --- | --- | --- | --- |
| Early childhood development | | | | | | |
| Participation in a kindergarten service in the year before school | | | | | | |
| Participation in a kindergarten service in the year before school[[10]](#footnote-11) | per cent | 97.9 | 98.2 | 96.4 | 98.1 | 96.2 |
| Participation in Maternal and Child Health Services[[11]](#footnote-12) | | | | | | |
| Home consultation[[12]](#footnote-13) | per cent | 100 | 101 | 100.9 | n/a | n/a |
| 12 months | per cent | 82.0 | 83.4 | 83.4 | n/a | n/a |
| 3.5 years | per cent | 66.5 | 64.9 | 66.1 | n/a | n/a |
| Proportion of ECEC services meeting or exceeding National Quality Standard Area 6 (NQSA6 –Collaborative partnerships with families and communities) | | | | | | |
| Proportion of ECEC services meeting or exceeding National Quality Standard Area 6 | per cent | – | 95.5 | 96.3 | 96.8 | 95.9 |
| School education | | | | | | |
| Mean number of student absent days per full-time equivalent (FTE) a year[[13]](#footnote-14) | | | | | | |
| Mean number of student absent days per FTE a year: | | | | | | |
| Year 5 | number | 14.5 | 14.3 | 14.1 | 14.4 | 15.1 |
| Year 6 | number | 14.7 | 14.8 | 14.6 | 15.1 | 15.6 |
| Years 7–10 | number | 19.7 | 19.3 | 19.5 | 19.3 | 19.7 |
| Years 11–12 | number | 14.9 | 15.4 | 16.0 | 16.8 | 16.6 |
| Mean number of unapproved student absence days per FTE per year in secondary schools | | | | | | |
| Mean number of unapproved student absence days per FTE per year  in secondary schools[[14]](#footnote-15) | | | | | | |
| Year 7–12 | number | 7.7 | 8.1 | 7.7 | 7.9 | 8.0 |
| Students with a positive opinion about their school providing a stimulating learning environment[[15]](#footnote-16) | | | | | | |
| Proportion of students who agree or strongly agree that their school provides a stimulating learning environment: | | | | | | |
| Years 5–6 | per cent | 62.7 | 63.4 | 63.5 | 61.1 | 59.1 |
| Years 7–10 | per cent | 21.4 | 21.2 | 21.7 | 20.9 | 20.5 |
| Years 11–12 | per cent | 20.3 | 21.1 | 20.0 | 19.8 | 18.8 |
| Higher education and skills | | | | | | |
| VET enrolments by students’[[16]](#footnote-17) age and gender | | | | | | |
| 15–19 years | number | 120,500 | 104,600 | 85,300 | 69,900 | 59,300 |
| 20–24 years | number | 100,900 | 96,300 | 93,100 | 80,200 | 69,700 |
| 25–44 years | number | 180,200 | 178,900 | 167,100 | 141,600 | 121,500 |
| 45–64 years | number | 96,400 | 93,100 | 87,400 | 75,100 | 62,900 |
| Under 15, over 64 and not stated | number | 11,800 | 11,900 | 10,700 | 11,000 | 7,700 |
| Female | number | 251,900 | 226,600 | 208,100 | 177,100 | 153,400 |
| Male | number | 257,200 | 257,600 | 234,900 | 199,600 | 166,900 |
| VET enrolments by administrative region | | | | | | |
| South Western | number | 264,000 | 251,100 | 230,500 | 178,600 | 144,300 |
| North Western | number | 124,300 | 116,200 | 105,400 | 97,900 | 82,600 |
| North Eastern | number | 110,200 | 114,300 | 86,100 | 70,800 | 64,700 |
| South Eastern | number | 159,500 | 153,200 | 130,900 | 116,300 | 92,500 |
| VET enrolments by courses by skills shortage category courses | | | | | | |
| Government-subsidised enrolments in skill demand occupations | number | 151,500 | 153,000 | 166,600 | 148,100 | 124,800 |
| VET enrolments by specialised category courses | | | | | | |
| Government-subsidised enrolments in specialist occupations[[17]](#footnote-18) | number | 79,300 | 89,600 | 88,900 | 83,800 | 74,400 |
| VET participation by unemployed learners | | | | | | |
| VET participation by unemployed learners | number | 118,500 | 135,000 | 135,900 | 113,200 | 87,900 |
| Proportion of VET students satisfied with the teaching in their course | | | | | | |
| Proportion of VET students satisfied with the teaching in their course | per cent | 91.1 | 88.8 | 88.6 | 87.6 | 83.5 |

Objective 3: Wellbeing

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

All Victoria’s children and young people deserve not only the best education system, but also a system that best promotes and nurtures health and wellbeing. The Education State agenda prioritises this. Reforms seek to develop happy, healthy and resilient children and young people who are engaged with their learning and development journey regardless of their social or economic background.

In early childhood, MCH services play an important role in improving children’s health and quality of life by identifying health, behavioural and developmental challenges at an early stage, while encouraging positive health and safety behaviours such as breastfeeding, immunisation, safe sleeping and healthy eating. Breastfeeding rates continue to show modest but consistent increases in the proportion of infants being partially or fully breastfed at three and six months. One third of Victorian infants are fully breastfed at six months, which is on par with national levels. The Department is continuing to work to improve the quality of MCH universal services, while also delivering additional, targeted support to families that need it most.

Outcomes are positive for most Victorian children starting Prep. Data shows that more than 80 per cent start school with a low risk of behavioural problems (as identified by their parents through the School Entrance Health Questionnaire (SEHQ)), and more than three-quarters are assessed by their teachers as ‘on track’ against the AEDC social competence or emotional maturity domains. Results for all of these indicators have decreased slightly. The Department also continued to make MCH services accessible to support families of all backgrounds. This included translating Key Ages and Stages resources into 23 languages to help raise awareness of the importance of behavioural and developmental issues. The proportion of children entering Prep with parent-identified general development issues has increased, and now sits at under half the commencing students. These results may reflect an increasing parental awareness of the importance of behavioural and developmental issues as a result of improved programs and resources.

Student wellbeing factors, such as feeling safe and connected to school, have an impact on many aspects of school life. Most Victorian government school students feel connected to their school. Although, since 2012, responses of primary and later secondary cohorts have trended slightly downwards. Younger students are significantly more positive about school connectedness than older students, although they are slightly less likely to feel that their school is safe than Year 11 and 12 students. Students in Years 7–10 are the most likely to report that other students are disruptive in class. Positive responses to these questions have generally decreased from students of all year levels since 2012, with larger decreases from students in Years 10–12.

To build feelings of connectedness and safety, the Department invests significantly in health and wellbeing support for children and young people. Key programs include:

eSmart Schools, a framework developed in partnership with the Alannah and Madeline Foundation designed to assist schools to develop a culture that promotes the safe, smart and responsible use of technology

the Bully Stoppers initiative, developed in partnership with experts in the field, provides teachers and school communities with support, clear guidance and tools to effectively prevent and respond to bullying

the Safe Schools program aims to ensure schools are safe and supportive environments for all students, staff, and families by challenging and reducing levels of homophobia and transphobia, and actively including those who are same-sex attracted, intersex and gender diverse

SAFEMinds, in partnership with headspace, to provide professional learning opportunities and a resource package for schools and families.

The level of satisfaction with the quality of vocational training increased by one percentage point to 85 per cent in 2016, but has not yet returned to 2012 levels. This reflects the early impacts of the quality blitz which saw 460 performance reviews of 457 training providers completed since July 2015. In addition, high-risk training providers now undergo a tailored quality review over several days conducted on site by experts. A total of 35 quality reviews have been undertaken since July 2016.

The blitz was important in calling out and addressing bad practices and the Department’s action had a deterrent effect across the sector. The blitz also reinforced the need for government to play a stronger role in setting parameters and conditions for the Victorian system, as reflected in: stricter contractual arrangements around subcontracting, marketing, ethical behaviour, justifying course durations, and greater clarity around expectations of quality delivery.

Table 5 – Departmental indicators against wellbeing

| Indicators | Unit | 2012 | 2013 | 2014 | 2015 | 2016 |
| --- | --- | --- | --- | --- | --- | --- |
| Early childhood development | | | | | | |
| Proportion of infants fully or partially breastfed at 3 and 6 months[[18]](#footnote-19) | | | | | | |
| Infants fully breastfed at 3 months | per cent | 51.0 | 50.6 | 51.4 | n/a | n/a |
| Infants partially breastfed at 3 months | per cent | 12.1 | 12.7 | 13.1 | n/a | n/a |
| Infants fully breastfed at 6 months | per cent | 33.8 | 33.9 | 34.0 | n/a | n/a |
| Infants partially breastfed at 6 months | per cent | 14.2 | 14.6 | 15.6 | n/a | n/a |
| Proportion of children who have no behavioural issues on entry into Prep | | | | | | |
| Proportion of children who have no behavioural issues on entry into Prep | per cent | 87.3 | 86.5 | 86.1 | 83.9 | 83.9 |
| Proportion of children who have no general developmental issues identified by parents on entry into Prep | per cent | 52.0 | 49.8 | 48.2 | 46.9 | 45.6 |
| Children developmentally ‘on track’ on the Australian Early Development Census social competence and emotional maturity domains | | | | | | |
| Social competence domain | per cent | 78.6 | – | – | 77.2 | – |
| Emotional maturity domain | per cent | 79.3 | – | – | 77.5 | – |
| School education[[19]](#footnote-20) | | | | | | |
| 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 | 66.1 | 66.6 | 66.6 | 65.8 | 64.7 |
| Years 7–10 | per cent | 33.8 | 33.6 | 33.4 | 34.0 | 33.2 |
| Years 11–12 | per cent | 27.2 | 27.8 | 26.0 | 25.4 | 23.6 |
| 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 | 63.8 | 63.6 | 64.1 | 60.3 | 60.1 |
| Years 7–10 | per cent | 59.1 | 58.8 | 60.0 | 58.7 | 58.1 |
| Years 11–12 | per cent | 65.5 | 65.7 | 66.3 | 64.9 | 64.6 |
| Proportion of students who agree or strongly agree that other students are disruptive in class | | | | | | |
| Years 5–6 | per cent | 14.2 | 14.4 | 14.1 | 14.1 | 14.3 |
| Years 7–10 | per cent | 26.5 | 26.5 | 26.0 | 24.7 | 24.3 |
| Years 11–12 | per cent | 18.7 | 18.0 | 17.0 | 16.1 | 15.6 |
| Higher education and skills | | | | | | |
| Level of student satisfaction with VET | | | | | | |
| Proportion of graduates satisfied with the overall quality of training[[20]](#footnote-21) | per cent | 87.6 | 85.4 | 84.5 | 84.0 | 84.9 |

Objective 4: Productivity

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

In 2016–17, the standard per-capita rate paid by the Victorian Government increased in the early childhood sector for both kindergarten and MCH services. This reflects increased funding in the 2016–17 Budget.

The unit cost per school student (primary and secondary) both increased from 2013 to 2014. The unit cost per VET student contact hour increased by nine per cent from 2014 to 2015: from $9.84 per hour (2014) to $10.76 per hour (2015).

The following table reports progress against the productivity indicators in the 2016–17 State Budget Paper No. 3 Service Delivery.

Table 6 – Departmental indicators against productivity

| Indicators | Unit | 2012 | 2013 | 2014 | 2015 | 2016 |
| --- | --- | --- | --- | --- | --- | --- |
| Early childhood development[[21]](#footnote-22), [[22]](#footnote-23) | | | | | | |
| Dollar per kindergarten student per financial year in the year prior to school (or ECIS or MCH) | | | | | | |
| Minimum funding available to every child (provides 6.75 hours of maternal and child health service for each child aged 0 to 3 years)[[23]](#footnote-24) | $ per child | 605.9 | 618.0 | 630.4 | 642.9 | 742.5 |
| Minimum funding available to the majority of children (approximately 96 per cent in 2016) who access a kindergarten program in the year prior to school[[24]](#footnote-25) | $ per child | 2,001.0 | 2,061.0 | 2,112.0 | 2,175.3 | 2,260.0 |

| Indicators | Unit | 2012 | 2013 | 2014 | 2015 | 2016 |
| --- | --- | --- | --- | --- | --- | --- |
| School Education—Primary and Secondary[[25]](#footnote-26) | | | | | | |
| Dollar per primary school student per financial year | | | | | | |
| Victorian Government real recurrent expenditure (including User Cost of Capital) per FTE student in primary schools (2014–15 dollars) | $ per FTE student | 12,208.8 | 12,251.5 | 12,810.8 | n/a[[26]](#footnote-27) | n/a[[27]](#footnote-28) |
| Dollar per secondary school student per financial year | | | | | | |
| Victorian Government real recurrent expenditure (including User Cost of Capital) per FTE student in secondary schools (2014–15 dollars) | $ per FTE student | 15,523.0 | 15,571.7 | 16,130.6 | n/a[[28]](#footnote-29) | n/a[[29]](#footnote-30) |
| Higher education and skills | | | | | | |
| Dollar per VET student contact hour per calendar year[[30]](#footnote-31) | | | | | | |
| Victorian Government real recurrent expenditure per annual hour (2015 dollars) | $ per hour | 13.21 | 11.96 | 9.84 | 10.76 | n/a[[31]](#footnote-32) |

Performance against output performance measures

The Department’s outputs are reported in seven groups. These are:

Strategy, Review and Regulation

Early Childhood Development

School Education–Primary

School Education–Secondary

Training, Higher Education, Workforce Development and Skills

Support Services Development

Support for Students with Disabilities.

These output measures refer to the financial year unless indicated.

Strategy, review and regulation

The output group for Strategy, Review and Regulation develops, plans and monitors strategic policy settings across all stages of learning. It includes intergovernmental negotiations as well as research, data and performance evaluations. This output group supports regulation to ensure delivery of quality education and training and contributes to all the Department’s objectives of achievement, engagement, wellbeing and productivity.

Table 7 – Strategy, review and regulation performance measures

| Performance measures | | | Unit of measure | 2016–17 Target | 2016–17 Actual | | Per cent variation | Result |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Quantity | | | | | | | | |
| Number of registered training organisation quality audits and school reviews undertaken annually | | | number | 67 | 90 | | 34.3 | ✓ |
| *This performance measure relates to the calendar year. The 2016–17 actual is higher than the 2016–17 target due to unanticipated audits and reviews of potentially high-risk providers. This resulted from potential non-compliance identified by complaints and other intelligence, and increased demand for high-risk thematic areas such as childcare qualifications.* | | | | | | | | |
| Quality | | | | | | | | |
| Education peak bodies that rate the Victorian Registration and Qualifications Authority (VRQA) effective or highly effective in performing its regulatory function | | | per cent | 70 | 100 | | 42.9 | ✓ |
| *This performance measure relates to the calendar year. The actual is higher than the 2016–17 target due to peak bodies reporting significantly higher satisfaction with VRQA than estimated prior to the collection of data for this new measure.* | | | | | | | | |
| Regulated schools and Registered Training Organisations that rate the VRQA effective or highly effective in performing its regulatory function | | | per cent | 70 | 95 | | 35.7 | ✓ |
| *This performance measure relates to the calendar year. The 2016–17 actual is higher than the 2016–17 target due to schools and Registered Training Organisations reporting significantly higher satisfaction with VRQA than estimated prior to the collection of data for this new measure.* | | | | | | | | |
| Percentage of government schools where an enrolment audit is conducted | | | per cent | 32.8 | 32.8 | | 0.0 | ✓ |
| *This performance measure relates to the calendar year.* | | | | | | | | |
| Cost | | | | | | | | |
| Total output cost | | | $ million | 95.7 | 102.3 | | 6.9 | 🗶 |
| *The 2016–17 Actual is higher than the 2016–17 Target primarily due to the implementation of the Department's strategic policy functions and realignment of its operating model to support the vision of the Education State. The Department introduced the new operating model both centrally and across regions to ensure that the support provided to schools, early childhood services and the training sector is coordinated and strengthened. In addition, the higher 2016–17 Actual reflects the timing of the delivery of programs such as IT systems including licencing and maintenance payments.* | | | | | | | | |
| 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.

Table 8 – Early childhood development performance measures

| Performance measures | | | Unit of measure | 2016–17 Target | 2016–17 Actual | | Per cent variation | Result |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Quantity | | | | | | | | |
| Children funded to participate in kindergarten | | | number | 74,250 | 76,265 | | 2.7 | ✓ |
| *This performance measure relates to the 2016 calendar year. This performance measure includes first and second year kindergarten participants.* | | | | | | | | |
| Kindergarten participation rate | | | per cent | 96.0 | 96.2 | | 0.2 | ✓ |
| *This performance measure relates to the 2016 calendar year, and excludes children who participate in a second year of the four-year-old kindergarten program. In 2016, an improved methodology was developed for estimating the kindergarten participation rate to more accurately reflect the actual age distribution of children enrolled in kindergarten and to align with school/kindergarten entry age.* | | | | | | | | |
| Maternal and child health clients with children aged 0–1 year receiving additional support through enhanced Maternal and Child Health Services | | | per cent | 10 | 15.2 | | 52.0 | ✓ |
| *The final result is currently not available due to timing of the data collection. The result provided under the 2016–17 actual is the expected outcome published in the 2017–18 Budget Paper No.3.*  *The 2016–17 expected outcome is higher than the 2016–17 target due to municipal councils providing services to families with a child aged 0–1 year beyond the 10 per cent target cohort.* | | | | | | | | |
| Total number of Maternal and Child Health Service clients (aged 0–1 year) | | | number | 75,000 | 78,955 | | 5.3 | ✓ |
| *The final result is currently not available due to timing of the data collection. The result provided under the 2016–17 actual is the expected outcome published in the 2017–18 Budget Paper No.3.*  *The 2016–17 expected outcome is higher than the 2016–17 target due to data anomalies associated with the introduction of a new Maternal and Child Health IT system by local governments.* | | | | | | | | |
| Total number of children receiving Early Childhood Intervention Services | | | number | 13,936 | 12,708 | | -8.8 | 🗶 |
| *The final result is currently not available due to timing of the data collection. The 2016–17 expected outcome is lower than the 2016–17 target as ECIS children (including children on the ECIS waitlist) transferred to the National Disability Insurance Scheme (NDIS) in 2016–17, the first year of transition to the full scheme*. | | | | | | | | |
| Quality | | | | | | | | |
| Education and care services offering a funded kindergarten program assessed as exceeding the National Quality Standard | | | per cent | 43 | 46 | | 7.0 | ✓ |
| *This performance measure relates to the 2016 calendar year.* | | | | | | | | |
| Education and care services offering a funded kindergarten program assessed as meeting or exceeding the National Quality Standard | | | per cent | 88 | 90 | | 2.3 | ✓ |
| *This performance measure relates to the 2016 calendar year.* | | | | | | | | |
| Families who are satisfied with the Early Childhood Intervention Services provided | | | per cent | 90 | 90 | | 0.0 | ✓ |
| *This performance measure includes internal and external providers. The final result is currently not available due to timing of the data collection. The result provided under the 2016–17 actual is the expected outcome published in the 2017–18 Budget Paper No.3.* | | | | | | | | |
| Timeliness | | | | | | | | |
| Children aged 0–1 month enrolled at Maternal and Child Health Services from birth notifications | | | per cent | 98.5 | 100.9 | | 2.4 | ✓ |
| *The final result is currently not available due to timing of the data collection. The result provided under the 2016–17 actual is the expected outcome published in the 2017–18 Budget Paper No.3. The performance measure may overestimate universal enrolments due to data anomalies associated with the introduction of a new Maternal and Child Health IT system by local governments.* | | | | | | | | |
| **Cost** | | | | | | | | |
| Total output cost | | | $ million | 582.4 | 572.5 | | -1.7 | ✓ |
| *The 2016–17 actual outcome is $9.9 million lower than the 2016–17 Budget.* | | | | | | | | |
| 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:

1. The School Education—Primary output provides services to develop essential skills and learning experiences to engage young minds in the primary sector.
2. The School Education—Secondary output delivers services to consolidate students’ literacy, numeracy and creative and critical thinking skills, and to support their physical, social, emotional and intellectual development in adolescence. It also provides education services and support for varied pathways to further education, training and employment.

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

The Government set high aspirations for all students, including Koorie students, which are reflected in BP3 NAPLAN measures implemented in 2015 and move away from a focus on national minimum standards. The BP3 targets for Koorie students, measure the percentage of Aboriginal students above the bottom three NAPLAN bands in Reading and Numeracy at years 3,5,7 and 9. NAPLAN results for Victorian Koorie students are generally above the national Aboriginal cohort across most domains and year levels.

(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 2016 calendar year rather than the 2016–17 financial year

government and non-government schools.

Table 9 – School Education–Primary performance measures

| Performance measures | | | Unit of measure | 2016–17 Target | | 2016–17 Actual | Per cent variation | Result |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Quantity | | | | | | | | |
| Average days lost due to absence at Year 5 | | | number | 14.1 | | 15.1 | -6.6 | 🗶 |
| *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 2016–17 actual is higher than the 2016–17 target due to an increase in student absence across most year levels, with some indication of a ‘reporting effect’ resulting from the system’s increased focus on identifying student absence relative to previous years.* | | | | | | | | |
| Average days lost due to absence at Year 6 | | | number | 14.5 | | 15.6 | -7.1 | 🗶 |
| *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 2016–17 actual is higher than the 2016–17 target due to an increase in student absence across most year levels, with some indication of a ‘reporting effect’ resulting from the system’s increased focus on identifying student absence relative to previous years.* | | | | | | | | |
| Investment in non-government schools (primary) | | | $ million | 370.7 | | 346.6 | -6.5 | ✓ |
| *The 2016–17 actual is lower than the 2016–17 Target primarily due to the timing in delivery of programs such as enrolment growth funding and capital grants. In addition, the lower 2016–17 Actual is a result of the realignment of uncommitted capacity within the combined base and Fair Funding initiatives to reflect the actual funding requirement.* | | | | | | | | |
| Percentage of government primary school students receiving equity funding | | | per cent | 28 | | 28 | 0.0 | ✓ |
| *New performance measure for 2016–17 to reflect government’s Education State priorities. This performance measure relates to the calendar year. This performance measure refers to government schools only.* | | | | | | | | |
| Number of teachers completed professional development as Mathematics and Science Specialists | | | number | 100 | | 100 | 0.0 | ✓ |
| *New performance measure for 2016–17 to reflect government’s Education State priorities. This performance measure refers to government schools only.* | | | | | | | | |
| Number of Assistant Principals participating in leadership development programs, including the Aspiring Principals Program | | | number | 470 | | 629 | 33.8 | ✓ |
| *This performance measure refers to government schools only. The 2016–17 actual is higher than the 2016–17 target as the Bastow Institute delivered more professional practice workshops in 2016 (in comparison to previous years), as well as an increase in events relating to the Framework for Improving Student Outcomes and increased throughput in Bastow's Aspirant Principals Program (UP).* | | | | | | | | |
| Number of Principals participating in statewide, centrally funded leadership development programs, including the Expert Leaders of Education Program | | | number | 730 | | 959 | 31.4 | ✓ |
| *This performance measure refers to government schools only. The 2016–17 actual is higher than the 2016–17 target as the Bastow Institute delivered more professional practice workshops in 2016 (in comparison to previous years), as well as an increase in events relating to the Framework for Improving Student Outcomes and a dedicated program for Network Chairs (WISE).* | | | | | | | | |
| Number of school staff who are not principals or assistant principals participating in leadership development programs, including the Aspiring Principals Program and the Local Leaders Program | | | number | 1,950 | | 3,185 | 63.3 | ✓ |
| *This performance measure refers to government schools only. This performance measure includes all school staff (teaching and education support). The 2016–17 actual is higher than the 2016–17 target as the Bastow Institute delivered more professional practice workshops in 2016 (in comparison to previous years), as well as an increase in events relating to the Framework for Improving Student Outcomes.* | | | | | | | | |
| Quality | | | | | | | | |
| Parent satisfaction with primary schooling on a 100‑point scale | | | 100-point scale | 83 | | 82 | -1.2 | ◼ |
| *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. The 2016–17 actual is lower than the 2016–17 target as schools select 15 per cent of parents randomly (for schools over 40 students), and variance between calendar year results may reflect sampling variance.* | | | | | | | | |
| Percentage of Aboriginal students above the bottom three bands for numeracy in Year 3 (NAPLAN testing) | | | per cent | 43.9 | | 40.7 | -7.3 | ✓ |
| *This performance measure relates to student performance assessed in May 2016.*  *When interpreting results, a 95 per cent confidence interval of +/- 3.18 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.* | | | | | | | | |
| Percentage of Aboriginal students above the bottom three bands for numeracy in Year 5 (NAPLAN testing) | | | per cent | 33.4 | | 30.1 | -9.9 | ◼ |
| This performance measure relates to student performance assessed in May 2016.  *When interpreting results, a 95 per cent confidence interval of +/- 2.97 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.*  *The 2016–17 actual is lower than the 2016–17 target as NAPLAN results reflect student performance as assessed in May 2016, and student achievement during this reporting period therefore does not reflect the full impact of recent Education State and Marrung initiatives.* | | | | | | | | |
| Percentage of Aboriginal students above the bottom three bands for reading in Year 3 (NAPLAN testing) | | | per cent | 48.7 | | 48.9 | 0.4 | ✓ |
| *This performance measure relates to student performance assessed in May 2016.*  *When interpreting results, a 95 per cent confidence interval of +/- 3.29 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.* | | | | | | | | |
| Percentage of Aboriginal students above the bottom three bands for reading in Year 5 (NAPLAN testing) | | | per cent | 40.0 | | 37.5 | -6.3 | ✓ |
| *This performance measure relates to student performance assessed in May 2016.*  *When interpreting results, a 95 per cent confidence interval of +/- 3.32 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.* | | | | | | | | |
| Percentage of students above the bottom three bands for numeracy in Year 3 (NAPLAN testing) | | | per cent | 68.5 | | 67.8 | -1.0 | ✓ |
| *This performance measure relates to student performance assessed in May 2016.*  *When interpreting results, a 95 per cent confidence interval of +/- 0.96 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.* | | | | | | | | |
| Percentage of students above the bottom three bands for numeracy in Year 5 (NAPLAN testing) | | | per cent | 62.3 | | 61.0 | -2.1 | ◼ |
| *This performance measure relates to student performance assessed in May 2016.*  *When interpreting results, a 95 per cent confidence interval of +/- 1.04 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 2016–17 actual is lower than the 2016–17 target as NAPLAN results reflect student performance as assessed in May 2016, and student achievement during this reporting period therefore does not reflect the full impact of recent Education State initiatives.* | | | | | | | | |
| Percentage of students above the bottom three bands for reading in Year 3 (NAPLAN testing) | | | per cent | 77.0 | | 75.6 | -1.8 | ◼ |
| *This performance measure relates to student performance assessed in May 2016.*  *When interpreting results, a 95 per cent confidence interval of +/- 0.82 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 2016–17 actual is lower than the 2016–17 target as NAPLAN results reflect student performance as assessed in May 2016, and student achievement during this reporting period therefore does not reflect the full impact of recent Education State initiatives*. | | | | | | | | |
| Percentage of students above the bottom three bands for reading in Year 5 (NAPLAN testing) | | | per cent | 64.5 | | 66.2 | 2.6 | ✓ |
| *This performance measure relates to student performance assessed in May 2016.*  *When interpreting results, a 95 per cent confidence interval of +/- 0.89 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.* | | | | | | | | |
| Percentage of students in the top two bands for numeracy in Year 3 (NAPLAN testing) | | | per cent | 41.5 | | 40.7 | -1.9 | ✓ |
| *This performance measure relates to student performance assessed in May 2016.*  *When interpreting results, a 95 per cent confidence interval of +/- 1.02 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.* | | | | | | | | |
| Percentage of students in the top two bands for numeracy in Year 5 (NAPLAN testing) | | | per cent | 32.9 | | 31.7 | -3.6 | ◼ |
| *This performance measure relates to student performance assessed in May 2016.*  *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.* | | | | | | | | |
| Percentage of students in the top two bands for reading in Year 3 (NAPLAN testing) | | | per cent | 54.6 | | 54.1 | -0.9 | ✓ |
| *This performance measure relates to student performance assessed in May 2016.*  *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.* | | | | | | | | |
| Percentage of students in the top two bands for reading in Year 5 (NAPLAN testing) | | | per cent | 38.7 | | 38.3 | -1.0 | ✓ |
| *This performance measure relates to student performance assessed in May 2016.*  *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.* | | | | | | | | |
| Years 5–6 students’ opinion of their connectedness with the school | | | 5-point scale | 4.4 | | 4.4 | 0.0 | ✓ |
| *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).* | | | | | | | | |
| Cost | | | | | | | | |
| Total output cost | | | $ million | 4,930.9 | | 4,886.9 | -0.9 | ✓ |
|  | | | | | | | | |
| Key: | ✓ Target achieved or exceeded | ◼ Target not achieved—less than 5% variance | | | 🗶 Target not achieved—more than 5% variance | | | | |

(ii) School Education–Secondary

This output involves provision of education and support services designed to improve student learning, development and wellbeing in Years 7 to 12 in government and non-government schools. It also covers the provision of services to improve pathways to further education, training and employment.

Except where indicated, these performance measures relate to:

the 2016 calendar year rather than the 2016–17 financial year

government and non-government schools.

Table 10 – School Education–Secondary performance measures

| Performance measures | | | Unit of measure | 2016–17 Target | 2016–17 Actual | | Per cent variation | Result |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Quantity | | | | | | | | |
| Investment in non-government schools (secondary) | | | $ million | 385.8 | 355.1 | | -8.0 | ✓ |
| *The 2016/17 actual is lower than the 2016–17 target primarily due to the timing in delivery of programs such as enrolment growth funding and capital grants. In addition, the lower 2016–17 Actual is a result of the realignment of uncommitted capacity within combined base and Fair Funding initiatives to reflect actual funding requirement.* | | | | | | | | |
| Number of school students enrolled in Victorian Certificate of Applied Learning (VCAL) | | | number | 19,000 | 18,946 | | -0.3 | ◼ |
| *The 2016–17 actual is lower than the 2016–17 target by only 54 students, representing slight variance on a base of nearly 19,000 students enrolled in VCAL.* | | | | | | | | |
| Number of school students participating in accredited vocational programs | | | number | 47,000 | 46,872 | | -0.3 | ◼ |
| *The 2016–17 actual is lower than the 2016–17 target by 128 students, representing slight variance on a base of nearly 47,000 students participating in accredited vocational programs.* | | | | | | | | |
| Number of school-based apprentices/trainees | | | number | 3,538 | 3,243 | | -8.3 | 🗶 |
| *The 2016–17 actual is lower than the 2016–17 target as a result of the VRQA’s regulatory work in 2015–16, which resulted in the discontinuation of some school-based apprenticeship and traineeship and other vocational programs that did not meet regulatory requirements.* | | | | | | | | |
| Proportion of all secondary schools offering vocational options to students as part of their secondary school certificate | | | per cent | 95.0 | 94.5 | | -0.5 | ◼ |
| *The 2016–17 actual is lower than the 2016–17 target by the equivalent of three fewer Victorian schools offering vocational options as part of their secondary school certificate. "Offering" VET is constituted by having at least one student enrolled in a VET certificate. Some year-to-year variation would be expected, according to changes in student preference.* | | | | | | | | |
| Number of students for which government secondary schools are funded to ‘catch up’ | | | number | 8,500 | 8,500 | | 0.0 | ✓ |
| *New performance measure for 2016–17 to reflect government’s Education State priorities.* | | | | | | | | |
| Percentage of government secondary school students receiving equity funding | | | per cent | 35 | 34 | | -2.9 | ◼ |
| *New performance measure for 2016–17 to reflect government’s Education State priorities.*  *The 2016–17 actual is lower than the 2016–17 target as fewer students are meeting eligibility requirements, as more parents reported in enrolment data as having a bachelor or higher degree than in previous data.* | | | | | | | | |
| Quality | | | | | | | | |
| Average days lost due to absence in Years 11 and 12 | | | number | 16.1 | 16.6 | | -3.0 | ◼ |
| *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 2016–17 actual is higher than the 2016–17 target due to an increase in student absence across most year levels, with some indication of a ‘reporting effect’ resulting from the system’s increased focus on identifying student absence relative to previous years.* | | | | | | | | |
| Average days lost due to absence in Years 7–10 | | | number | 19.0 | 19.7 | | -3.6 | ◼ |
| *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 2016–17 actual is higher than the 2016–17 target due to an increase in student absence across most year levels, with some indication of a ‘reporting effect’ resulting from the system’s increased focus on identifying student absence relative to previous years*. | | | | | | | | |
| Median VCE study score | | | number | 29 | 29 | | 0.0 | ✓ |
| *This performance measure refers to government schools only.* | | | | | | | | |
| Parent satisfaction with secondary schooling on a 100-point scale | | | 100-point scale | 76 | 77 | | 1.3 | ✓ |
| *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.* | | | | | | | | |
| Percentage of Aboriginal students above the bottom three bands for numeracy in Year 7 (NAPLAN testing) | | | per cent | 26.4 | 29.1 | | 10.2 | ✓ |
| *This performance measure relates to student performance assessed in May 2016.*  *When interpreting results, a 95 per cent confidence interval of +/- 3.73 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.* | | | | | | | | |
| Percentage of Aboriginal students above the bottom three bands for numeracy in Year 9 (NAPLAN testing) | | | per cent | 25.2 | 19.9 | | -21.0 | 🗶 |
| *This performance measure relates to student performance assessed in May 2016.*  *When interpreting results, a 95 per cent confidence interval of +/- 3.24 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 2016–17 actual is lower than the 2016–17 target as NAPLAN results reflect student performance as assessed in May 2016, and student achievement during this reporting period therefore does not reflect the full impact of recent Education State and Marrung initiatives.* | | | | | | | | |
| Percentage of Aboriginal students above the bottom three bands for reading in Year 7 (NAPLAN testing) | | | per cent | 29.2 | 28.6 | | -2.1 | ✓ |
| This performance measure relates to student performance assessed in May 2016.  *When interpreting results, a 95 per cent confidence interval of +/- 3.25 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.* | | | | | | | | |
| Percentage of Aboriginal students above the bottom three bands for reading in Year 9 (NAPLAN testing) | | | per cent | 26.3 | 21.4 | | -18.6 | 🗶 |
| *This performance measure relates to student performance assessed in May 2016.*  *When interpreting results, a 95 per cent confidence interval of +/- 3.45 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 2016–17 expected outcome is lower than the 2016–17 target as NAPLAN results reflect student performance as assessed in May 2016, and student achievement during this reporting period therefore does not reflect the full impact of recent Education State and Marrung initiatives.* | | | | | | | | |
| Percentage of school leavers completing a VCE VET program in a school progressing to further education, training or work | | | per cent | 95 | 95 | | 0.0 | ✓ |
| *The final result is currently not available due to timing of the data collection. The result provided under the 2016–17 actual is the expected outcome published in the 2017–18 Budget Paper No.3.* | | | | | | | | |
| 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 | 85 | 85 | | 0.0 | ✓ |
| *The final result is currently not available due to timing of the data collection. The result provided under the 2016–17 actual is the expected outcome published in the 2017–18 Budget Paper No.3.* | | | | | | | | |
| Percentage of students above the bottom three bands for numeracy in Year 7 (NAPLAN testing) | | | per cent | 56.4 | 62.1 | | 10.1 | ✓ |
| *This performance measure relates to student performance assessed in May 2016.*  *When interpreting results, a 95 per cent confidence interval of +/- 1.64 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 2016–17 actual is higher than the 2016–17 target, which may be attributable to year-on-year cohort and assessment variations.* | | | | | | | | |
| Percentage of students above the bottom three bands for numeracy in Year 9 (NAPLAN testing) | | | per cent | 54.3 | 51.5 | | -5.2 | ◼ |
| *This performance measure relates to student performance assessed in May 2016.*  *When interpreting results, a 95 per cent confidence interval of +/- 1.95 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.*  *The 2016–17 actual is lower than the 2016–17 target as NAPLAN results reflect student performance as assessed in May 2016, and student achievement during this reporting period therefore does not reflect the full impact of recent Education State initiatives.* | | | | | | | | |
| Percentage of students above the bottom three bands for reading in Year 7 (NAPLAN testing) | | | per cent | 60.0 | 56.9 | | -5.2 | ◼ |
| *This performance measure relates to student performance assessed in May 2016.*  *When interpreting results, a 95 per cent confidence interval of +/- 1.54 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 2016–17 actual is lower than the 2016–17 target as NAPLAN results reflect student performance as assessed in May 2016, and student achievement during this reporting period therefore does not reflect the full impact of recent Education State initiatives.* | | | | | | | | |
| Percentage of students above the bottom three bands for reading in Year 9 (NAPLAN testing) | | | per cent | 50.4 | 48.9 | | -3.0 | ✓ |
| *This performance measure relates to student performance assessed in May 2016.*  *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.* | | | | | | | | |
| Percentage of students in the top two bands for numeracy in Year 7 (NAPLAN testing) | | | per cent | 28.0 | 32.4 | | 15.7 | ✓ |
| *This performance measure relates to student performance assessed in May 2016.*  *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.*  *The 2016–17 actual is higher than the 2016–17 target, which may be attributable to year on year cohort and assessment variations.* | | | | | | | | |
| Percentage of students in the top two bands for numeracy in Year 9 (NAPLAN testing) | | | per cent | 26.4 | 23.3 | | -11.7 | ◼ |
| *This performance measure relates to student performance assessed in May 2016.*  *When interpreting results, a 95 per cent confidence interval of +/- 1.98 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.*  *The 2016–17 actual is lower than the 2016–17 target as NAPLAN results reflect student performance as assessed in May 2016, and student achievement during this reporting period therefore does not reflect the full impact of recent Education State initiatives.* | | | | | | | | |
| Percentage of students in the top two bands for reading in Year 7 (NAPLAN testing) | | | per cent | 30.7 | 27.4 | | -10.7 | ◼ |
| *This performance measure relates to student performance assessed in May 2016.*  *When interpreting results, a 95 per cent confidence interval of +/- 1.39 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 2016–17 actual is lower than the 2016–17 target as NAPLAN results reflect student performance as assessed in May 2016, and student achievement during this reporting period therefore does not reflect the full impact of recent Education State initiatives.* | | | | | | | | |
| Percentage of students in the top two bands for reading in Year 9 (NAPLAN testing) | | | number | 23.0 | 20.7 | | -10.0 | ◼ |
| *This performance measure relates to student performance assessed in May 2016.*  *When interpreting results, a 95 per cent confidence interval of +/- 1.50 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 2016–17 actual is lower than the 2016–17 target as NAPLAN results reflect student performance as assessed in May 2016, and student achievement during this reporting period therefore does not reflect the full impact of recent Education State initiatives.* | | | | | | | | |
| Percentage of students who remain at school from Year 7 to Year 12 | | | per cent | 92.2 | 91.8 | | -0.4 | ◼ |
| *The 2016–17 actual is lower than the 2016–17 target as the apparent retention rate is influenced by a range of factors and is subject to cohort variation.* | | | | | | | | |
| Percentage of VCAL certificates satisfactorily completed by school students | | | per cent | 76.0 | 76.9 | | 1.2 | ✓ |
| Years 7–9 students' opinion of their connectedness with the school | | | 5-point scale | 3.7 | 3.7 | | 0.0 | ✓ |
| *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).* | | | | | | | | |
| Cost | | | | | | | | |
| Total output cost | | | $ million | 4,156.8 | 4,016.9 | | -3.4 | ✓ |
| Key: | ✓ Target achieved or exceeded | ◼ Target not achieved—less than 5% variance | | | | 🗶 Target not achieved—more than 5% variance | | | |

Training, higher education, workforce development and skills

This output promotes training quality. It supports Victorians to acquire knowledge and skills, and supports Victorian industries and businesses growing or adjusting through access to skilled workers. It achieved its measures by:

developing strategic advice on Victoria’s skill requirements

supporting better training choices by individuals and employers through improved access to information and advice

contracting training delivery by TAFE institutes, relevant universities, not-for-profit community providers and private registered training organisations

ensuring there is a highly capable and diverse, internationally‑focused VET system in Victoria to support high‑quality training outcomes, workforce development and job creation

supporting growth industries (or those in adjustment), job creation and workforce development

developing and implementing effective strategies for accredited and   
pre- accredited vocational education and training through adult community education and youth transition pathways to ensure access to and increased participation in life long skills development

growing TAFE institutes as public institutions that play a key role in helping the state to meet its economic and employment needs, as well as a unique community role promoting equity and addressing disadvantage.

Except where indicated, these performance measures relate to the 2016 calendar year rather than the 2016–17 financial year.

Table 10 – Training, higher education, workforce development and skills performance measures

| Performance measures | | | Unit of measure | 2016–17 Target | 2016–17 Actual | | Per cent variation | Result |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Quantity | | | | | | | | |
| Annual government-subsidised module enrolments | | | number (million) | 4.5 | 3.5 | | -22.2 | 🗶 |
| *The 2016–17 actual is lower than the 2016–17 target due to past policy changes such as tightened eligibility to subsidised training and foundation courses, and reduced subsidies. Enrolment numbers have also been impacted by the shift of students to VET FEE-HELP, and fewer enrolments in sub-standard training as part of the government’s implementation of the Review of Quality Assurance.* | | | | | | | | |
| Government-subsidised student contact hours of training and further education provided | | | number (million) | 154 | 125 | | -18.8 | 🗶 |
| *The 2016–17 actual is lower than the 2016–17 target due to past policy changes such as tightened eligibility to subsidised training and foundation courses, and reduced subsidies. Enrolment numbers have also been impacted by the shift of students to VET FEE-HELP, and fewer enrolments in sub-standard training as part of the government’s implementation of the Review of Quality Assurance.* | | | | | | | | |
| Number of apprenticeship/ traineeship commencements by new employees | | | number | 36,100 | 38,000 | | 5.3 | ✓ |
| Number of government-subsidised course enrolments | | | number | 466,681 | 389,414 | | -16.6 | 🗶 |
| *The 2016–17 actual is lower than the 2016–17 target due to past policy changes such as tightened eligibility to subsidised training and foundation courses, and reduced subsidies. Enrolment numbers have also been impacted by the shift of students to VET FEE-HELP, and fewer enrolments in sub-standard training as part of the government’s implementation of the Review of Quality Assurance.* | | | | | | | | |
| 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 | 44,832 | | -0.4 | ◼ |
| *The 2016–17 actual was below target by 168 module enrolments, representing slight variance on a base of 44,832 pre-accredited module enrolments subsidised through the ACFE Board.* | | | | | | | | |
| Number of students enrolled in government-subsidised courses | | | number | 377,831 | 321,090 | | -15.0 | 🗶 |
| *The 2016–17 actual is lower than the 2016–17 target due to tighter eligibility rules, the removal of the Certificate I in Vocational Preparation from the foundation course list, and the establishment of the Foundation Skills approved provider list. Enrolment numbers have also been impacted by fewer enrolments in sub-standard training as part of the government’s implementation of the Review of Quality Assurance.* | | | | | | | | |
| Number of students without Year 12, Certificate II or above enrolled in foundation courses | | | number | 19,775 | 14,653 | | -25.9 | 🗶 |
| *The 2016–17 actual is lower than the 2016–17 target due to a reduction in foundation course subsidy rates, tighter eligibility rules, the removal of the Certificate I in Vocational Preparation from the foundation course list, and the establishment of the Foundation Skills approved provider list. Enrolment numbers have also been impacted by fewer enrolments in sub-standard training as part of the government’s implementation of the Review of Quality Assurance.* | | | | | | | | |
| Grants to support workforce development, skills sector reform, structural adjustment and job creation initiatives | | | number | 10 | 10 | | 0.0 | ✓ |
| *This performance measure relates to the financial year.* | | | | | | | | |
| Participation rate of 15–24-year-olds in government-subsidised training and further education in Victoria | | | per cent | 18.7 | 15.9 | | -15.0 | 🗶 |
| *The 2016–17 actual is lower than the 2016–17 target due to past policy changes such as tightened eligibility to subsidised training and foundation courses, and reduced subsidies. Enrolment numbers have also been impacted by the shift of students to VET FEE-HELP, and fewer enrolments in sub-standard training as part of the government’s implementation of the Review of Quality Assurance, and an increasing participation in university education.* | | | | | | | | |
| Participation rate of 25–64-year-olds in government-subsidised training and further education in Victoria | | | per cent | 6.7 | 5.6 | | -16.4 | 🗶 |
| *The 2016–17 actual is lower than the 2016–17 target due to past policy changes such as tightened eligibility to subsidised training and foundation courses, and reduced subsidies. Enrolment numbers have also been impacted by the shift of students to VET FEE-HELP, and fewer enrolments in sub-standard training as part of the government’s implementation of the Review of Quality Assurance, and an increasing participation in university education.* | | | | | | | | |
| Quality | | | | | | | | |
| Proportion of employers satisfied with the training provided by the Registered Training Organisation for apprenticeship and traineeship completers | | | per cent | 85 | 78 | | -8.2 | 🗶 |
| *The 2016–17 actual is lower than the 2016–17 target as there were quality issues with some providers that may have impacted on employer satisfaction.* | | | | | | | | |
| Proportion of VET completers who are satisfied with their training | | | per cent | 80.8 | 82.5 | | 2.1 | ✓ |
| *The 2016–17 result refers to the 2016 survey of 2015 VET graduates and early leavers.* | | | | | | | | |
| Proportion of VET completers with an improved employment status after training | | | per cent | 53.2 | 50.6 | | -4.9 | ◼ |
| *The 2016–17 result refers to the 2016 survey result of 2015 VET graduates and early leavers. The 2016–17 actual is lower than the 2016–17 target as there were quality issues with some providers in 2015 that may have impacted on employment outcomes following training.* | | | | | | | | |
| Successful training completions as measured by module load completion rate | | | per cent | 80.7 | 80.8 | | 0.1 | ✓ |
| *This performance measure relates to the calendar year.* | | | | | | | | |
| Cost | | | | | | | | |
| Total output cost | | | $ million | 2,477.5 | 2,174.5 | | -12.2 | ✓ |
| *This performance measure relates to the financial year. The 2016–17 actual is lower than the 2016–17 Target primarily due to lower than expected third party revenue from TAFEs compared to target due to a decline in enrolment numbers and the timing in delivery of certain programs.* | | | | | | | | |
| 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 primarily covers the Department’s Regional Services Group. It provides student welfare and support, student transport (excluding transport for special needs students) and health services. This output group contributes to providing and improving services that support all the Department’s objectives of achievement, engagement, wellbeing and productivity.

Except where indicated, these performance measures relate to the 2016 calendar year rather than the 2016–17 financial year.

Table 11 – Support services delivery performance measures

| Performance measures | Unit of measure | 2016–17 Target | 2016–17 Actual | Per cent variation | Result |
| --- | --- | --- | --- | --- | --- |
| Quantity | | | | | |
| Eligible Primary School students in receipt of Camps, Sports and Excursions Fund | number | 139,000 | 127,022 | -8.6 | 🗶 |
| *New performance measure for 2016–17 to reflect Government priorities regarding assisting families, ensuring all Victorian students can take part in school camps, excursions and sporting activities. The 2016–17 actual is lower than the 2016–17 target due to a lower number of applications from eligible families (concession card holders).* | | | | | |
| Eligible Secondary School students in receipt of Camps, Sports and Excursions Fund | number | 81,000 | 78,637 | -2.9 | ◼ |
| *New performance measure for 2016–17 to reflect Government priorities regarding assisting families, ensuring all Victorian students can take part in school camps, excursions and sporting activities. The 2016–17 actual is lower than the 2016–17 target due to a lower number of applications from eligible families (concession card holders).* | | | | | |
| Investment in student welfare and support | $ million | 274.8 | 321.6 | 17.0 | 🗶 |
| *The 2016–17 Actual is higher than the 2016–17 target primarily due to the better reclassification of regional support services such as Learning Places, Navigator and Lookout programs under support services delivery output.* | | | | | |
| Investment in travelling allowances and transport support (excluding special needs students) | $ million | 39.2 | 41.0 | 4.7 | ◼ |
| *The 2016–17 Actual is higher than the 2016–17 Target primarily due to growth in enrolment numbers.* | | | | | |
| Prep-aged students assessed by school nurses | number | 60,000 | 64,110 | 6.9 | ✓ |
| *This performance measure includes government and non-government schools. The 2016–17 actual is higher than the 2016–17 target due to population growth and increased demand on Primary School Nursing Program services.* | | | | | |
| School students (government) supported by conveyance allowance | number | 9,600 | 9,267 | -3.5 | ◼ |
| *The 2016–17 actual is lower than the 2016–17 target due to changes to the Metropolitan Conveyance Allowance Boundary to account for population growth, school location and public transport changes.* | | | | | |
| School students (non-government) supported by conveyance allowance | number | 29,800 | 29,468 | -1.1 | ◼ |
| *The 2016–17 actual is lower than the 2016–17 target due to changes to the Metropolitan Conveyance Allowance Boundary to account for population growth, school location and public transport changes.* | | | | | |
| Schools allocated a nurse through the Secondary School Nursing Program | number | 193 | 200 | 3.6 | ✓ |
| *This performance measure refers to government schools only.* | | | | | |
| Schools funded for primary welfare officers | number | 806 | 804 | -0.2 | ◼ |
| *The 2016–17 actual is lower than the 2016–17 target due to five schools closing or being de-staffed and three schools opening*. | | | | | |
| Quality | | | | | |
| School satisfaction with student support services | per cent | 85.0 | 85.2 | 0.2 | ✓ |
| *This performance measure refers to government schools only*. | | | | | |

| Performance measures | | | Unit of measure | 2016–17 Target | | 2016–17 Actual | Per cent variation | Result |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Cost | | | | | | | | |
| Total output cost | | | $ million | 313.9 | | 362.7 | 15.5 | 🗶 |
| *The 2016–17 actual is higher than the 2016–17 target primarily due to the better reclassification of regional support services such as Learning Places, Navigator and Lookout programs under support services delivery output.* | | | | | | | | |
| 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, as well as transport, welfare and support services for students with special needs. This output group contributes to providing and improving services that support all the Department’s objectives of achievement, engagement, wellbeing and productivity.

Except where indicated, these performance measures relate to the 2016 calendar year rather than the 2016–17 financial year. These performance measures relate to government schools.

Table 12 – Support for students with disabilities performance measures

| Performance measures | | | Unit of measure | 2016–17 Target | | 2016–17 Actual | Per cent variation | Result |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Quantity | | | | | | | | |
| Eligible special school students provided with appropriate travel | | | number | 9217 | | 9003 | -2.3 | ◼ |
| *The 2016–17 actual is lower than the 2016–17 target due to a slower-than-anticipated growth rate in enrolments at specialist schools.* | | | | | | | | |
| Students funded under the disabilities program in government schools as a proportion of the total student population | | | per cent | 4.2 | | 4.2 | 0.0 | ✓ |
| Quality | | | | | | | | |
| Parent satisfaction with special education on a  100-point scale | | | 100-point scale | 85 | | 85 | 0.0 | ✓ |
| *Data is drawn from the Parent Opinion Survey, where a higher score represents a higher level of satisfaction.* | | | | | | | | |
| Cost | | | | | | | | |
| Total output cost | | | $ million | 932.4 | | 921.0 | -1.2 | ✓ |
| Key: | ✓ Target achieved or exceeded | ◼ Target not achieved—less than 5% variance | | | 🗶 Target not achieved—more than 5% variance | | | | |

Discontinued measures for 2016–17

Following assessment by the Public Accounts and Estimates Committee, the following performance measure listed below was discontinued for 2016–17.

Table 13 – Discontinued performance measures

| Output group | Performance measure name |
| --- | --- |
| Strategy Review and Regulation | Education provider satisfaction with the Victorian Registration and Qualifications Authority and its regulatory processes |

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 their results are not included within the controlled financial transactions of the Department. These agencies 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 ending 30 June 2017, and comparative information for the preceding four financial years.

| Five-year financial summary | 2016–17 | 2015–16 | 2014–15 | 2013–14 | 2012–13 |
| --- | --- | --- | --- | --- | --- |
|  | $m | $m | $m | $m | $m |
| Operating revenue |  |  |  |  |  |
| Revenue from State Government | 12,197.3 | 11,194.0 | 10,683.5 | 10,517.1 | 10,382.3 |
| Other revenue | 751.1 | 776.9 | 777.2 | 749.9 | 734.8 |
| Total income from transactions | 12,948.4 | 11,970.9 | 11,460.7 | 11,267.0 | 11,117.0 |
| Total expenses from transactions | 12,626.2 | 11,740.0 | 11,280.3 | 11,101.5 | 11,028.1 |
| Net results from transactions | 322.2 | 230.9 | 180.5 | 165.6 | 88.9 |
| Total other economic flows | 86 | (48.4) | (21.7) | (1.2) | 34.6 |
| Net results for period | 408.2 | 182.5 | 158.8 | 164.3 | 123.5 |
|  |  |  |  |  |  |
| Net cash flow from operating activities | 638.5 | 455.4 | 187.8 | 364.3 | 451.9 |
|  |  |  |  |  |  |
| Total assets | 23,818.6 | 22,955.5 | 19,608.5 | 18,516.8 | 18,392.4 |
| Total liabilities | 2,607.1 | 2,166.9 | 1,940.8 | 1,889.0 | 1,843.9 |
| Net assets | 21,211.5 | 20,788.6 | 17,667.7 | 16,627.9 | 16,548.5 |

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

Current year financial summary

Financial performance

The Department’s net result from transactions for the financial year ended 30 June 2017 is a surplus of $322.2 million, compared with a surplus of $230.9 million in 2016. When the other economic flows of $86 million gain are included, the net result for the year is a surplus of $408.2 million, compared to a surplus of $182.5 million in 2016.

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

The Department’s expenditure growth mainly reflects the increased expenditure under the Victorian Government Schools Agreement (VGSA) 2017. Other increases in expenditure include:

increase in grants to external organisations

increase in grant payments to TAFE institutes, including:

* + TAFE transitional sustainability funding, and asset maintenance and operational costs. This is funding for implementation of skills and jobs in the Education State.
  + TAFE Rescue Fund for rebuilding and growing the TAFE sector
  + TAFE Workforce and dual sector which is funding for workforce initiatives.

Balance sheet

The Department’s net asset base as at 30 June 2017 was $21.2 billion, comprising total assets of $23.8 billion and total liabilities of $2.6 billion.

The major assets of the Department are schools’ property, plant and equipment. These assets represent 86 per cent ($20.4 billion) of the Department’s total assets. In 2017, the value of the Department’s property, plant and equipment increased by $0.5 billion due to the government’s continued investment in schools as part of the commitment to make Victoria the Education State.

Liabilities of the Department mainly consist of payables, borrowings and employee benefit provisions, totalling $2.6 billion. The increase of $440.2 million in liabilities in 2017 mainly reflects an increase in financial lease liabilities for Public Private Partnerships (PPP) – new schools, payables and operating accruals due to the timing of payments.

Cash flows

The increased 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 2016–17 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 (DTF) ([www.dtf.vic.gov.au/State-Budget/2016-17-State-Budget/State-Capital-Program](http://www.dtf.vic.gov.au/State-Budget/2016-17-State-Budget/State-Capital-Program)).

During the year, the Department or agencies completed the following capital projects with a $10 million or greater Total Estimated Investment (TEI). The details related to these projects are reported below:

Table 14 – Capital projects with a TEI of $10 million or greater completed during the financial year ended 30 June 2017

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Project Name | Original completion date | Latest approved completion date | Actual completion date | Original approved TEI budget $M | Latest approved TEI budget $M | Actual TEI cost $M | Variation between actual cost and latest approved TEI budget | Reason for variance from latest approved TEI1 budget |
| Morwell Regeneration 2015–16 State Budget | Q2 2016–17 | Q2 2016–17 | Q3 2016–17 | 10.450 | 10.450 | 10.450 | 0 | N/A |
| Hazel Glen Secondary College (Doreen Secondary College) 2014–15 State Budget | Q3 2015–16 | Q1 2016–17 | Q1 2016–17 | 12.000 | 12.308 | 12.308 | 0 | N/A |
| Newbury Primary School (Craigieburn North West Primary School) 2015–16 State Budget | Q1 2017–18 | Q2 2016–17 | Q2 2016–17 | 12.200 | 12.200 | 11.427 | 0.773 | The variation is expected contingency expenditure that will be incurred in future years |

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. Gayle Tierney MP, Minister for Training and Skills 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 Deputy Premier of Victoria, Minister for Education and Minister for Emergency Services. As Minister for Education, Minister Merlino is behind the drive to make Victoria the Education State by providing Victoria’s 950,000 students with access to a great school and the opportunity to thrive.

The Education State reforms are designed to lift outcomes in a number of key areas, including literacy, numeracy, science and the arts, as well as student wellbeing and engagement. They also include funding to address disadvantage and help students who have fallen behind.

Minister Merlino is also responsible for record levels of investment in school infrastructure and has introduced programs to raise the quality of teaching, provide more local support to schools, and to help make all schools inclusive.

Minister for Training and Skills and Minister for Corrections  
The Hon. Gayle Tierney MP

Gayle Tierney is Minister for Training and Skills and Minister for Corrections. She is responsible for overseeing and implementing Victoria’s biggest reforms to its VET system. These reforms will ensure Victoria has 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 that supports more people in the workforce.

Minister Tierney is committed to ensuring all Victorians have access to quality training that equips them with the skills they need to obtain 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. She 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 a disability or developmental delay.

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

Her responsibilities in the Families and Children and Youth Affairs portfolios also include a range of services administered by the Department of Health and Human Services and the Department of Justice and Regulation. As the Minister for these portfolios, Minister Mikakos is focused on ways of assisting vulnerable families and their children to engage with universal platforms such as health and early years education, with the goal of preventing the need for later-life interactions with tertiary services, such as child protection and youth justice.

The Department’s senior executives

Secretary  
Ms Gill Callister

Since January 2015, Gill has been Secretary of the Department of Education and Training.

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 the 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 a Bachelor of Arts.

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).

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.

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 (DPC).

Katy holds a Graduate Diploma of Education (Secondary) from Monash University, a Bachelor of Arts (with Honours) 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, and Graduate of the Australian Institute of Company Directors.

Deputy Secretary, Higher Education and Skills Group  
Mr David Latina

In June 2017, David Latina was appointed the Deputy Secretary, Higher Education and Skills Group (HESG).

The Deputy Secretary HESG is responsible for Victorian Government policy and funding for tertiary education in Victoria, particularly for Vocational Education and Training, including TAFEs and Learn Local Organisations (as community providers).

David joined the Department following a three-year period in DPC, where he held the position of Executive Director, Economic Development and International, with responsibility for economic and industry development and Victoria’s international engagement strategies.

David brings a commercial perspective to the public sector, drawing upon his recent experience as a director at the Melbourne office of the professional services firm Deloitte. David previously held a range of senior executive roles over 15 years in the Victorian Department of Economic Development, including in the areas of business engagement and industry development, regulation reform, and Small Business Victoria.

Earlier in David’s career he worked as a senior economic adviser in the Australian Government's Department of Finance.

David has degrees in Commerce (with Honours) and Arts from the University of Melbourne.

Craig Robertson held the position of Deputy Secretary, HESG between July 2015 and 24 February 2017.

Lee Watts held the position of Acting Deputy Secretary, HESG between 28 February and 23 June 2017.

Deputy Secretary, Infrastructure and Finance Services Group  
Ms Jenny Atta

In December 2015, Jenny Atta commenced as Deputy Secretary, Infrastructure and Finance Services Group (IFSG).

As Deputy Secretary, Jenny is responsible for the management and oversight of the Department’s financial, procurement and information technology services, along with strategic advice and planning for state budget processes, and infrastructure policy and delivery across the education and training portfolio.

Jenny has many years’ experience in senior public service leadership roles, notably at the Department of Treasury and Finance where she led the portfolio analysis function within Budget and Finance. Jenny previously worked with the former Department of Human Services in a range of strategic policy and project management roles, and with the Victorian Auditor General’s Office.

Jenny holds a Bachelor degree in Applied Science and a Masters of Public Policy from the University of Melbourne.

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, workplace safety, communications and media, change strategy, integrity reform, cabinet, ministerial support, executive services, knowledge and records management, information strategy, freedom of information, privacy, and audit and assurance.

Kate has worked at the Department in various capacities providing strategic oversight over matters including specialist and technical advice to ministers, the Secretary, executives, managers, regional directors, school principals and school councils.

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

Deputy Secretary, Policy Reform Group  
Mr Simon Kent

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

As Deputy Secretary, Policy Reform Group (PRG), Simon is responsible for providing policy leadership for the Department through the development of the future direction for education including early childhood education, and providing advice on system-wide trends and leading cross‑sector reforms.

Simon has extensive experience in policy‑making across the education, human services, health, and justice portfolios. Simon 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. His work during eight years at DPC included the reform of vocational education and early childhood development.

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

Andrew Nipe held the position of Acting Deputy Secretary, PRG between 15 May 2017 and 30 June 2017.

Andrew joined the Department in July 2013 from McKinsey and Company in Washington DC. Andrew has a long career as a public servant and strategic adviser having worked in central agencies in Victoria and the United Kingdom. Andrew has worked on a wide range of strategic policy issues in all three sectors, including needs‑based funding reform.

Andrew holds a Bachelor of Arts and Commerce from the University of Melbourne, and a Master of Public Policy from Harvard University.

Deputy Secretary, Regional Services Group  
Mr Bruce Armstrong

In April 2016, Bruce Armstrong was appointed Deputy Secretary, Regional Services Group (RSG) after acting in the role 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 thirty years of active contribution to Victorian public education as a teacher, principal and executive within the Department.

In June 2015, Bruce was awarded a Public Service Medal for outstanding service to educational improvement in Victoria through leadership, change management, policy development and innovation. This included his positive impact on more than 12,000 education leaders as the inaugural Director of the Bastow Institute of Educational Leadership.

As Deputy Secretary, Regional Services Group, Bruce continues to lead key Education State reforms, the implementation of the Framework for Improving Student Outcomes, the new Learning Places regional operating model, school workforce reform and performance improvement to lift student outcomes.

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.

Deputy Secretary, Strategy and Performance Group  
Ms Katherine Whetton

In March 2017, Katherine Whetton was appointed Deputy Secretary, Strategy and Performance Group (SPG) after acting in the role since April 2016.

The Group provides an integrated approach to strategy, governance, planning and performance, enabling the Department to make evidence-informed decisions that improve outcomes for all Victorians.

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 DPC 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 (with 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 Chief Executive Officer (CEO) of the Victorian Curriculum and Assessment Authority (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 year 10.

John also 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 as a member of the Interim National Curriculum Board and in 2009, a member of the board of the Australian Curriculum, Assessment and Reporting Authority, where he served 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.

Chief Executive Officer, Victorian School Building Authority  
Mr Christopher Keating

Chris Keating is the CEO of the Victorian School Building Authority (VSBA), which was established in August 2016 and Chris was appointed CEO soon after. Chris leads the planning and delivery of Victoria’s record investment in schools and early childhood centres. In 2017, Chris oversaw delivery of 10 new state-of-the-art schools, another 10 are due to open next year and a further 22 are at an advanced planning stage.

Before being appointed CEO of the VSBA, Chris led the Department’s Infrastructure and Sustainability Division and has more than nine years’ experience delivering public school building projects in Victoria.

Chris holds a Bachelor of Arts and a Master in Computer Science.

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

In April 2016, Lee Watts was appointed Assistant Deputy Secretary, VET Reform, with responsibility for the design and implementation of a more managed, stable and competitive training system.

Lee has extensive experience in the skills and higher education portfolios including VET contract and program management, information system design, and provider quality. Before joining the Department, 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 (Honours) 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 Portfolio  
Ms Kim Little

Since June 2015, Kim Little has been Assistant Deputy Secretary, Early Childhood and School Education Group—Early Childhood Portfolio, responsible for three areas: Early Years and Primary Reform; Quality Assessment and Regulation; and the National and Disability Insurance Scheme Reform branch. The position liaises with the Assistant Deputy Secretary—Schools regarding primary education and transitions from early childhood to school education.

Previously in this Department and at DPC, Kim worked on a range of strategic social and economic policy issues 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 (Honours), a Bachelor of Laws (Honours) and a Master of Arts (Honours).

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

Dr David Howes is Assistant Deputy Secretary—Schools, ECSEG. He is responsible for four divisions: Wellbeing, Health and Engagement; Secondary Reform Transitions and Priority Cohorts; International Education; and Health Advice and Policy. His role liaises with the Assistant Deputy Secretary—Early Childhood regarding primary education and transitions from early childhood to school education.

David was previously Executive Director, Curriculum Division at the 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. David holds a Bachelor of Arts (Honours), a Graduate Diploma of Education, an Executive Masters in Public Administration and a Doctor of Philosophy.

Assistant Deputy Secretary, Regional Services Group  
Ms Sue Buckley

In June 2017, Sue Buckley was appointed Assistant Deputy Secretary, Strategic Implementation in RSG, a new senior executive position announced in March 2017 as part of the RSG realignment to sharpen the Department’s focus on the implementation of the Education State reforms.

Before returning to the Department, Sue was the General Manager, Teaching and School Leadership at the Australian Institute of Teaching and School Leadership. She provided leadership on national reform projects with a focus on building capability and promoting excellence in the teaching profession.

Sue’s extensive career includes various senior level positions within the Department in both policy development and project implementation, in addition to teaching and leadership roles at school and regional levels. She holds the post-graduate qualifications of Executive Master of Public Administration and Master of Education, providing a range of academic frameworks that she applies in daily practice.

Organisational structure

Figure – Organisational structure at 30 June 2017



Victorian School Building Authority

The VSBA was established in August 2016 to oversee the planning, delivery and maintenance of over $2.5 billion in education infrastructure investment. The VSBA reports through the Infrastructure and Finance Services Group and is responsible for delivering 21st century learning environments that are safe and sustainable, in line with the Victorian Government’s priorities for educational infrastructure. The VSBA emphasises community and stakeholder engagement to ensure school building projects are meeting the needs of their local communities.

Infrastructure and Finance Services Group

IFSG leads services delivery and the provision of strategic and technical advice in finance and resourcing, infrastructure, information management and technology, and procurement. It plays a key role in financial management, oversight and reporting across the education and training portfolio.

People and Executive Services Group

PESG provides specialist advice and expertise to lead and shape the Department’s direction and to enhance both the Department’s culture and people’s capabilities. PESG provides critical support to the corporate and schools workforce in areas including legal services, human resources, people and culture, security, communications and media, change strategy, integrity reform, cabinet, ministerial support, knowledge and records management, information strategy, privacy, and audit and assurance.

Policy Reform Group

PRG provides policy leadership for the Department, developing the future direction for education and early childhood in Victoria, providing advice on system-wide trends and leading key cross-sector reforms. PRG drives this reform through four key accountabilities:

Sets system-level policy developing the Department’s policy trajectory and leads priority projects and reforms.

Provides the overarching cross‑government narrative for education and early childhood development in Victoria.

Develops strategy and high level frameworks to guide the Department’s investment in human capital by assessing labour market economics and trends that impact on the Department’s objectives.

Provides economic advisory services to the Department.

Strategy and Performance Group

SPG brings together the Department’s strategic planning, data and evidence, program management office functions, and intergovernmental relations. SPG provides a system view of Departmental strategy, governance arrangements, evaluation, planning and performance reporting. SPG supports the Department’s operating model and way of working by defining corporate strategy, providing data, evidence and insights, and strengthening the way reform is implemented.

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 designing and developing policy to provide a person-centred, outcomes-focused and integrated service system. This is achieved through the group’s 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 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

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 program design and 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

HESG is responsible for the oversight of, capacity and effectiveness of tertiary education, adult education and lifelong learning in Victoria. The group ensures Victorians have access to quality post‑school education and training that provides skills and knowledge relevant for actively participating in the Victorian economy and society. This includes responsibility for the effectiveness and sustainability of Victoria’s TAFEs, Learn Locals and adult education institutions. Effective tertiary education is central to the Victorian Government’s Education State objectives.

Governance structure

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 and Youth Affairs.

Executive Board

The Department is managed by the Executive Board chaired by the Secretary. Its membership comprises the heads of the Department’s seven groups, the Chief Executive Officer of the VCAA, 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:

the Department’s strategic direction, 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 apropos progressing the Education State agenda. The Education State Board is chaired by the Secretary, and comprises the head of each of the Department’s seven groups as well as the Chief Executive Officer of the VCAA, the Chief Executive Officer of the VSBA, assistant deputy secretaries of the three portfolio level groups and regional directors of the Department’s four regions. The Education State Board is responsible for all matters related to developing and implementing the Education State reform agenda, including:

key election commitments

Education State priority reform areas

engagement with stakeholders and decision-makers

ongoing departmental continuous improvement that has material impact on the design and delivery of reform directions

reform design and scope of the Education State strategy

business case development and work program implementation

financial and risk management.

Committee structure

There are three committees that report primarily to the Secretary:

Integrity Committee

The Integrity Committee supports the Secretary provide oversight and assurance that the actions and activities undertaken by staff employed by the Department (including schools) are conducted with integrity. The committee oversees work that supports all staff within corporate areas and schools to understand and uphold the highest standards of integrity and public trust, and to resist corruption.

In relation to portfolio statutory entities, the TAFE sector and funded services, the Committee undertakes a stewardship role that reflects the Department’s governance responsibilities and operational relationships with these bodies.

The Integrity Committee met on a six-weekly basis in 2016–17. The committee oversaw the effective implementation of the Integrity Reform Program with a focus on good governance and policy, ethical leadership, staff development and support, and smart systems and controls. The committee continued to lead the development of a culture inspired by the Department’s values of integrity, respect, responsiveness, accountability, impartiality, leadership and human rights.

Independent member  
Neville Tiffen

Neville conducts a specialist consultancy in corporate governance, business integrity and compliance, drawing on his experience in compliance, legal and corporate governance roles, including Global Head of Compliance at Rio Tinto.

He is a Fellow of the Governance Institute of Australia. Neville is a member of the Secretary-General’s advisory group on integrity and anti–corruption at the Organisation for Economic Cooperation and Development. He is also a project lead on the World Economic Forum’s project, Infrastructure and Urban Development: Building Foundations for Trust and Integrity. Previously, he was a member of Transparency International’s steering committee for its Business Principles for Countering Bribery, and a board delegate on the World Economic Forum’s Partnering Against Corruption Initiative.

Independent member  
Professor Robert Wood

Professor Wood is a Professor at the Australian School of Management, Honorary Professor at the Florey Institute of Neuroscience and Mental Health and former Director of the Centre for Ethical Leadership. In this latter capacity, Professor Wood has been involved in the Vincent Fairfax Fellowship, which develops the ethical leadership capabilities of senior executive leaders in the public and private sectors.

Audit and Risk Committee

The Audit and Risk Committee (ARC) assists the Secretary to fulfil governance responsibilities and obligations under the Financial Management Act.

ARC 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’.

ARC provides the Secretary with direct advice on governance, risk management, audit and control assurance activities. It comprises four independent members appointed by the Secretary and two executive officers from within the Department. The Chief Finance Officer and Chief Audit Executive also attend all committee meetings.

Independent member  
Ms Fiona Bennett, Chair  
3 December 2013–30 December 2019

Fiona Bennett is a director of a number of entities including Beach Energy Limited, Hills Limited and Select Harvests Limited. She is also Chair of the Victorian Legal Services Board.

Fiona is a Chartered Accountant with extensive experience in commercial and financial management, governance, risk management and auditing. She has held senior executive positions at BHP Billiton Ltd and Coles Group Ltd, and 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 Institute of Managers and Leaders.

Independent Member  
Ms Kerrie Parker  
1 December 2015–31 December 2018

Kerrie Parker has held chief executive officer, chief finance officer and executive leadership roles in the fast-moving consumer goods sector, as well as agriculture, manufacturing, financial services and state government. With more than 30 years’ experience, Kerrie has led during times of growth, turnaround and crisis. Kerrie has strong financial and operational experience driving improvement via process optimisation, business improvements and structural change.

Kerrie 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 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, Deputy Chair  
9 July 2015–31 July 2018

Stuart Alford previously had 40 years in professional practice with Ernst & Young, including 27 years as a partner. He is 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 VCAA, the Office of the Australian Accounting Standards Board, and the Office of the Auditing and Assurance Standards Board. Stuart is also the independent chair of the National Audit Review Panel for Pitcher Partners.

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

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 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.

Carol is a Fellow of Certified Practicing Accountants (CPA) Australia and a graduate of the Australian Institute of Company Directors.

Independent member  
Ms Helen Thornton  
1 March 2017–28 February 2020

Helen Thornton is an experienced non-executive director and is currently on the boards of Treasury Corporation Victoria, Zoos Victoria, Yarra Valley Water and the Legal Practitioners’ Liability Committee.

Helen is also an independent member of the audit and risk committees for the Department of Environment, Land, Water and Planning and the Department of Health and Human Services. She is a Chartered Accountant with extensive experience in finance, risk management, governance and both internal and external auditing. Helen was the Vice President Risk Management at BlueScope Steel Ltd and has held senior positions at BHP Billiton Ltd, KPMG and Deloitte.

Helen is a member of the Institute of Chartered Accountants and 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

Ms Lee Watts, Assistant Deputy Secretary, Vocational Education and Training Reform, Higher Education and Schools  
1 March 2017–28 February 2020

Mr Craig Robertson, Deputy Secretary, Higher Education and Skills Group  
8 December 2015–28 February 2017

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.

Independent member  
Ms Pam White

Pam has had more than 30 years’ experience in senior management and leadership positions in the Victorian Public Service in both policy development and operations. She has worked in child protection, disability, housing, youth justice and emergency management. For two years, she led the State Services Authority (now the Victorian Public Sector Commission), the body responsible for public sector administration, governance, service delivery, and workforce management and development.

In 2012, Pam was awarded the Public Service Medal for her work improving services for vulnerable children and emergency management recovery services.

Pam appreciates and understands the roles and workings of all levels of government, including the importance of good governance in delivering effective and integrated public services.

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

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.

Independent member  
Mr Peter Fuhrmann

Peter came to the Victorian Public Service (VPS) following 22 years in the banking industry, including six years as Budget Manager, State Bank of Victoria.

Peter has more than 32 years’ experience in budget and financial management with the VPS, mostly as an executive officer, encompassing all facets of financial and public account management and budgeting.

From 2006 to 2012, he was the Treasurer’s representative on the Finance Committee and the Audit Committee of the Cancer Council of Victoria. The committees were responsible to the Executive Committee of the Cancer council for the council’s substantial investment program during the global financial crisis, development and monitoring of its operating budget, accommodation, risk management, fund raising strategies and statutory reporting. Peter is a Fellow of Certified Practicing Accountants and in 2010 was awarded the Australian Public Service Medal.

Information Management and Technology Committee

The Information Management and Technology Committee (IMTC) provides strategic oversight of the Department’s informational management and technology functions, priorities and systems, including information security. All departmental informational management and technology initiatives must be presented to the IMTC for endorsement before their funding proposal is submitted to the BFMC or before the Executive Board considers them for approval. The IMTC comprises 12 members and is chaired by a deputy secretary.

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. The PIC comprises 12 members and is chaired by a deputy secretary.

Performance and Evaluation Committee

The Performance and Evaluation Committee (PEC) 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. The PEC comprises 11 members and is chaired by a deputy secretary.

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. The PPC considers procurement of goods and services in statutory authorities (VCAA, VRQA and Merit Protection Board). The PPC does not consider procurement related to construction or property. The PPC comprises 13 members and is chaired by a deputy secretary.

Workforce Development and Culture Committee

The Workforce Development and Culture Committee (WDCC) monitors and oversees the development, implementation and evaluation of strategies and activities to promote exceptional organisational culture and capability across all head office, regional, statutory authority activities, and the teaching workforce. The WDCC comprises 11 members and is chaired by a deputy secretary.

Statutory authorities and boards

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 (CAE)

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 for financial years (1 July–30 June) or calendar years (1 January–31 December).

Financial year reports (1 July 2016–30 June 2017)

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 2017–31 December 2017)

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.

Workforce data

Public sector values and employment principles

The Department’s values, and how we live them, go to the heart of the integrity of our system. The Department has taken as the Department’s values, the public sector values set out in the code of conduct for Victorian Public Sector Employees. The Department’s Values underpin how we interact with colleagues, learners and families, members of the community, suppliers and Government. Values-driven behaviour strengthens our capabilities and improves outcomes.

When staff act in accordance with the department’s Values, our capacity to operate effectively, achieve outcomes and ensure the public has trust and confidence in our system is increased. It also builds trust between our staff and our leadership, with everyone operating from the same principles, confident that we are doing the right thing.

A suite of materials has been developed for use across the Department to ensure consistent interpretation, strong engagement and connection with the values. These materials provide information, education and guidance on what each of the seven values means in the Department’s context, and how we can demonstrate them every day through our actions and decisions.

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 is in place and workplaces within the Department continue to implement local action plans aimed at enhancing safety performance and ensuring safe systems of work.

During the 2016–17 financial year, the Department continued to develop and enhance a number of initiatives to improve the health and safety of staff including, the adoption of the Whole-of–Victorian-Government Mental Health and Wellbeing Charter, the Coaching for Leadership Teams program, refreshed eLearning modules, quarterly safety inspections to identify and address any workplace risks, the school performance improvement program, and the OHS audit program.

During 2016–17, the Department progressed the following priority activities:

Continued implementing the OHS Management System (OHSMS) Performance Improvement Program where 305 schools were identified for high priority support. Of these, 110 (36 per cent) completed the audit criteria’s relevant corrective actions and qualified for removal from the program.

Provided support and advice on implementing and maintaining the OHSMS in Department schools and workplaces, including more than 6787 phone and email communications. Of 789 site visits, 559 were School Performance Improvement Program visits.

Completed all 391scheduled AS4801 OHS audits in schools.

Continued implementing an online OHS Learning Management System and hosted 16 OHS training modules. At 30 June 2017, Department employees had a 70 per cent completion rate (excluding specialist modules and including refreshed program data). Since December 2013, more than 350,000 OHS and workers’ compensation eLearning modules have been completed.

Supported 179 participants to complete the Bastow institute’s ‘Safety Management for School Leaders’ training program.

Provided access to an online Health and Wellbeing portal for all employees, receiving 1,044 hits from 158 site visitors.

Conducted mental health awareness workshops for Victorian Public Sector employees based in the central precinct.

Enabled access by Department employees to 4,583 hours of sessional Employee Assistant Program (EAP) counselling, manager assist contacts, and critical incident responses.

Enabled access by Department workplaces to 863 hours of conflict resolution services including mediation, conflict coaching and team facilitations.

Brokered extensive OHS stakeholder consultation via forums including the statewide OHS and Workers Compensation Stakeholder Reference Group, and the School Support Services Health and Safety Committee.

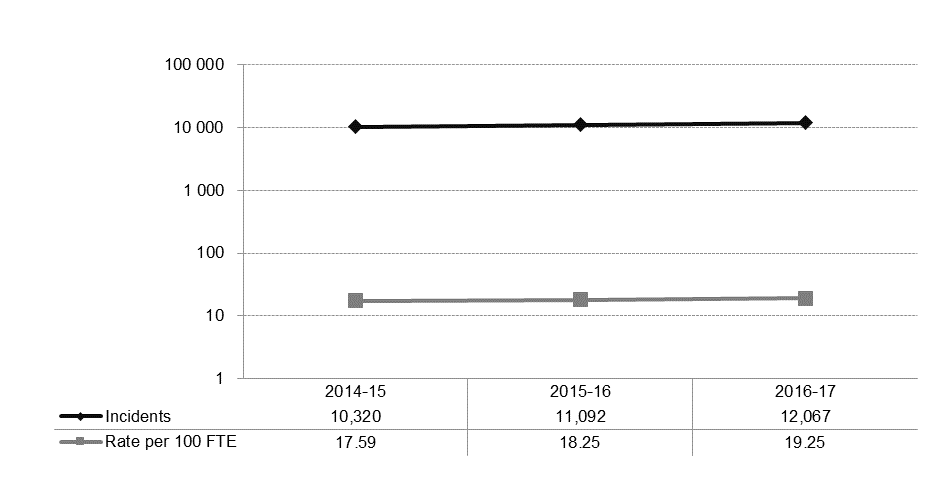
Successfully implemented the new and improved OHS Advisory service and OHS Audit program contracts for Department schools and workplaces.

Maintained ongoing review and improvement of the Department’s OHS Management System.

Incident management

Incidents reported across the Department, including injuries and other hazard-related incidents, increased from 18.25 per 100 FTE in 2015–16 to 19.25 per 100 FTE in 2016–17 (Figure 1). This equates to an additional 975 reported incidents, with 12,067 in 2016–17 compared with 11,092 in 2015–16.

Figure 1 – Number of incidents and rate per 100 FTE 2014–15 to 2016–17



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.

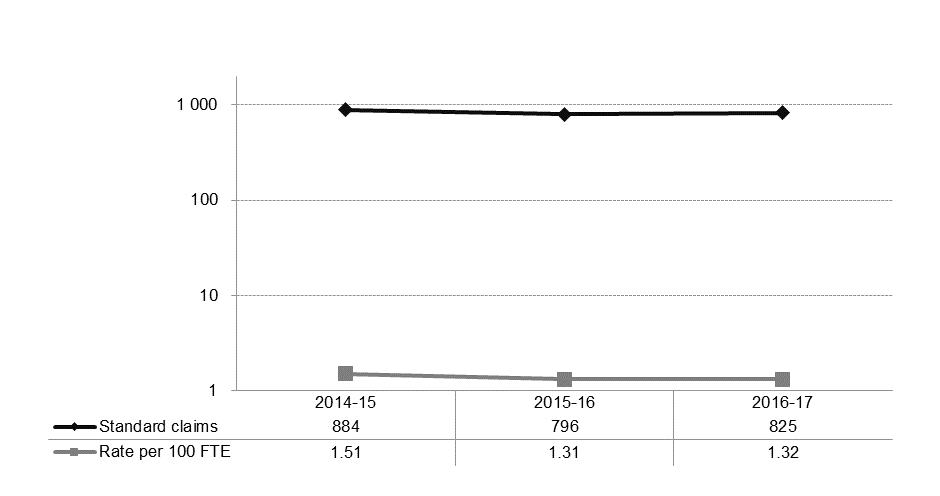
During the 2016–17 financial year, the Department developed a number of initiatives to improve the health and wellbeing of staff including maintaining the Medical Advisory Service, refreshed training and eLearning modules, the appointment of a new WorkSafe agent and improved collaboration with stakeholders.

The main activities during 2016–17 were:

* delivering face-to-face workers’ compensation training to over 1,000 participants
* ongoing improvement of the Department’s workers’ compensation management through employee and stakeholder consultation and analysis of workplace data
* moving the Department’s 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
* providing 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
* ongoing management of the Department’s Medical Advisory Service provider.

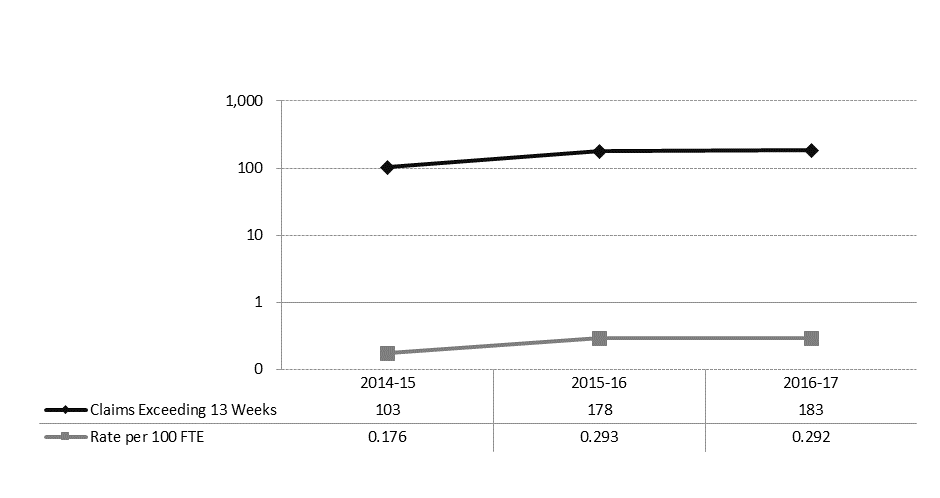
There were 825 standard workers’ compensation claims in 2016–17, compared with 796 in 2015–16. The increase in claim numbers is attributed to an increase in physical injuries. The rate per 100 staff remains steady at 1.32 per 100 in 2016–17 compared with 1.31 in 2015–16 (Figure 2).

Figure 2 – Number of standard claims and rate per 100 FTE 2014–15 to 2016–17



The number of claims exceeding 13 weeks increased to 183 in 2016–17 compared with 178 in 2015–16 (Figure 3).

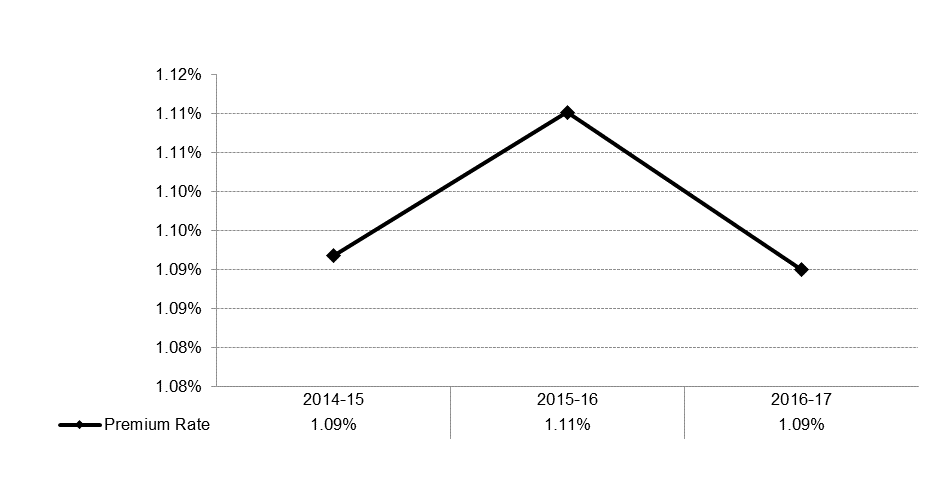
Figure 3 – Claims exceeding 13 weeks and rate per 100 FTE 2014–15 to 2016–17



The Department’s initial workers’ compensation premium increased from $58.2 million (excluding GST) in 2015–16 to $62.0 million (excluding GST) in 2016–17, due to an increase in the weighted industry rate set by WorkSafe Victoria for premium calculation purposes and remuneration. The Department’s workers’ compensation premium rate decreased in 2016–17 (Figure 4) from 1.11 per cent in 2015–16 to 1.097 per cent in 2016–2017, which is attributed to the overall improvement in the Department’s workers’ performance measured over a five period.

The average cost per standard claim increased from $55,810 in 2015–16 to $63,212 in 2016–17.

Figure 4 – Premium rate 2014–15 to 2016–17



The Department’s workers’ compensation employer performance rate slightly increased in 2016–17 (Figure 5) from 1.036 per cent in 2015–16 to 1.043 per cent in 2016–2017, which is attributed to claims performance between the periods 1 January 13 to 30 June 2015.

Figure 5 – Employer performance 2014–15 to 2016–17

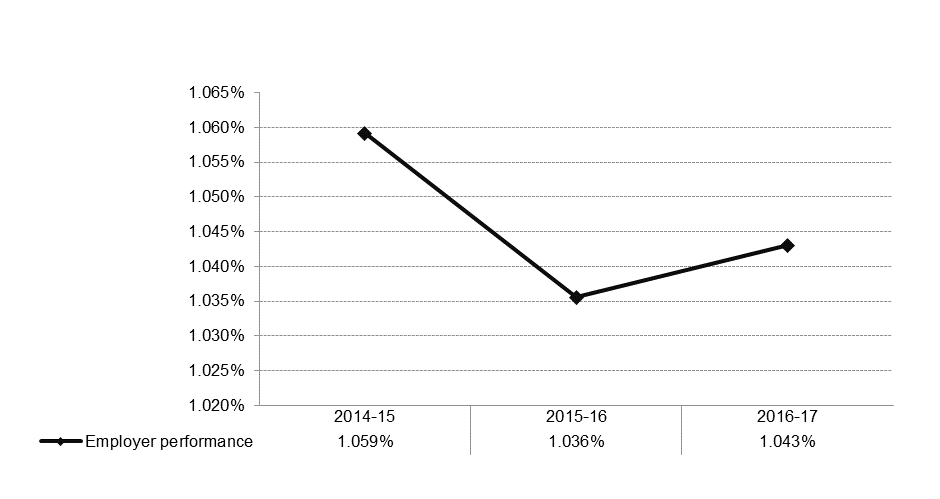


Table 15 – Performance against occupational health and safety and workers’ compensation management measure

| Measure | Key performance indicator | 2014–15 | 2015–16 | 2016–17 |
| --- | --- | --- | --- | --- |
| Incidents | Number of incidents | 10,320 | 11,092 | 12,067 |
|  | Rate per 100 FTE | 17.7 | 18.25 | 19.25 |
| Claims | Number of standard claims | 884 | 796 | 825 |
|  | Rate per 100 FTE | 1.52 | 1.31 | 1.32 |
|  | Number of lost time claims | 321 | 291 | 371 |
|  | Rate per 100 FTE | 0.551 | 0.479 | 0.592 |
|  | Number of claims exceeding 13 weeks | 103 | 178 | 183 |
|  | Rate per 100 FTE | 0.200 | 0.300 | 0.292 |
| Fatalities | Fatality claims | 1 | 0 | 0 |
| Claim costs | Average cost per standard claim ($) | 40,047 | 55,810 | 63,212 |
| 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) (%) | 66 | 70 | 70 |
|  | Percentage of HSRs trained (acceptance of role, re-training/refresher, & reporting of incidents & injuries) (%) | 77 | 86 | 82 |

Comparative workforce data

The following tables disclose the head count and full-time staff equivalent (FTE) of all active public service employees of the Department 1, 2, 3

Table 16 – Victorian Public Service staff employment levels June 2016 and 2017

| Victorian Public Service | | June 2017 | | | | | | | June 2016 | | | | | | |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | All employees | | Ongoing | | | Fixed term and casual employees | | All employees | | Ongoing | | | Fixed term and casual employees | |
|  |  | Headcount | FTE | Full-time (headcount) | Part-time (headcount) | FTE | Headcount | FTE | Headcount | FTE | Full-time (headcount) | Part-time (headcount) | FTE | Headcount | FTE |
| Demographic data | **Gender** |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Male | 807 | 781.7 | 630 | 51 | 665.0 | 126 | 116.7 | 672 | 649.6 | 552 | 45 | 582.9 | 75 | 66.7 |
| Female | 2,596 | 2,265.2 | 1,351 | 755 | 1,838.1 | 490 | 427.1 | 2,114 | 1,824.0 | 1,175 | 707 | 1,626.7 | 232 | 197.3 |
| **Age** |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Under 25 | 66 | 59.3 | 27 | 1 | 27.6 | 38 | 31.7 | 33 | 29.3 | 17 | 1 | 17.6 | 15 | 11.7 |
| 25–34 | 662 | 613.3 | 352 | 76 | 399.5 | 234 | 213.8 | 495 | 448.9 | 288 | 88 | 341.2 | 119 | 107.6 |
| 35–44 | 930 | 808.8 | 475 | 289 | 660.8 | 166 | 148.0 | 724 | 626.4 | 395 | 246 | 553.0 | 83 | 73.4 |
| 45–54 | 815 | 747.8 | 534 | 180 | 657.2 | 101 | 90.6 | 713 | 644.0 | 481 | 187 | 604.1 | 45 | 39.9 |
| 55–64 | 795 | 710.4 | 525 | 209 | 659.5 | 61 | 50.8 | 711 | 637.0 | 486 | 188 | 608.8 | 37 | 28.3 |
| Over 64 | 135 | 107.4 | 68 | 51 | 98.5 | 16 | 8.9 | 110 | 88.0 | 60 | 42 | 84.8 | 8 | 3.2 |
|  | VPSG1–6 | 2,444 | 2,288.3 | 1,617 | 360 | 1,866.9 | 467 | 421.3 | 1,973 | 1,844.8 | 1,410 | 306 | 1,620.2 | 257 | 224.6 |
| Classification data | VPSG1 | 1 | 0.9 | – | – | – | 1 | 0.9 | 4 | 2.9 | 1 | – | 1.0 | 3 | 1.9 |
| VPSG24 | 130 | 112.8 | 84 | 28 | 103.0 | 18 | 9.8 | 132 | 115.1 | 91 | 26 | 108.1 | 15 | 7.0 |
| VPSG3 | 380 | 348.5 | 254 | 54 | 289.6 | 72 | 58.9 | 323 | 295.8 | 225 | 55 | 261.1 | 43 | 34.7 |
| VPSG4 | 489 | 463.0 | 327 | 62 | 370.1 | 100 | 92.9 | 381 | 358.2 | 281 | 56 | 319.4 | 44 | 38.8 |
| VPSG5 | 978 | 912.9 | 605 | 168 | 722.0 | 205 | 190.9 | 749 | 697.6 | 506 | 136 | 599.8 | 107 | 97.8 |
| VPSG6 | 466 | 450.3 | 347 | 48 | 382.3 | 71 | 68.0 | 384 | 375.2 | 306 | 33 | 330.8 | 45 | 44.4 |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Classification data | Senior Employees | 118 | 115.9 | 105 | 10 | 113.1 | 3 | 2.8 | 96 | 93.2 | 83 | 11 | 91.4 | 2 | 1.8 |
| STS | 28 | 27.3 | 22 | 3 | 24.5 | 3 | 2.8 | 20 | 19.1 | 14 | 4 | 17.3 | 2 | 1.8 |
| Executive Officers | 90 | 88.6 | 83 | 7 | 88.6 | – | – | 74 | 73.2 | 69 | 5 | 73.2 | – | – |
| SMA | – | – | – | – | – | – | – | 2 | 0.9 | – | 2 | 0.9 | – | – |
| Other | 841 | 642.8 | 259 | 436 | 523.0 | 146 | 119.7 | 717 | 535.7 | 234 | 435 | 498.0 | 48 | 37.7 |
| Allied Health | 571 | 449.6 | 183 | 267 | 347.8 | 121 | 101.8 | 446 | 343.5 | 160 | 263 | 324.3 | 23 | 19.2 |
| Nurse | 270 | 193.1 | 76 | 169 | 175.2 | 25 | 17.9 | 271 | 192.2 | 74 | 172 | 173.7 | 25 | 18.5 |
| **Total employees** | **3,403** | **3,046.9** | **1,981** | **806** | **2,503.1** | **616** | **543.9** | **2,786** | **2,473.7** | **1,727** | **752** | **2,209.6** | **307** | **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.

Table 17 – Government Teaching Service staff employment levels in June 2016 and 2017

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Government Teaching Service | | June 2017 | | | | | | | June 2016 | | | | | | | | |
|  |  | All employees | | Ongoing | | | Fixed term and casual employees | | All employees | | Ongoing | | | | Fixed term and casual employees | | |
|  |  | Headcount | FTE | Full-time (Head count) | Part-time (Head count) | FTE | Headcount | FTE | Headcount | FTE | Full-time (Head count) | | Part-time (Head count) | FTE | Headcount | | FTE |
| Demographic data | **Gender** |  |  |  |  |  |  |  |  |  |  |  | |  | |  |  |
| Male | 16,093 | 14,939.8 | 10,334 | 1,798 | 11,526.4 | 3,961 | 3,413.4 | 15,700 | 14,584.3 | 10,246 | 1,798 | | 11,436.3 | | 3,656 | 3,148.0 |
| Female | 53,458 | 44,705.7 | 22,730 | 14,397 | 31,897.8 | 16,331 | 12,807.9 | 52,319 | 43,741.7 | 22,859 | 14,971 | | 32,405.8 | | 14,489 | 11,335.9 |
| **Age** |  |  |  |  |  |  |  |  |  |  |  | |  | |  |  |
| Under 25 | 3,038 | 2,785.8 | 482 | 55 | 520.1 | 2,501 | 2,265.7 | 2,987 | 2,733.2 | 524 | 144 | | 622.9 | | 2,319 | 2,110.3 |
| 25–34 | 17,901 | 16,462.3 | 9,347 | 1,940 | 10,466.5 | 6,614 | 5,995.8 | 17,309 | 15,953.7 | 9,379 | 1,915 | | 10,492.6 | | 6,015 | 5,461.1 |
| 35–44 | 15,646 | 12,933.8 | 7,261 | 4,059 | 9,739.7 | 4,326 | 3,194.0 | 14,965 | 12,333.8 | 7,050 | 4,119 | | 9,565.8 | | 3,796 | 2,768.0 |
| 45–54 | 16,833 | 14,126.6 | 8,024 | 4,313 | 10,947.4 | 4,496 | 3,179.2 | 16,831 | 14,087.2 | 8,076 | 4,835 | | 11,328.5 | | 3,920 | 2,758.7 |
| 55–64 | 14,235 | 11,923.4 | 7,221 | 4,910 | 10,476.8 | 2,104 | 1,446.6 | 14,226 | 11,962.8 | 7,439 | 4,903 | | 10,687.3 | | 1,884 | 1,275.5 |
| Over 64 | 1,898 | 1,413.6 | 729 | 918 | 1,273.7 | 251 | 140.0 | 1,701 | 1,255.4 | 637 | 853 | | 1,145.0 | | 211 | 110.4 |
| Classification data | Executive Class | 117 | 116.0 | 106 | 2 | 107.0 | 9 | 9.0 | 109 | 108.0 | 96 | 2 | | 97.0 | | 11 | 11.0 |
| Principal Class 1 | 3,071 | 3,051.6 | 2,997 | 74 | 3,051.6 | – | – | 3,008 | 2,986.5 | 2,936 | 72 | | 2,986.5 | | - | - |
| Teacher Class 2 | 45,717 | 41,050.7 | 25,055 | 10,038 | 31,319.5 | 10,624 | 9,731.2 | 44,709 | 40,239.8 | 25,225 | 9,679 | | 31,295.0 | | 9,805 | 8,944.9 |
| Education Support Class | 20,646 | 15,427.2 | 4,906 | 6,081 | 8,946.2 | 9,659 | 6,481.1 | 20,193 | 14,991.7 | 4,848 | 7,016 | | 9,463.6 | | 8,329 | 5,528.1 |
|  |  |  |  |  |  |  |  |  |  |  |  | |  | |  |  |
| **Total employees** | **69,551** | **59,645.4** | **33,064** | **16,195** | **43,424.2** | **20,292** | **16,221.3** | **68,019** | **58,326.0** | **33,105** | **16,769** | | **43,842.0** | | **18,145** | **14,484.0** |

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. The Department’s policies and practices also encourage people of all backgrounds to pursue challenging and rewarding public sector careers at all levels.

In May 2017, the Department launched the DET VPS Workforce Diversity and Inclusion Strategy 2017–2020. This strategy outlines the Department’s commitment to a corporate workplace culture that is grounded in respect, fosters inclusion, promotes diversity and embraces the unique skills and qualities of all our people. This commitment is supported by actions to:

Provide guidance and support

Raise awareness

Build skills and capability

Build evidence and track progress

Ensure good governance.

The strategy supports other work being undertaken to build safe and inclusive workplaces outlined in the Investing in Our People Strategy. The Department is also working towards a new Aboriginal Inclusion Action Plan builds on existing approaches to engender a more inclusive workplace culture to improve attraction and retention of Koorie 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. On 23 March 2017 it was announced the Department reached in-principle agreement for a proposed Victorian Government Schools Agreement 2017, which has been submitted to the Fair Work Commission for approval.

The Victorian Public Service Agreement 2016 came into effect on 18 May 2016 and will not expire until 31 December 2019.

The Nurses (Department of Education and Training) Agreement came into effect on 28 December 2016 and will not expire until 31 December 2019.

No time was lost due to industrial action during 2016–17.

Executive officer data

The following tables disclose the executive officers of the Department and its portfolio agencies for 30 June 2017.

Table 18 — Total Number of executive officers (FTE) for the Department by gender

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | All | | Male | | Female | |
| Class | Number | Variance | Number | Variance | Number | Variance |
| EO-1 | 5 | +2 | 2 | +1 | 3 | +1 |
| EO-2 | 41 | +6 | 20.9 | +3.9 | 20.1 | +2.1 |
| EO-3 | 34.6 | +9.6 | 16 | +6 | 18.6 | +3.6 |
| **Total** | **80.6** | **+17.6** | **38.9** | **+10.9** | **41.7** | **+6.7** |

Table 19 —Reconciliation of executive officer numbers (Headcount) for the Department

|  |  |  |  |
| --- | --- | --- | --- |
|  |  | 2017 | 2016 |
|  | Executives (Financial statement Note 9.3) | 99 | 96 |
|  | Accountable Officer (Secretary) | 1 | 1 |
| Less | Separations | (17) | (21) |
|  | Total executive numbers at 30 June | 83 | 76 |

Table 20 —Number of executive officers for the Department's portfolio agencies

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | Total | | Male | | Female | |
| Agency | Number | Variance | Number | Variance | Number | Variance |
| VCAA | 5 | -1 | 2 | -2 | 3 | +1 |
| VRQA | 2 | -1 | 1 | -1 | 1 | ‒ |
| **Total** | **7** | -2 | **3** | -3 | **4** | +1 |

Table 21 —Number of executive officers for the Department's portfolio agencies

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | 2017 | | | 2016 | | | Change | | |
| Portfolio agency | Female | Male | Total | Female | Male | Total | Female | Male | Total |
| AMES Australia | 6 | 3 | **9** | 6 | 5 | **11** | 0 | -2 | **-2** |
| Bendigo Kangan Institute | 3 | 3 | **6** | 4 | 6 | **10** | -1 | -3 | **-4** |
| Box Hill Institute | 6 | 5 | **11** | 8 | 5 | **13** | -2 | 0 | **-2** |
| Chisholm Institute | 7 | 7 | **14** | 6 | 5 | **11** | 1 | 2 | **3** |
| Federation Training Institute | 1 | 4 | **5** | 3 | 3 | **6** | -2 | 1 | **-1** |
| Gordon Institute of TAFE | 5 | 2 | **7** | 3 | 1 | **4** | 2 | 1 | **3** |
| Goulburn Ovens Institute of TAFE | 4 | 3 | **7** | 2 | 3 | **5** | 2 | 0 | **2** |
| Holmesglen Institute | 11 | 8 | **19** | 10 | 7 | **17** | 1 | 1 | **2** |
| Melbourne Polytechnic | 9 | 16 | **25** | 12 | 20 | **32** | -3 | -4 | **-7** |
| South West Institute of TAFE | 1 | 3 | **4** | 1 | 3 | **4** | 0 | 0 | **0** |
| Sunraysia Institute of TAFE | 0 | 1 | **1** | 1 | 3 | **4** | -1 | -2 | **-3** |
| VET Development Centre | 0 | 1 | **1** | 0 | 1 | **1** | 0 | 0 | **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 | 1 | 3 | **4** | 0 | 5 | **5** | 1 | -2 | **-1** |
| **Total** | **55** | **64** | **119** | **57** | **72** | **129** | **-2** | **-8** | **-10** |

For the purpose of this table, Executive Officers are defined as employees who have significant management responsibility AND receive a total remuneration package of $156,374 or more.

All figures reflect employment levels as at 30 June 2017 unless otherwise stated.

Excluded are those on leave without pay or absent on secondment, external contractors / consultants and temporary staff employed by employment agencies.

Centre for Adult Education reported that they have no personnel meeting executive criteria.

AMES Australia (1 Female) and Box Hill Institute (2 Females and 1 Male) each have executives they will not be including in their annual report.

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.

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 2016–17, the Department commenced and completed contracts under the State Capital Works Program. The VIPP applied to 77 contracts totalling $481.5 million: 40 metropolitan contracts totalling $319.2 million and 37 regional contracts totalling $162.3 million.

The commitments under the VIPP policy included:

an average level of local content of 86 per cent across the contracts

3,433 continuing and new full-time equivalent jobs and 493 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

Table 22 – Campaigns with a media spend of $100,000 or greater 2016–17 ($ excluding GST)

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Campaign | Summary | Start/End | Advertising (media) | Creative & campaign development | Research & evaluation | 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.  Campaign is in partnership with the Department of Health and Human Services, Ambulance Victoria and KidSafe. | Dec 2016–March 2017 | 169,852 | 15,265 | 0 | 8,134 | 67,030 | 260,281 |
| TAFE Victoria | Thiscampaign aims to restore pride in the TAFE network, position TAFE as a market leader and, ultimately increase enrolments. | Dec 2016–June 2017 | 1,498,615 | 695,518 | 104,400 | 15,120 | 25,560 | 2,339,213 |

Consultancy expenditure

Details of consultancies valued at $10,000 or greater

In 2016–17, there were 105 consultancies where the total fees payable to the consultants were $10,000 or greater. The total expenditure incurred during 2016–17 in relation to these consultancies was $11.4 million (excluding GST).

A list of consultancies $10,000 or greater is published in the *Department of Education and Training Annual Report 2016–17 Additional Information* available at [www.education.vic.gov.au](http://www.education.vic.gov.au).

Details of consultancies valued at less than $10,000

In 2016–17, there was one consultancy where the consultant’s total fees were less than $10,000. This consultancy’s total 2016–17 cost was $7,500 (excluding GST).

Information and Communication Technology (ICT) expenditure

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

Table 23 – ICT expenditure

|  |  |
| --- | --- |
|  | $m |
| Business As Usual (BAU) ICT expenditure | 295.490 |
| Non-Business as Usual (non-BAU) ICT expenditure |  |
| Operating expenditure | 11.816 |
| Capital expenditure | 27.727 |
| Total ICT non-BAU expenditure | 39.543 |
| **Total ICT expenditure** | **335.033** |

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 it entered into during the year ended 30 June 2017. Details of contracts disclosed in the Victorian Government contracts’ publishing system can be viewed on the internet at [www.procurement.vic.gov.au](http://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 Actallows the public a right of access to documents held by the Department. During 2016–17, the Department received 398 applications. Of these, 211 were from individuals seeking access to their own records, 47 were requests from members of parliament, 44 from media organisations and 96 from members of the public seeking access to policy-related and other miscellaneous documents.

In most instances, the Department provided full or partial access to the requested documents, but 27 decisions went to the FOI Commissioner for review and five went on appeal to the Victorian Civil and Administrative Tribunal (VCAT).

The information required to be published pursuant to section 7 of the Freedom of Information Act is contained elsewhere in this report or at [www.education.vic.gov.au/about/working/Pages/foi2.aspx](http://www.education.vic.gov.au/about/working/Pages/foi2.aspx).

**Making a request**

Access to documents is via written request to the Department’s Freedom of Information Unit as detailed in section 17 of the Freedom of Information 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).

Table 24 – 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](mailto: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](mailto: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](mailto:vrqa@edumail.vic.gov.au) | (03) 9637 2806 |
| Merit Protection Boards | Level 4  2 Lonsdale Street  Melbourne 3000 | [meritboards@edumail.vic.gov.au](mailto:meritboards@edumail.vic.gov.au) | (03) 9032 1707 |
| Victorian Institute of Teaching | PO Box 531 Collins Street West Victoria 8007 | [vit@vit.vic.edu.au](mailto:vit@vit.vic.edu.au) | 1300 888 067 |
| Disciplinary Appeals Boards | Level 4  2 Lonsdale Street Melbourne 3000 | [meritboards@edumail.vic.gov.au](mailto:meritboards@edumail.vic.gov.au) | (03) 9032 1701 |

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

Access charges may apply once documents have been processed and a decision 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 information listed below and included in this Annual Report will be available at www.data.vic.gov.au in electronic readable format:

Progress towards achieving departmental objectives

Performance against output performance measures

Five-year financial summary

Performance management of occupational health and safety and workers compensation management measures

Comparative workforce data

Executive officers data

Government advertising expenditure

Financial statements (key financial information)

Appendix 2 Budget portfolio outcomes.

Compliance with the *Building Act 1993*

Mechanisms to ensure that buildings conform to 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 2016–17 Budget Paper No. 4: State Capital Program.

During 2016–17, 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:

|  |  |
| --- | --- |
| Bellbrae Primary School  Ceres Primary School  Dandenong North Primary School  Dimboola Primary School  Drouin Secondary College  Drouin South Primary School  Epping Primary School  Epping Secondary College  Gisborne Secondary College  Glen Waverley Secondary College  Glenferrie Primary School  Grovedale College  Heatherhill Primary School  Horsham West and Haven Primary School  Katandra West Primary School  Laharum Primary School  Lalor East Primary School  Lara Primary School  Leongatha Primary School  Leopold Primary School | Lindenow Primary School  Manifold Heights Primary School  Mansfield Primary School  Melton Secondary College  Melton South Primary School  Mooroopna Park Primary School  Mount Waverley Secondary College  Newcomb Secondary College  Noble Park Primary School  Noorat Primary School  Park Orchards Primary School  Romsey Primary School  Sunbury Heights Primary School  Sunshine Heights Primary School  Thomastown Secondary College  Torquay P-6 College  Traralgon (Liddiard Road) Primary School  Warracknabeal Primary School  Wonthaggi 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. All new legislation and regulations enacted within the portfolio during 2016–17 were subject to a regulatory burden assessment, which included consideration of the principles contained in the National Competition Policy.

Compliance with 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:

Mr Jonathan Kaplan  
Protected Disclosure Coordinator  
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: [kaplan.jonathan.e@edumail.vic.gov.au](mailto:kaplan.jonathan.e@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](http://www.ibac.vic.gov.au)

Further information

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

Table 25 – Disclosures under the Protected Disclosure Act 2012

|  |  |  |  |
| --- | --- | --- | --- |
| Disclosures under the *Protected Disclosure Act 2012* | 2016-–17 | 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 | 6 | 3 | 9 |
| Matters referred by IBAC pursuant to section 73 of the *Independent Broad-based Anti-corruption Commission Act 2011* | 8 | 37 | 3 |
| **Total number of disclosures** | **14** | **40** | **12** |

Compliance with Disabilities Act 2006

The Department of Education and Training has a disability action plan in place, setting out the Department’s commitments and actions within the Victorian State Disability Action plan 2013–16.

The Department participated in the development of Absolutely Everyone: State Disability Plan 2017–20, and is developing a new departmental disability action plan to align with the new State plan.

Compliance with Carers Recognition Act 2012

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

Office-based environmental impacts

The Department’s Environmental Management System (EMS) provides a structured approach to planning and implementing environment protection measures in the Department’s office-based activities. In line with government directives, the Department reports on energy, paper and water consumption, waste generation, transportation, greenhouse gas emissions, and sustainable procurement for all non-school office sites with at least 10 FTEs.

The EMS 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 2016–31 March 2017.

Energy

The data presented below was collected through energy retailer billing information and represents 97 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.

Table 26 – Energy consumption

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Indicator | 2016–17 | | | | 2015–16 | | | |
| Electricity | Natural gas | Green power | Total | Electricity | Natural gas | Green power | Total |
| Total energy usage segmented by primary source (MJ) | 21,900,076 | 7,817,788 | 0 | 29,717,864 | 20,910,815 | 6,858,907 | 0 | 27,769,722 |
| Greenhouse gas emissions associated with energy use, segmented by primary source and offsets (t CO2 e) | 7,239 | 433 | – | 7,672 | 7,319 | 380 | – | 7,699 |
| Units of energy (electricity plus natural gas) used per FTE  (MJ/FTE) | 8,114 | 2,897 |  | 11,011 | 9,656 | 3,167 | – | 12,823 |
| Percentage of electricity purchased as green power | – | – |  | 0 | – | – | – | 0 |
| Units of energy (electricity plus natural gas) used per unit of office area  (MJ/m2) | 522 | 187 |  | 709 | 554 | 182 | – | 736 |

Assessment against target

Electricity and gas consumption has increased since 2015–16, five per cent and 14 per cent respectively, translating to a seven per cent increase in total energy use. However, the reduction in energy used per square metre in 2016–17 was a four per cent drop from last year. It also represents an overall downward trend, where energy use per FTE is six per cent lower than 2013–14, and is on track to meeting the Department’s targets. The Department will continue to contribute to this downward trend through ongoing diligence in managing its energy consumption.

Explanatory notes

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 48 per cent of the total reportable net leased area and 49 per cent of all reportable FTE. The landfill, co-mingled recycling and compost figures below represent point-in-time data extrapolated through sample waste audits.

Table 27 – Waste generation

|  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | 2016–17 | | | | | | 2015–16 | | | | | |
| Indicator | Landfill | Co-mingled recycling | Compost | Shredded paper | Other | Total | Landfill | Co-mingled recycling | Compost | Shredded paper | Other | Total |
| Total units of waste disposed of by destination (kg/yr) | 24,489 | 9,755 | 11,905 | 67,565 | 1,178 | 114,894 | 24,343 | 8,734 | 13,440 | 35,144  (12,103) | 1,435 | 83,095 |
| Units of waste disposed of per FTE by destination (kg/FTE) | 18 | 7 | 9 | 51 | 1 | 86 | 20 | 7 | 11 | 29 (10) | 1 | 69 |
| Recycling rate  (% of total waste) | – | 8 | 10 | 59 | 1 | 79 | – | 11 | 16 | 42 | 2 | 71 (59) |
| Greenhouse gas emissions associated with waste disposal (t CO2 e) | 34 | – | – | – | – | 34 | 29 | – | – | – | – | 29 |

Note: Figures in parentheses were published in the 2015–16 Annual Report, and were based on incomplete data that has subsequently been updated.

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

Target

Increase recycling rate to a minimum of 85 per cent by 31 March 2017.

Assessment against target

The recycling rate increased from 71 per cent in 2015–16 to 79 per cent of total waste, not quite reaching the 31 March 2017 target.

Explanatory notes

All types of waste generation either decreased in per capita terms or remained neutral from 2015–16 levels, except for an increase in shredded paper. Decreases included landfill and compost, which are the second and third biggest sources of waste. The overall increase in waste generation is driven by an increase in shredded paper.

The increase in shredded paper is in part due to several internal restructures and office relocations, resulting in disposals of large volumes of documents and publications that had accumulated over time. With the structure settled, the impact of these changes are expected to be one-off.

Paper

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

Table 28 – Paper purchasing and usage

|  |  |  |
| --- | --- | --- |
| Indicator | 2016–17 | 2015–16 |
| Total units of copy paper used (reams) | 35,175 | 33,185 |
| Units of copy paper used per FTE (reams/FTE) | 13 | 15 |
| Percentage of 75–100% recycled content copy paper purchased (%) | 67 | 74 |
| Percentage of 50–74% recycled content copy paper purchased (%) | 0 | 5 |
| Percentage of 0–49% recycled content copy paper purchased (%) | 33 | 21 |
| Total units of A4-equivalent paper used in publications (reams) | 48,872 | 30,012 |

Target

Reduce copy paper consumption to 12 A4 reams per FTE by 31 March 2017.

Increase the amount of copy paper purchased with 75–100 per cent recycled content to a minimum of 75 per cent by 31 March 2017.

Assessment against target

Paper consumption in 2016–17 saw a 6 per cent increase on 2015–16 levels, the highest it has been since 2012–13. However, the consumption increase is less than the past year’s staff growth, evidenced by a fall in copy paper used per FTE. It was down to 13 reams per FTE equalling the lowest result recorded in 2012–13.

The proportion of paper with the highest recycled content fell by seven percentage points, down from 74 per cent in 2015–16 to 67 per cent. There was a corresponding increase in copy paper with lower amounts of recycled content.

An increase in printed publications resulted in a 63 per cent rise in the total units of A4 equivalent paper used since 2015–16.

Water

The data in the table below is based on water meter readings at 80 per cent of office sites covering 88 per cent of FTEs.

Table 29 – Water consumption

|  |  |  |
| --- | --- | --- |
| Indicator | 2016–17 | 2015–16 |
| Total units of metered water consumed by usage types (kL) | 18,556 | 18,013 |
| Units of metered water consumed in offices per FTE (kL/FTE) | 7.74 | 9.69 |
| Units of metered water consumed in offices per unit of office area (kL/m2) | 0.53 | 0.55 |

Target

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

Assessment against target

Compared to the target’s 2013–14 baseline year, the Department has achieved a more than 25 per cent decrease in water consumption per FTE. Over the period, total water consumption increased slightly, but total FTEs grew significantly, resulting in a lower water consumption per FTE.

Explanatory notes

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.

Transport

The Department-owned operational fleet comprises 272 vehicles. Of these, 34 per cent are hybrid electric vehicles, one per cent are LPG-fuelled, 63 per cent are petrol-fuelled, and two per cent are diesel-fuelled.

The data in table 30 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.

Table 30 – Energy consumption of operational vehicles

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Operational vehicles | 2016–17 | | | | 2015–16 | | | |
|  | Hybrid | LPG | Petrol | Diesel | Hybrid | LPG | Petrol | Diesel |
| Total energy consumption by vehicles (MJ) | 2,447,989 | 251,198 | 8,146,226 | 460,986 | 3,659,494 | 609,523 | 5,702,249 | 963,027 |
| Total vehicle travel associated with entity operations (km) | 1,376,512 | 80,490 | 2,994,667 | 155,821 | 2,051,734 | 195,262 | 2,053,244 | 357,327 |
| Total greenhouse gas emissions from vehicle fleet (t CO2 e) | 174 | 16 | 580 | 34 | 261 | 39 | 406 | 71 |
| Greenhouse gas emissions from vehicle fleet per 1,000 km travelled (t CO2 e) | 0.13 | 0.20 | 0.19 | 0.22 | 0.13 | 0.20 | 0.20 | 0.20 |

Table 31 – Air travel (Department)

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | 2016–17 | | | 2015–16 | | |
| Air travel | Short <500 km | Medium 500–3,700 km | Long >3,700 km | Short <500 km | Medium 500–3,700 km | Long >3,700 km |
| Total distance travelled by aeroplane (km) | 196,762 | 466,434 | 645,417 | 156,412 | 495,194 | 483,802 |

Table 32 – Sustainable community of staff

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Sustainable commuting | 2016–17 | | 2015–16 | |
|  | Central | Regional | Central | 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. | 95 | 80 | 93 | 0 |

Target

Reduce by five per cent of 2015–16 levels the total kilometres travelled by operational vehicles by 31 March 2017.

Assessment against target

Total kilometres travelled by the operational vehicle fleet fell by one per cent from 2015–16, not quite reaching the five per cent reduction target. In addition, the use of petrol-fuelled vehicles increased, while there was less use of more fuel-efficient vehicles such as hybrids. This led to a corresponding rise in the energy consumed and a commensurate net emissions increase of four per cent from 2015–16 levels.

Explanatory notes

Sustainable commuting figures are obtained via staff survey and can be affected by 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.

Table 33 – Department emissions

|  |  |  |
| --- | --- | --- |
| Indicator | 2016–17 | 2015–16 |
| Total greenhouse gas emissions from energy use (t CO2 e) | 7,673 | 7,699 |
| Total greenhouse gas emissions from waste production (t CO2 e) | 34 | 29 |
| Total greenhouse gas emissions from paper purchases (t CO2 e) | 115 | 115 |
| Total greenhouse gas emissions from water consumption (t CO2 e) | 25 | 25 |
| Total greenhouse gas emissions from vehicle fleet (t CO2 e) | 805 | 777 |
| Total greenhouse gas emissions from air travel (t CO2 e) | 284 | 251 |
| **Grand total greenhouse gas emissions created by the Department** | **8,936** | **8,896** |

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.

Assessment against target

Total greenhouse gas emissions saw negligible change from 2015–16, increasing by less than half a percent. Nonetheless, there has been a steady downward trend over the past four years, with this year’s results being 5.5 per cent lower than the 2013–14 baseline, exceeding the 2016–17 incremental reduction target.

Procurement

The Department continues to promote the purchase of environmental friendly products, specifically 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.

Infrastructure project 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 at [www.education.vic.gov.au/about/working/Pages/fees.aspx](http://www.education.vic.gov.au/about/working/Pages/fees.aspx). In compliance with the requirements of the Standing Directions of the Minister for Finance, changes in these are available on request, subject to the provisions of the Freedom of Information Act.

Additional information available on request

Financial Reporting Direction (FRD) 22H requires the Accountable Officer to retain and make available specified information. This material may be made available to ministers, members of parliament and the public on request, subject to the provisions of the Freedom of Information Act.

The Department has made this information available (or provided details of how the material may be sourced) in the Department’s Annual Report 2016–17 or the Department’s Annual Report 2016–17 Additional Information Report.

Requirements covered in this annual 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 2016–17 Additional Information Report available from the Department’s website at [www.education.vic.gov.au](http://www.education.vic.gov.au) and include:

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.

Attestation for compliance with Ministerial Standing Direction 3.7.1

I, Gill Callister, certify that the Department of Education and Training has complied with Ministerial Standing Direciton 3.7.1—Risk Management Framework and Processes, except with reference to the insurance requirement of fully maintaining 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.

With effect from 1 July 2017, the Department has established an indemnity register as required by Standing Direction 3.7.1 and will provide details of indemnities recorded, as and when requested by the Victorian Managed Insurance Authority.

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



Gill Callister

Secretary

31 August 2017

Details of publications about the Department

Table 34 – Publications published by the Department about itself during 2016–17

| Publication | Date produced | How to obtain a copy |
| --- | --- | --- |
| The Department’s 2016–2020 Strategic Plan | January 2017 | [www.education.vic.gov.au/about/department/Pages/stratplan.aspx](http://www.education.vic.gov.au/about/department/Pages/stratplan.aspx) |
| The Department’s Annual Report 2015–16 | October 2016 | [www.education.vic.gov.au/about/department/Pages/annualreports.aspx](http://www.education.vic.gov.au/about/department/Pages/annualreports.aspx) |

About this report

In accordance with Ministerial Reporting Direction FRD10A, the Department is required to include a disclosure index in its annual report that:

lists relevant clauses of Victorian legislation with statutory disclosure requirements that the Department has to comply with

provides a short description of the relevant requirements

provides a page reference for the annual report where the disclosure for each requirement is made.

Material not required under relevant legislation and pronouncements is not included in this report. A disclosure 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.

Accountable Officer’s and Chief Finance and Accounting Officer’s declaration 88

Auditor-General’s independent auditor’s report 89

Comprehensive operating statement for the financial year ended 30 June 2017 91

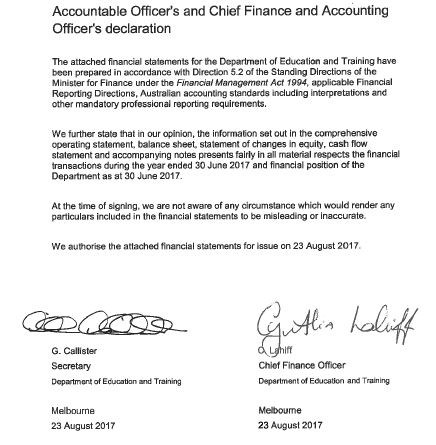
Balance sheet as at 30 June 2017 92

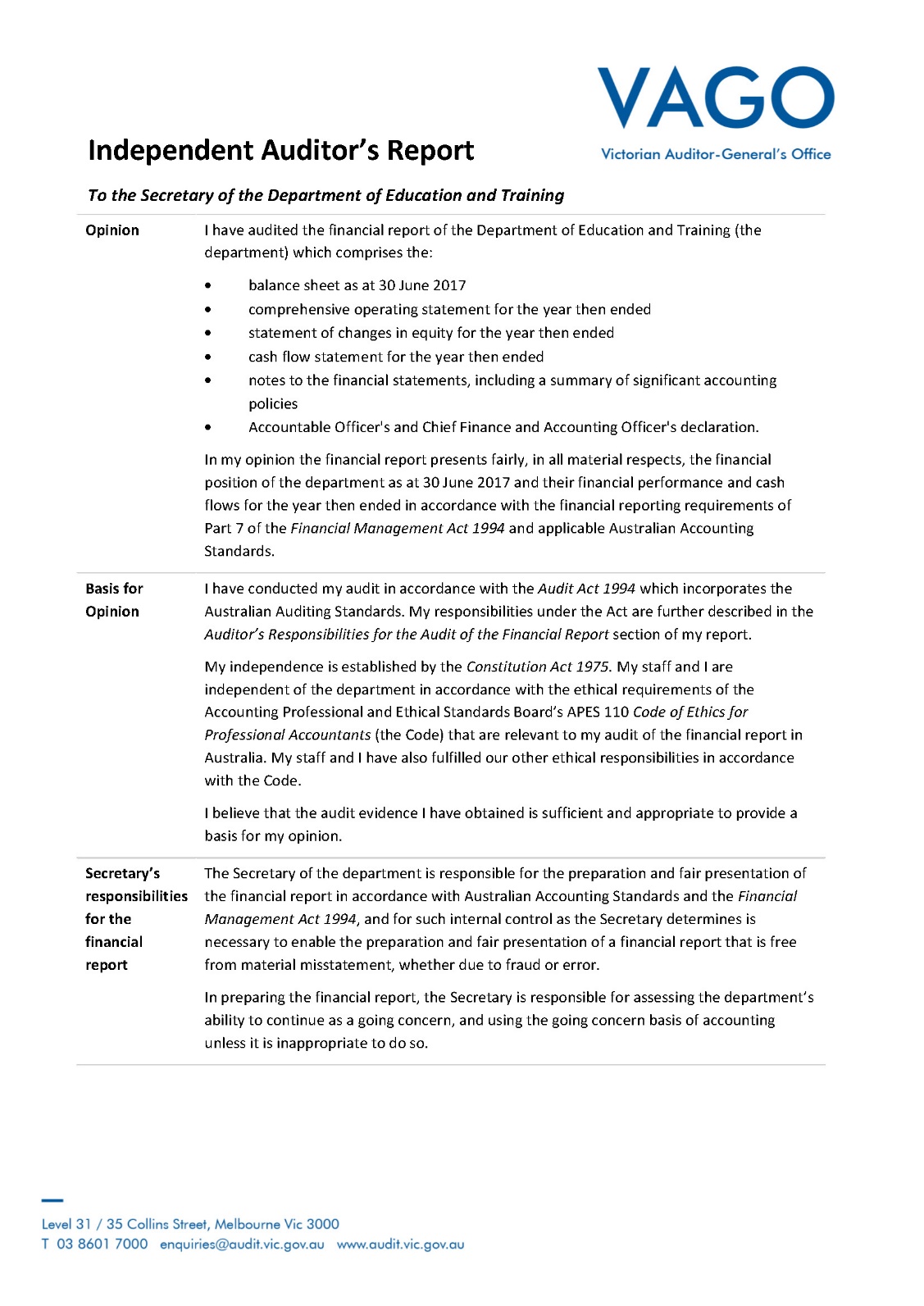
Statement of changes in equity for the financial year ended 30 June 2017 93

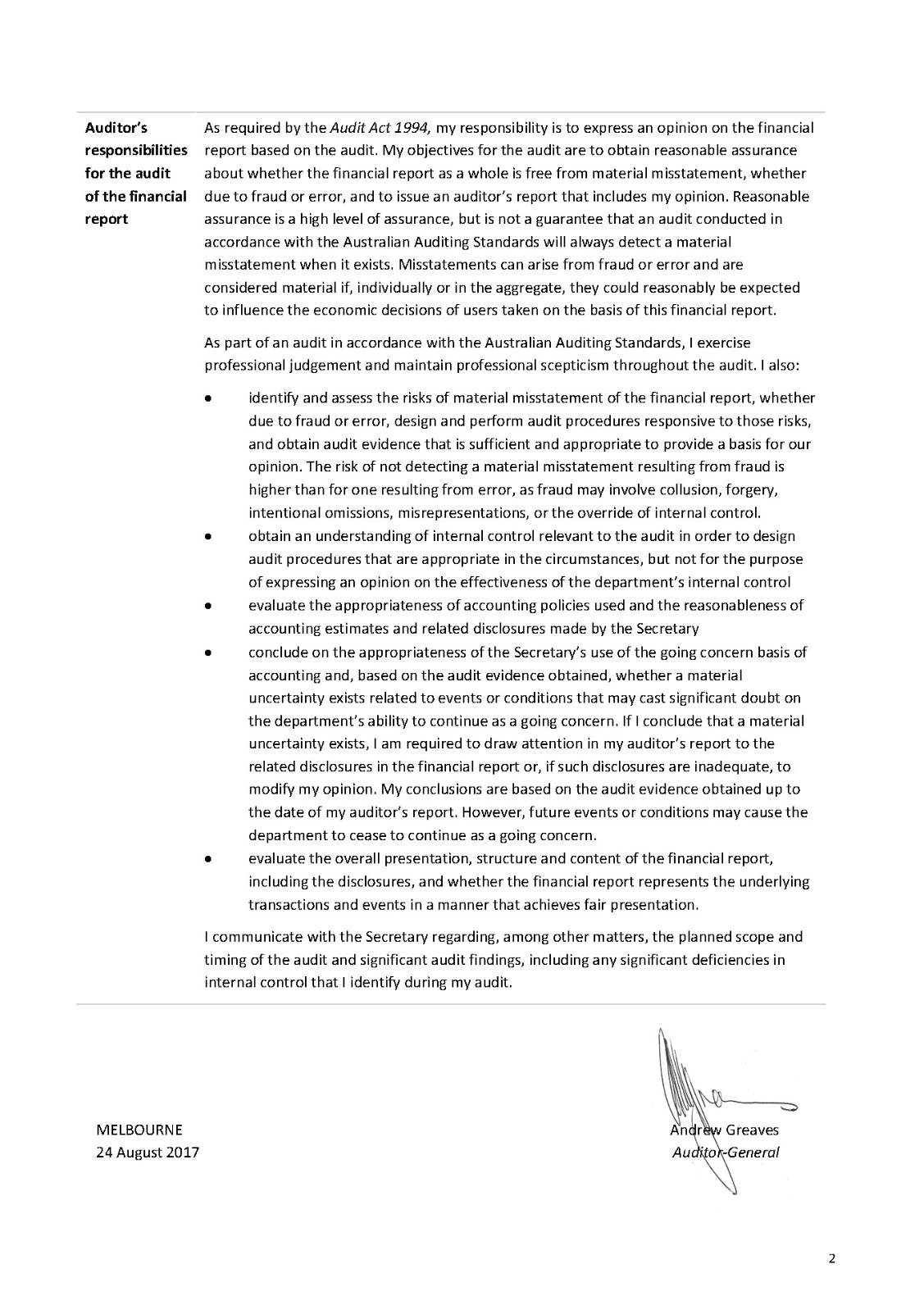
Cash flow statement for the financial year ended 30 June 2017 94

Notes to the financial statements 95

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



Auditor-General’s independent auditor’s report



Comprehensive operating statement for the financial year ended 30 June 2017

|  |  |  |  |
| --- | --- | --- | --- |
|  | Note | 2017 $m | 2016 $m |
| Income from transactions |  |  |  |
| Output appropriations | 2.3.1 | 12,184.3 | 11,172.0 |
| Special appropriations | 2.3.2 | 13.0 | 22.0 |
| Grants | 2.4.1 | 13.5 | 23.4 |
| Sales of goods and services | 2.4.2 | 138.8 | 209.6 |
| Other | 2.4.3 | 598.8 | 543.9 |
| Total income from transactions |  | 12,948.4 | 11,970.9 |
| Expenses from transactions |  |  |  |
| Employee expenses | 3.1.1 | (6,107.7) | (5,817.9) |
| Depreciation and amortisation | 5.1.1 | (355.7) | (310.5) |
| Grants and other expense transfers | 3.1.2 | (1,812.4) | (1,466.4) |
| Capital asset charge | 3.1.3 | (1,467.4) | (1,291.7) |
| Supplies and services | 3.1.4 | (2,689.2) | (2,677.3) |
| Other operating expenses | 3.1.5 | (193.8) | (176.3) |
| Total expenses from transactions |  | (12,626.2) | (11,740.0) |
| Net result from transactions (net operating balance) |  | 322.2 | 230.9 |
| Other economic flows included in net result |  |  |  |
| Net gain/(loss) on non-financial assets | 9.2 | 0.7 | 0.1 |
| Net gain/(loss) on financial instruments | 9.2 | (1.9) | (17.4) |
| Other gains/(losses) from other economic flows | 9.2 | 87.2 | (31.1) |
| Total other economic flows included in net result |  | 86.0 | (48.4) |
| Net result |  | 408.2 | 182.5 |
| Other economic flows—other comprehensive income Items that will not be classified to net result |  |  |  |
| Changes in physical asset revaluation surplus | 9.6 | (0.1) | 3,018.4 |
| Total other economic flows—other comprehensive income |  | (0.1) | 3,018.4 |
| Comprehensive result |  | 408.1 | 3,200.9 |

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

Balance sheet as at 30 June 2017

|  |  |  |  |
| --- | --- | --- | --- |
|  | Note | 2017 $m | 2016 $m |
| Assets |  |  |  |
| Financial assets |  |  |  |
| Cash and deposits | 7.3 | 740.8 | 703.3 |
| Receivables | 6.1 | 2,280.7 | 1,990.8 |
| Other financial assets | 5.3 | 296.3 | 274.9 |
| Total financial assets |  | 3,317.8 | 2,969.0 |
| Non-financial assets |  |  |  |
| Intangible assets | 5.2 | 59.4 | 67.7 |
| Property, plant and equipment | 5.1 | 20,393.5 | 19,869.9 |
| Other non-financial assets | 6.2 | 47.9 | 48.9 |
| Total non-financial assets |  | 20,500.8 | 19,986.5 |
| Total assets |  | 23,818.6 | 22,955.5 |
| Liabilities |  |  |  |
| Payables | 6.3 | 685.8 | 461.4 |
| Borrowings | 7.1 | 457.0 | 249.6 |
| Provisions | 3.1.1 | 1,415.8 | 1,425.1 |
| Unearned income |  | 48.5 | 30.7 |
| Total liabilities |  | 2,607.1 | 2,166.9 |
| Net assets |  | 21,211.5 | 20,788.6 |
| Equity |  |  |  |
| Accumulated surplus/(deficit) |  | 2,117.9 | 1,710.8 |
| Physical asset revaluation surplus | 9.6 | 10,400.6 | 10,400.7 |
| Contributed capital |  | 8,693.0 | 8,677.1 |
| Net worth |  | 21,211.5 | 20,788.6 |
| Contingent assets and contingent liabilities | 8.3 |  |  |
| Commitments for expenditure | 7.5 |  |  |

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 2017

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | Physical asset revaluation surplus $m | Accumulated surplus/ (deficit) $m | Contributed capital $m | Total equity  $m |
| Balance at 1 July 2015 | 7,382.3 | 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 |
| Net result for the year | – | 408.2 | – | 408.2 |
| Prior year adjustments | – | (1.1) | – | (1.1) |
| Other comprehensive income for the year | (0.1) | – | – | (0.1) |
| Capital appropriations | – | – | 33.8 | 33.8 |
| Contributed capital transfers in | – | – | 7.2 | 7.2 |
| Contributed capital transfers (out) | – | – | (25.1) | (25.1) |
| Balance at 30 June 2017 | 10,400.6 | 2,117.9 | 8,693.0 | 21,211.5 |

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

Cash flow statement for the financial year ended 30 June 2017

|  | Note | 2017 $m | 2016 $m |
| --- | --- | --- | --- |
| Cash flows from operating activities |  |  |  |
| Receipts |  |  |  |
| Receipts from government |  | 11,916.6 | 10,999.1 |
| Receipts from other entities |  | 756.9 | 746.2 |
| Goods and Services Tax recovered from the ATO |  | 333.5 | 269.7 |
| Interest received |  | 15.8 | 17.2 |
| Total receipts |  | 13,022.8 | 12,032.2 |
| Payments |  |  |  |
| Payments of grants and other transfers |  | (1,759.3) | (1,461.3) |
| Payments to suppliers and employees |  | (9,129.8) | (8,798.4) |
| Goods and Services Tax paid to the ATO |  | (8.1) | (11.1) |
| Capital asset charge payments |  | (1,467.4) | (1,291.7) |
| Interest and other costs of finance paid |  | (19.7) | (14.3) |
| Total payments |  | (12,384.3) | (11,576.8) |
| Net cash flows from/(used in) operating activities | 7.3.1 | 638.5 | 455.4 |
| Cash flows from investing activities |  |  |  |
| Purchases of non-financial assets |  | (586.9) | (288.0) |
| Proceeds from investments |  | 55.7 | 44.8 |
| Payments for investments |  | (77.9) | (58.7) |
| Sales of plant and equipment |  | 4.6 | 3.4 |
| Proceeds from Loan and advances |  | 8.2 | 3.6 |
| Payment of Loan and advances |  | (24.1) | (21.8) |
| Other adjustments[[32]](#footnote-33) |  | (0.2) | (143.8) |
| Net cash flows from/(used in) investing activities |  | (620.7) | (460.5) |
| Cash flows from financing activities |  |  |  |
| Owner contributions received from State Government Government GGovernmenGovernment  GGovernmentGovernmentGovernment |  | 33.8 | 3.5 |
| Proceeds from borrowings |  | 0.2 | 0.5 |
| Repayment of borrowings and finance leases |  | (14.3) | (10.9) |
| Net cash flows from/(used in) financing activities |  | 19.7 | (6.9) |
| Net increase/(decrease) in cash and deposits |  | 37.5 | (12.0) |
| Cash and deposits at the beginning of the financial year |  | 703.3 | 715.3 |
| Cash and deposits at the end of the financial year | 7.3 | 740.8 | 703.3 |

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

Notes to the financial statements

Note 1 About this report 96

Note 2 Funding delivery of our services 99

Note 3 The cost of delivering services 105

Note 4 Disaggregated financial information by output 111

Note 5 Key assets available to support output delivery 120

Note 6 Other assets and liabilities 129

Note 7 Financing our operations 134

Note 8 Risks, contingencies and valuation judgements 144

Note 9 Other disclosures 154

Note 1 About this report

1.1 Basis of preparation

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 2017. The purpose of the report is to provide users with information about the Department’s stewardship of resources entrusted to it.

Basis of preparation

These financial statements are in Australian dollars and the historical cost convention is used unless a different measurement basis is specifically disclosed in the note associated with the item measured on a different basis.

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 financial information being presented. The significant judgements made in the preparation of these financial statements are disclosed in the notes where amounts affected by those judgements are disclosed. Estimates and associated assumptions are based on professional judgements derived from historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

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

* the fair value of land, buildings, plant and equipment, (Note 8.2.2)
* impairment of buildings, plant and equipment, and intangibles (Note 5.1.1)
* depreciation and amortisation expense (Note 5.1 and Note 5.2)
* assumptions for employee benefit provisions based on likely tenure of existing staff, patterns of leave claims, future salary movements and future discount rates (Note 3.1.1).

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 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.

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 AASs paragraphs applicable to not-for-profit entities have been applied.

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

These annual financial statements were authorised for issue by the Secretary of the Department on 23 August 2017.

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
* fair value changes of financial instruments
* 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 million, unless otherwise stated. Figures in the financial statements may not equate due to rounding (Note 9.8—Style conventions).

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 2 Funding delivery of our services

|  |  |
| --- | --- |
| 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 4. | Structure  2.1 Summary of income that funds the delivery of our services  2.2 Appropriations  2.3 Summary of compliance with annual Parliamentary and special appropriations  2.3.1(a) Summary of compliance with annual Parliamentary appropriations  2.3.1(b) Annotated income agreements  2.3.2 Summary of compliance with special appropriations  2.4 Income from transactions  2.4.1 Grants income  2.4.2 Sales of goods and services  2.4.3 Other income |

2.1 Summary of income that funds the delivery of our services

|  |  |  |  |
| --- | --- | --- | --- |
|  | Note | 2017 $m | 2016 $m |
| Income from transactions |  |  |  |
| Output appropriations | 2.3.1 | 12,184.3 | 11,172.0 |
| Special appropriations | 2.3.2 | 13.0 | 22.0 |
| Grants | 2.4.1 | 13.5 | 23.4 |
| Sales of goods and services | 2.4.2 | 138.8 | 209.6 |
| Other | 2.4.3 | 598.8 | 543.9 |
| Total income from transactions |  | 12,948.4 | 11,970.9 |

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

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 4.2).

2.2 Appropriations

Once annual Parliamentary appropriations are applied by the Minister for Finance, they become controlled by the Department and recognised as income when applied to the purposes defined under the Appropriations Act. All amounts of income over which the Department does not have control are disclosed as administered income (see Note 4).

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.

2.3 Summary of compliance with annual Parliamentary and special appropriations

2.3.1(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.

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | *Appropriation Act* | | *Financial Management Act 1994* | | | | |  | | |
|  | Annual appropriation | Advance from Treasurer | Section 3(2) | Section 29 | Section 30 | Section 32 | Section 35 advances | Total parliamentary authority | Appropriations applied | Variance1 |
|  | $m | $m | $m | $m | $m | $m | $m | $m | $m | $m |
| 2017 |  |  |  |  |  |  |  |  |  |  |
| Controlled |  |  |  |  |  |  |  |  |  |  |
| Provision for outputs | 11,456.6 | 300.7 | – | 569.9 | 20.5 | 246.0 | – | 12,593.7 | 12,184.3 | 409.4 |
| Additions to net assets | 209.3 | – | – | 2.6 | (20.5) | 18.0 | 20.0 | 229.5 | 33.8 | 195.6 |
| Total | 11,666.0 | 300.7 | – | 572.5 | - | 264.0 | 20.0 | 12,823.2 | 12,218.1 | 605.1 |
|  | Annual appropriation | Advance from Treasurer | Section 3(2) | Section 29 | Section 30 | Section 32 | Section 35 advances | Total parliamentary authority | Appropriations applied | Variance2 |
|  | $m | $m | $m | $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** |

1 The provision for outputs variance comprises: $309.7 million in carryover into 2017-18, including $149.4 million for various programs within the higher education sector, $26.9 million for delays in school infrastructure maintenance and $20.3 million for realignment of cash flows for Early Childhood Capital Grants. There was $99.7 million in lapsed funding and other foreseen adjustments.

The additions to net assets variance comprises: $136.3 million re-cash flow of the capital program into future years due to revised implementation plans, intended for the delivery of prior year approved programs, $52.5 million carryover into 2017-18 primarily for delays in the 2016-17 Land Acquisition and New Schools programs. In addition, $6.8 million lapsed 2015-16 carryover for the Commonwealth Trade Training Centres programs.

2 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.

2.3.1(b) Annotated income agreements

The Department is permitted under section 29 of the 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 consolidation fund as an administered item. At the point income is recognised, section 29 provides for an equivalent amount to be added to the annual appropriation.

The following is a listing of *s*ection 29 of the FMA annotated income agreements approved by the Treasurer:

|  |  |  |  |
| --- | --- | --- | --- |
|  | Note | 2017 $m | 2016 $m |
| **Sales of goods and services** |  |  |  |
| Alarms |  | 0.1 | 0.1 |
| Overseas student program fee |  | 68.7 | – |
| Housing rent |  | 1.0 | 1.1 |
| **Total** |  | **69.8** | **1.2** |
| Asset sales |  |  |  |
| Sale of land |  | – | 4.6 |
| **Receipts from Commonwealth** |  |  |  |
| Receipts from Commonwealth—School Capital Program |  | 0.1 | – |
| **Revenue from Municipal Councils** |  |  |  |
| Receipts from Municipal Councils—School Capital Program |  | 2.5 | – |
| **Total** |  | **2.6** | **4.6** |
| Commonwealth Specific Purpose Payments |  |  |  |
| Trade Training Centres |  | – | 20.9 |
| National Skills and Workforce Development |  | 372.7 | 364.7 |
| TAFE fee waivers for childcare qualifications |  | – | 5.3 |
| Universal access to early education |  | 101.7 | 98.4 |
| National Quality Agenda for Early Childhood Education and Care |  | 8.3 | 2.3 |
| Joint group training program |  | – | 2.5 |
| MoneySmart Teaching |  | 0.3 | 0.3 |
| Independent Public Schools |  | 3.3 | 4.5 |
| National School Chaplaincy Program |  | 12.6 | 12.6 |
| National Occasional Care Programme |  | 1.2 | 1.2 |
| **Total** |  | 500.1 | 512.7 |
| **Total annotated income agreements** | 2.3.1(a) | 572.5 | 518.5 |

2.3.2 Summary of compliance with special appropriations

|  |  |  |  |
| --- | --- | --- | --- |
|  |  | Appropriations applied | |
| Authority controlled | Purpose | 2017 $m | 2016 $m |
| Section 5.6.8 of the *Education and Training Reform Act 2006* | Volunteers workers’ compensation | 0.2 | 0.3 |
| Section 10 of the *Financial Management Act 1994* | Digital Education Revolution | 11.7 | 20.6 |
| Section 10 of the *Financial Management Act 1994* | Occasional Care | 1.0 | 1.1 |
| Total |  | 13.0 | 22.0 |

2.4 Income from transactions

2.4.1 Grants income

|  | 2017 $m | 2016 $m |
| --- | --- | --- |
| Grants |  |  |
| Commonwealth | 10.3 | 18.8 |
| Other public bodies | 3.2 | 4.7 |
| Total grants | 13.5 | 23.4 |

Grant income arises from transactions in which a party provides goods or assets (or extinguishes a liability) to the Department without receiving approximately equal value in return. While grants may result in the provision of some goods or services to the transferring party, they do not provide a claim to receive benefits directly of approximately equal value (and are termed ‘non-reciprocal’ transfers). Receipt and sacrifice of approximately equal value may occur, but only by coincidence. For non-reciprocal grants, the Department recognises revenue when the grant is receivable or received.

Some grants are reciprocal in nature (i.e. equal value is given back by the recipient of the grant to the provider). The Department recognises income when it has satisfied its performance obligations under the terms of the grant.

2.4.2 Sales of goods and services

|  | 2017 $m | 2016 $m |
| --- | --- | --- |
| Sales of goods and services |  |  |
| Schools revenue—including sales of classroom material, before and after school care, and other trading operations | 133.6 | 141.7 |
| Provision of services | 5.2 | 68.0 |
| Total sales of goods and services | 138.8 | 209.6 |

Income from the supply of services and from the sale of goods is recognised when:

* the amount of the income can be reliably measured
* it is probable that the economic benefits associated with the transaction will flow to the Department.
* cash received in schools is recognised upon receipt by the school and is processed in accordance with controls established by the schools’ council.

2.4.3 Other

|  | 2017 $m | 2016 $m |
| --- | --- | --- |
| ***Other income*** |  |  |
| Schools revenue—including parents’ voluntary contributions and other locally raised funds | 572.9 | 512.3 |
| Other revenue | 25.9 | 31.6 |
| Total other income | 598.8 | 543.9 |

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

Note 3 The cost of delivering services

|  |  |
| --- | --- |
| Introduction  This section provides an account of the expenses incurred by the Department in delivering services and outputs. In Note 2, the funds that enable the provision of services were disclosed and in this note the cost associated with provision of services are recorded. Note 4 discloses aggregated information in relation to the income and expenses by output. | Structure  3.1 Expenses incurred in delivery of services  3.1.1 Employee benefits  3.1.2 Grants and other payments  3.1.3 Capital asset charge  3.1.4 Supplies and Services  3.1.5 Other operating expenses |

3.1 Expenses incurred in delivery of services

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

|  |  |  |  |
| --- | --- | --- | --- |
|  | Note | 2017 $m | 2016 $m |
| Expenses from transactions |  |  |  |
| Employee expenses | 3.1.1 | 6,107.7 | 5,817.9 |
| Grants and other payments | 3.1.2 | 1,812.4 | 1,466.4 |
| Capital asset charge | 3.1.3 | 1,467.4 | 1,291.7 |
| Supplies and services | 3.1.4 | 2,689.2 | 2,677.3 |
| Other operating expenses | 3.1.5 | 193.8 | 176.3 |
| Total expenses incurred in delivery of services |  | 12,270.5 | 11,429.6 |

3.1.1 (a) Employee benefits comprehensive operating statement

|  | 2017 $m | 2016 $m |
| --- | --- | --- |
| Employee expenses |  |  |
| Salaries and wages | 4,954.9 | 4,731.0 |
| Superannuation | 494.7 | 473.2 |
| Annual leave and long service leave expense | 328.3 | 298.7 |
| Other on-costs (fringe benefits tax, payroll tax and WorkCover levy) | 329.8 | 315.1 |
| Total employee expenses | 6,107.7 | 5,817.9 |

Employee expenses include all costs related to employment including wages and salaries, fringe benefits tax, leave entitlements, termination payments and WorkCover premiums.

The amount recognised in the comprehensive operating statement in relation to Superannuation 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 does not recognise any defined benefit liabilities because it has no legal or constructive obligation to pay future benefits relating to its employees. Instead, Department of Treasury and Finance discloses in its annual financial statements the net defined benefit cost related to the members of these plans as an administered liability (on behalf of the State as the sponsoring employer).

3.1.1 (b) Employee benefits—in the balance sheet

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave (LSL) for services rendered to the reporting date and recorded as an expense during the period the services are delivered.

|  | 2017 $m | 2016 $m |
| --- | --- | --- |
| Current provisions | | |
| Employee benefits[[33]](#footnote-34)—annual leave |  |  |
| Unconditional and expected to be settled within 12 months | 86.3 | 77.7 |
| Unconditional and expected to be settled after 12 months | 9.2 | 10.1 |
| Employee benefits1—long service leave |  |  |
| Unconditional and expected to be settled within 12 months | 141.0 | 141.6 |
| Unconditional and expected to be settled after 12 months | 808.7 | 809.6 |
| Employee benefits1—other |  |  |
| Unconditional and expected to be settled within 12 months | – | 3.3 |
| Other provisions | 0.9 | 1.2 |
| Total | 1,046.1 | 1,043.5 |
| Provisions related to employee benefit on-costs |  |  |
| Unconditional and expected to be settled within 12 months | 34.1 | 33.4 |
| Unconditional and expected to be settled after 12 months | 134.1 | 134.4 |
| Total | 168.2 | 167.8 |
| Other—make good[[34]](#footnote-35) | 0.3 | – |
| Total current provisions | 1,214.6 | 1,211.1 |
| Non-current Provisions |  |  |
| Employee benefits**1** | 172.5 | 183.4 |
| Employee benefit on-costs | 28.3 | 30.1 |
| Other provisions | 0.4 | 0.3 |
| Total non-current provisions | 201.2 | 213.8 |
| Total Provisions | 1,415.8 | 1,425.1 |

Reconciliation of movements in on-cost provisions

|  |  |  |
| --- | --- | --- |
| 2017 |  | Total  $m |
| Opening balance |  | 197.9 |
| Additional provisions recognised |  | 48.0 |
| Reductions arising from payments/other sacrifices of future economic benefits |  | (40.8) |
| Reductions resulting from re-measurement |  | (7.1) |
| Unwind of discount and effect of changes in the discount rate |  | (1.5) |
| Closing balance |  | 196.5 |
| Current |  | 168.2 |
| Non-current |  | 28.3 |

Wages and salaries, and annual leave

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

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

Long service leave

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

Unconditional long service leave is disclosed 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 undiscounted value if the Department expects to wholly settle within 12 months; or 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 as a transaction, except to the extent that a gain or loss arises due to changes in bond interest rates for which it is then recognised as an “other economic flow” in the net result.

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.

3.1.1 (c) Superannuation contributions

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.

As noted in Note 3.1.1. (a) the defined benefit liability is recognised in Department of Treasury and Finance as an administered liability.

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 2017 $m | Paid contributions for the year 2016 $m |
| Defined benefit plans |  |  |
| State Superannuation Schemes | 90.9 | 98.8 |
| Other—State Employees Retirement Benefits Scheme | 2.2 | 2.3 |
| Defined contribution plans |  |  |
| Vic Super | 318.0 | 302.3 |
| Other | 83.6 | 69.8 |
| Total | 494.7 | 473.2 |

There are no contributions outstanding as at June 2017 and June 2016.

3.1.2 Grants and other payments

|  |  |  |
| --- | --- | --- |
|  | 2017 $m | 2016 $m |
| Grants and other payments |  |  |
| Grants to Victorian Curriculum and Assessment Authority | 52.1 | 49.9 |
| Grants to Victorian Registration and Qualifications Authority | 10.8 | 12.2 |
| Grants to Technical and Further Education | 690.5 | 548.5 |
| Grants to Adult, Community and Further Education Board | 28.0 | 29.0 |
| Grants to non-government schools | 716.8 | 661.5 |
| Grants to external organisations | 285.7 | 129.2 |
| Other payments | 28.5 | 36.0 |
| Total grants and other payments | 1,812.4 | 1,466.4 |

Transactions in which the Department provides goods, services, assets (or extinguishes a liability) or labour to another party without receiving approximately equal value in return are categorised as ‘Grant expenses’. Grants can either be operating or capital in nature.

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

Grants (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.

3.1.3 Capital asset charge

|  |  |  |
| --- | --- | --- |
|  | 2017 $m | 2016 $m |
| Capital asset charge | 1,467.4 | 1,291.7 |

The capital asset charge is a charge levied by DTF on the written down value of controlled non-current physical assets the Department’s balance sheet. It aims to attribute to the Department outputs, a cost of capital used in service delivery. Imposing this charge provides incentives for the Department to identify and dispose of underutilised or surplus non-current physical assets.

3.1.4 Supplies and Services

|  |  |  |
| --- | --- | --- |
|  | 2017 $m | 2016 $m |
| Supplies and services |  |  |
| Administration | 336.6 | 273.3 |
| Maintenance | 239.0 | 252.5 |
| School requisites | 945.7 | 945.0 |
| Service agreement payments | 1,028.7 | 1,072.8 |
| Other | 139.2 | 133.6 |
| Total supplies and services | 2,689.2 | 2,677.3 |

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.

3.1.5 Other operating expenses

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | 2017 $m | | 2016 $m | |
| Other expenses | | 37.7 | | 70.7 |
| Other IT related expenses | | 156.1 | | 105.6 |
| Total other operating expenses | | **193.8** | | **176.3** |

Note 4 Disaggregated financial information by output

|  |  |
| --- | --- |
| Introduction  The Department is predominantly funded by accrual based parliamentary appropriations for the provision of outputs. This section provides a description of the departmental outputs performed during the year ended 30 June 2017 along with the objectives of those outputs.  This section disaggregates income that enables the delivery of service (described in Note 2) by the output and records the allocation of expenses incurred (described in Note 3) also by outputs.  It also provides information on items administered in connection with these outputs, which do not form part of the controlled balances of the Department.  The distinction between controlled and administered items is drawn based on whether the Department has the ability to deploy the resources in question for its own benefit (controlled items) or whether it does so on behalf of the State (administered). The department remains accountable for transactions involving administered items, but it does not recognise these items in its financial statements | Structure  4.1 Departmental output  4.1.1 Descriptions and objectives  4.1.2 Controlled income and expenses  4.1.3 Controlled assets and liabilities  4.2 Administered items |

4.1 Departmental output

4.1.1 Descriptions and objectives

A description of departmental outputs achieved during the year ended 30 June 2017, and the objectives of these outputs, are summarised below.

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.

Early Childhood Development

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

School Education

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

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.

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.

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.

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.

4.1.2 (a) Departmental outputs: Controlled income and expenses for the year ended 30 June 2017

|  | Strategy, Review and Regulation $m | | Early Childhood Develop­ment $m | | School Education $m | | Higher Education and Skills $m | | | | Support Services Delivery $m | | Support for Students with Disabilities $m | | | Depart­mental total $m |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Income from transactions | | | | | | | | | | | | | | | | |
| Output appropriations | 102.2 | 569.1 | | 8,464.7 | | 1,775.9 | | | 353.3 | | | 919.0 | | | 12,184.3 | |
| Special appropriations | – | – | | 11.9 | | – | | | – | | | 1.0 | | | 13.0 | |
| Grants | – | 1.1 | | 10.3 | | – | | | 2.1 | | | – | | | 13.5 | |
| Sales of goods and services | – | 2.1 | | 135.6 | | 0.2 | | | – | | | 0.7 | | | 138.8 | |
| Other income | – | 0.2 | | 590.6 | | 0.5 | | | 7.2 | | | 0.3 | | | 598.8 | |
| Total income from transactions | 102.3 | 572.5 | | 9,213.2 | | 1,776.7 | | | 362.7 | | | 921.0 | | | 12,948.4 | |
| Expenses from transactions | | | | | | | | | | | | | | | | |
| Employee expenses | (58.4) | (37.0) | | (5,000.7) | | | | (50.1) | | (231.0) | | | | (730.6) | (6,107.7) | |
| Depreciation and amortisation | (7.7) | (5.5) | | (321.3) | | | | (4.2) | | (1.4) | | | | (15.6) | (355.7) | |
| Grants and other payments | (18.5) | (2.4) | | (810.3) | | | | (894.9) | | (76.5) | | | | (9.8) | (1,812.4) | |
| Capital asset charge | (0.7) | (5.7) | | (1,191.1) | | | | (216.6) | | (0.1) | | | | (53.2) | (1,467.4) | |
| Supplies and services | (16.5) | (521.5) | | (1,407.7) | | | | (601.6) | | (44.9) | | | | (97.0) | (2,689.2) | |
| Other operating expenses | (0.4) | (0.5) | | (164.9) | | | | (4.4) | | (8.7) | | | | (14.8) | (193.8) | |
| Total expenses from transactions | (102.3) | (572.5) | | (8,896.0) | | | | (1,771.8) | | (362.7) | | | | (921.0) | (12,626.2) | |
| Net result from transactions (net operating balance) | 0.0 | (0.0) | | 317.3 | | | | 4.9 | | (0.0) | | | | 0.0 | 322.2 | |

|  | Strategy, Review and Regulation $m | Early Childhood Develop­ment $m | School Education $m | | Higher Education and Skills $m | Support Services Delivery $m | | Support for Students with Disabilities $m | Depart­mental total $m |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Other economic flows included in net result | | | | | | | | | |
| Net gain/(loss) on non-financial assets | – | – | 0.6 | – | | – | 0.1 | | 0.6 |
| Net gain/(loss) on financial instruments | – | – | 0.7 | (2.6) | | – | – | | (1.9) |
| Other gains/(losses) from other economic flows | 0.8 | 0.5 | 71.4 | 0.7 | | 3.3 | 10.4 | | 87.2 |
| Total other economic flows included in net result | **0.8** | **0.5** | **72.7** | **(1.9)** | | **3.3** | **10.5** | | 86.0 |
| Net result | 0.8 | 0.5 | 390.0 | 3.1 | | 3.3 | 10.5 | | 408.1 |
| Other economic flows—other comprehensive income | | | | | | | | | |
| Changes in physical asset revaluation surplus | – | – | (0.1) | – | | – | – | | (0.1) |
| Total other economic flows—other comprehensive income | – | – | (0.1) | – | | – | – | | (0.1) |
| Comprehensive result | 0.8 | 0.5 | 389.9 | 3.1 | | 3.3 | 10.5 | | 408.0 |

4.1.2 (b) Departmental outputs: Controlled income and expenses for the year ended 30 June 2016

|  | Strategy, Review and Regulation $m | Early Childhood Develop­ment $m | School Education $m | Higher Education and Skills $m | Support Services Delivery $m | Support for Students with Disabilities $m | Departmental total $m |
| --- | --- | --- | --- | --- | --- | --- | --- |
| Income from transactions | |  |  |  |  |  |  |
| Output appropriations | 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 |
| 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 | – | 541.6 | 0.2 | 0.6 | 0.1 | 543.9 |
| 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) |
| Grants and other payments | (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) | (146.1) | (6.7) | (8.1) | (14.7) | (176.3) |
| 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 | – | – | 0.1 | – | – | – | 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 |

4.1.3 (a) Departmental outputs: Controlled assets and liabilities as at 30 June 2017

| Assets and Liabilities | Strategy, Review and Regulation | Early Childhood Develop­ment | School Education | Higher Education and Skills | Support Services Delivery | Support for Students with Disabilities | Depart­mental total |
| --- | --- | --- | --- | --- | --- | --- | --- |
| $m | $m | $m | $m | $m | $m | $m |
| Assets |  |  |  |  |  |  |  |
| Financial assets | 20.5 | 89.3 | 2,519.9 | 334.4 | 105.1 | 264.3 | 3,333.5 |
| Non-financial assets | 15.0 | 162.7 | 18,353.1 | 8.3 | 128.1 | 1,833.5 | 20,500.8 |
| Total assets | 35.5 | 252.0 | 20,873.0 | 342.7 | 233.2 | 2,097.9 | 23,834.3 |
| Liabilities |  |  |  |  |  |  |  |
| Liabilities | 18.7 | 21.7 | 2,122.2 | 89.9 | 94.3 | 275.9 | 2,622.8 |
| Total liabilities | 18.7 | 21.7 | 2,122.2 | 89.9 | 94.3 | 275.9 | 2,622.8 |
| Net assets/(liabilities) | 16.7 | 230.3 | 18,750.8 | 252.8 | 138.9 | 1,821.9 | 21,211.5 |

4.1.3 (b) Departmental outputs: Controlled assets and liabilities as at 30 June 2016

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| Assets and Liabilities | Strategy, Review and Regulation | Early Childhood Develop­ment | School Education | Higher Education and Skills | Support Services Delivery | Support for Students with Disabilities | Depart­mental total |
| $m | $m | $m | $m | $m | $m | $m |
| 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 |

4.2 Administered (non-controlled) items

All the Department’s administered activities relate to school education output. The distinction between controlled and administered items is drawn based on whether the Department has the ability to deploy the resources in question for its own benefit (controlled items) or whether it does so on behalf of the State (administered). The Department remains accountable for transactions involving administered items, but it does not recognise these items in its financial statements.

|  | Departmental total | |
| --- | --- | --- |
| 2017 $m | 2016 $m |
| Administered income from transactions | | |
| Commonwealth on-passing to non-government schools | | |
| General recurrent grants | 2,975.3 | 2,777.7 |
| Other | 54.5 | 51.9 |
| Other income | 75.6 | 29.8 |
| Amounts received via Consolidated Fund | - | 98.4 |
| Total administered income from transactions | 3,105.4 | 2,957.7 |
| Administered expenses from transactions | | |
| Commonwealth on-passing to non-government schools | | |
| General recurrent grants | (2,975.3) | (2,777.7) |
| Other | (54.5) | (51.9) |
| Other | (1.0) | (1.1) |
| Administered paid via Consolidated Fund | (80.0) | - |
| Total administered expenses from transactions | (3,110.8) | (2,830.7) |
| Total administered net result from transactions  (net operating balance) | (5.4) | 126.9 |
| Administered other economic flows included in the administered net result | | |
| Net gain/(loss) on non-financial assets | 8.1 | (124.1) |
| Total administered other economic flows | 8.1 | (124.1) |
| Administered net result | 2.7 | 2.9 |
| Total administered comprehensive result | 2.7 | 2.9 |
|  | | |
| Administered financial assets | | |
| Receivables | 16.2 | 13.5 |
| Investments | 1.3 | 1.3 |
| Total administered assets | 17.6 | 14.9 |

Administered income includes Commonwealth on-passing grants, fees and the proceeds from the sale of administered surplus land and buildings. Administered expenses includes payments made on behalf of the State and payments into the consolidated fund. Administered assets include government income earned but yet to be collected. Administered liabilities include government expenses incurred but yet to be paid.

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

Commonwealth on-passing grants

The Department’s administered grants mainly comprise of funds provided by the Commonwealth to assist the State Government in meeting general or specific service delivery obligations. These grants are distributed to the recipients for operational and capital purposes.

Note 5 Key assets available to support output delivery

|  |  |
| --- | --- |
| Introduction  The Department controls infrastructure that is utilised in fulfilling its objectives and conducting its activities. They represent the resources that have been entrusted to the Department to be utilised for delivery of those outputs.  Where the assets included in this section are carried at fair value, additional information is disclosed in Note 8.2 in connection with how those fair values were determined. | Structure  5.1 Property, plant and equipment: Carrying amount1  5.1.1 Depreciation and amortisation  5.1.2 Reconciliation of movements in carrying value of property, plant and equipment  5.2 Intangible assets  5.3 Other financial assets |

5.1 Property, plant and equipment—Education Purpose group1

|  | 20171 $m | 20162  $m |
| --- | --- | --- |
| Land |  |  |
| At fair value | 9,409.6 | 9,367.6 |
| Buildings |  |  |
| At fair value | 10,261.4 | 10,014.0 |
| Less accumulated depreciation | (300.8) | – |
| Total buildings | 9,960.5 | 10,014.0 |
| Heritage Buildings |  |  |
| At fair value | 106.8 | 104.1 |
| Less accumulated depreciation | (3.7) | – |
| Total heritage buildings | 103.1 | 104.1 |
| Leasehold buildings |  |  |
| Leasehold buildings—at fair value | 388.6 | 145.0 |
| Less accumulated depreciation | (5.3) | – |

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 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. A full revaluation normally occurs every five years, with the next scheduled revaluation to occur in 2018.

|  | 2017 $m | 2016  $m |
| --- | --- | --- |
| Total leasehold buildings | 383.3 | 145.0 |
| Leasehold improvements |  |  |
| Leasehold improvements—at fair value | 10.1 | 10.1 |
| Less accumulated depreciation | (7.2) | (6.4) |
| Total leasehold improvements | 2.9 | 3.7 |
| Plant and equipment |  |  |
| At fair value | 573.0 | 563.1 |
| Less accumulated depreciation | (508.1) | (489.9) |
|  | 64.9 | 73.2 |
|  |  |  |
| Plant and equipment under finance lease | 31.0 | 18.9 |
| Less accumulated depreciation | (8.2) | (7.6) |
|  | 22.8 | 11.3 |
| Total plant and equipment | 87.7 | 84.5 |
|  |  |  |
| Work in progress |  |  |
| Buildings at cost | 436.2 | 148.2 |
| Plant and equipment at cost | 10.1 | 2.8 |
| Total work in progress | 446.3 | 150.9 |
| Total property, plant and equipment | 20,393.5 | 19,869.9 |

Initial recognition

Items of property, plant and equipment 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 its fair value at the date of acquisition. Assets transferred as part of a machinery of government change are transferred at their carrying amount.

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.

The cost of leasehold improvements is capitalised and depreciated over the shorter of the remaining term of the lease or their estimated useful lives.

The initial cost for non-financial physical assets under a finance lease (Note 7.2) 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. Also note that certain assets are acquired under finance leases, which may form part of a service concession arrangement (Public Private Partnership).

Subsequent measurement

Property, plant and equipment are subsequently measured at fair value less accumulated depreciation and impairment. Fair value is determined with regard to the asset’s highest and best use (considering legal or physical restrictions imposed on the asset, public announcements or commitments made in relation to the intended use of the asset) and is summarised below by asset category.

*Specialised land and specialised buildings*

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

Specialised land has no feasible alternative use because it is restricted to only provide education services to the community. There is no observable market value as a community service obligation (CSO) is applied.

Specialised buildings are buildings designed for a specific limited purpose. These buildings include school sites and heritage/historic properties owned by the Department.

*Plant and equipment*

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.

*Leasehold buildings*

Certain assets are acquired under finance leases, which may form part of a service concession arrangement (i.e. Public Private Partnership). Refer to Notes 7.2 Leases and 7.5 Commitments for more information.

More details about the valuation techniques and inputs used in determining the fair value of non-financial physical assets are discussed in Note 8.2.

*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.

*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 fair value of some heritage 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.

5.1.1 Depreciation and amortisation

|  | 2017 $m | 2016 $m |
| --- | --- | --- |
| Depreciation |  |  | |
| Buildings | 301.0 | 248.6 | |
| Heritage buildings | 3.7 | 2.6 | |
| Leasehold buildings | 5.3 | 3.2 | |
| Leasehold improvements | 0.8 | 1.3 | |
| Plant and equipment | 32.1 | 39.1 | |
| Total Depreciation | 342.9 | 294.8 | |
| Amortisation |  |  | |
| Software | 12.8 | 15.7 | |
| Total amortisation | 12.8 | 15.7 | |
| Total depreciation and amortisation | 355.7 | 310.5 | |

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) that have finite useful lives 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.

Impairment of non-financial assets

Non-financial assets, including items of property, plant and equipment, are tested for impairment whenever there is an indication that the asset may be impaired.

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 an “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 impairment, the carrying amount shall be increased to its recoverable amount. However, this reversal should not increase the asset’s carrying amount above what 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.

5.1.2 Reconciliation of movements in carrying value of property, plant and equipment

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 2017 | 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 | 9,367.6 | 10,014.0 | 104.1 | 145.0 | 3.7 | 84.5 | 150.9 | **19,869.9** |
| Prior year adjustments | – | (37.0) | – | 37.0 | – | – | – | **0.0** |
| Additions | 70.6 | – | 2.7 | 206.5 | – | 32.0 | 588.1 | **899.9** |
| Fair value of assets received free of charge or for nominal considerations | – | – | – | – | – | – | – | **0.0** |
| Transfers to completed assets | – | 281.4 | – | – | – | 7.0 | (288.4) | **0.0** |
| Disposals | (13.6) | (6.4) | – | – | – | (3.4) | – | **(23.4)** |
| Revaluation increments/(decrements) | – | 9.5 | – | – | – | – | (4.6) | **4.9** |
| Impairment | – | – | – | – | – | – | – | **0.0** |
| Transfer (to)/from assets held for sale | (15.0) | (0.1) | – | – | – | (0.2) | – | **(15.3)** |
| Depreciation | – | (300.9) | (3.7) | (5.3) | (0.8) | (32.0) | – | **(342.7)** |
| Closing balance | 9,409.6 | 9,960.5 | 103.1 | 383.2 | 2.9 | 87.8 | 446.1 | 20,393.3 |
| 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** |
| 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 |

5.2 Intangible assets

|  |  |  |  |
| --- | --- | --- | --- |
| 2017 | Software at cost $m | Software work in progress $m | Total $m |
| Opening balance | 139.6 | 31.5 | 171.1 |
| Additions | 0.7 | 11.9 | 12.6 |
| Disposals | (0.5) | (7.9) | (8.4) |
| Transfer to completed assets | 9.7 | (9.7) | 0.0 |
| Closing balance | 149.4 | 25.8 | 175.2 |
| Accumulated Amortisation |  |  |  |
| Opening balance | (103.3) | – | (103.3) |
| Amortisation expense | (12.8) | – | (12.8) |
| Write back due to disposals | 0.4 | – | 0.4 |
| Closing balance | (115.7) | – | (115.7) |
| Net book value at end of financial year | 33.7 | 25.8 | 59.5 |
|  |  |  |  |
| 2016 | 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) |
| Transfer to completed assets | 16.6 | (16.6) | 0.0 |
| 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 | (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 |

Initial recognitions

Intangible assets are initially recognised at cost. An intangible asset shall be recognised if it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the cost of the asset can be measured reliably. When the recognition criteria in AASB 138 Intangible Assets are met, internally generated intangible assets are recognised and measured at cost less accumulated amortisation and impairment. Subsequently, intangible assets with finite useful lives are carried at cost less accumulated depreciation/amortisation and accumulated impairment losses. 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.

Costs incurred subsequent to initial acquisition are capitalised when it is expected that additional future economic benefits will flow to the Department.

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 sale
* an intention to complete the intangible asset and use or sell it
* the ability to use or sell the intangible asset
* the intangible asset will generate probable future economic benefits
* the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
* the ability to measure reliably the expenditure attributable to the intangible asset during its development.

Subsequent measurement

Intangible produced assets with finite useful lives, are depreciated as an ‘expense from transactions’ on a straight line basis over their useful lives. Intangible assets have useful lives of between three and ten years.

Impairment of intangible assets

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

The policy in connection with testing for impairment is outlined in section 5.1.1.

5.3 Other financial assets

|  |  |  |
| --- | --- | --- |
|  | 2017 $m | 2016 $m |
| Term deposit held by schools | 296.3 | 274.9 |

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

5.3.1. Ageing analysis of other financial assets

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  |  |  | Past due but not impaired | | | |
| 2017 | Carrying amount $m | Not past due and not impaired $m | Less than 1 month $m | 1–3  months $m | 3 months– 1 year $m | Over 1 year $m |
| Term deposits | 296.3 | 296.3 | – | – | – | – |
| Total | 296.3 | 296.3 |  |  |  |  |
|  |  |  | Past due but not impaired | | | |
| 2016 | Carrying amount $m | Not past due and not impaired $m | Less than 1 month $m | 1–3 months $m | 3 months– 1 year $m | Over 1 year $m |
| Term deposits | 274.9 | 274.9 | – | – | – | – |
| Total | 274.9 | 274.9 |  |  |  |  |

Note 6 Other assets and liabilities

|  |  |
| --- | --- |
| Introduction  This section sets out those assets and liabilities that arose from the Department’s operations. | Structure  6.1 Receivables  6.1.1 Movement in the provision for doubtful debts  6.1.2. Ageing analysis of contractual receivables  6.2 Other non-financial assets  6.3 Payables  6.3.1 Aging analysis of contractual payables |

6.1 Receivables

|  |  |  |
| --- | --- | --- |
|  | 2017 $m | 2016 $m |
| Current Receivables | | |
| Statutory |  |  |
| Amounts owing from Victorian Government | 1,911.4 | 1,627.0 |
| GST receivables | 64.4 | 64.3 |
| Total | 1,975.8 | 1,691.3 |
| Contractual |  |  |
| Other debtors1,2 | 55.3 | 52.5 |
| Loan receivables | 44.4 | 4.9 |
| Total | 99.7 | 57.4 |
| Allowance for doubtful debts1 | (32.5) | (32.0) |
| Total current receivables | 2,043.0 | 1,716.8 |
|  | | |
| Non-current Receivables | | |
| Statutory |  |  |
| Amounts owing from Victorian Government | 200.8 | 213.5 |
| Contractual |  |  |
| Loan receivables | 36.9 | 60.5 |
| Total non-current receivables | 237.7 | 274.0 |

1 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.

2 The balance disclosed represents debtors for the Department only and excludes schools. The Department cannot confirm the existence and collectability of school debtors and unearned income as there is inadequate supporting documentation. The Department has not recognized on the balance sheet any amounts that may be collectable, or services that the Department is obliged to provide.

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 and loans to third parties.

Contractual receivables are classified as financial instruments and categorised as ‘loans and receivables’. They are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial measurement they are measured at amortised cost using the effective interest method, less any impairment.

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. Amounts recognised from the Victorian Government represent funding for all commitments incurred and are drawn from the Consolidated Fund as the commitments fall due.

6.1.1 Movement in the provision for doubtful debts

|  |  |  |
| --- | --- | --- |
|  | 2017 $m | 2016 $m |
| Balance at beginning of the year | (32.0) | (14.6) |
| Reversal of unused provision recognised in the net result | 4.6 | 2.3 |
| Increase in provision recognised in the net result | (6.5) | (19.7) |
| Reversal of provision of receivables written off during the year as uncollectable | 1.4 | 0.1 |
| Balance at end of the year | (32.5) | (32.0) |

Receivables are assessed for bad and doubtful debts on a regular basis. A provision for doubtful debts is recognised when there is objective evidence that the debts may not be collected and bad debts are written off when identified. In assessing impairment of statutory (non-contractual) financial assets, which are not financial instruments, professional judgement is applied in assessing materiality using estimates, averages and other computational methods in accordance with AASB 136 Impairment of Assets.

A provision is made for estimated irrecoverable amounts from the sale of goods when there is objective evidence that an individual receivable is impaired. The increase in the provision for the year is recognised in the net result.

Bad debts considered as written off by mutual consent are classified as a transaction expense. Bad debts not written off, but included in the provision for doubtful debts, are classified as other economic flows in the net result.

6.1.2. Ageing analysis of contractual receivables

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  |  |  | Past due but not impaired | | | |
| 2017 | Carrying amount $m | Not past due and not impaired $m | Less than 1 month $m | 1–3  months $m | 3 months– 1 year $m | Over 1 year $m |
| Receivables | 104.2 | 8.5 | 0.3 | 1.4 | 54.6 | 39.4 |
| Total | 104.2 | 8.5 | 0.3 | 1.4 | 54.6 | 39.4 |
|  |  |  | Past due but not impaired | | | |
| 2016 | Carrying amount $m | Not past due and not impaired $m | Less than 1 month $m | 1–3 months $m | 3 months– 1 year $m | Over 1 year $m |
| Receivables | 86.0 | 9.4 | 3.2 | 1.8 | 19.7 | 52.0 |
| Total | 86.0 | 9.4 | 3.2 | 1.8 | 19.7 | 52.0 |

6.2 Other non-financial assets

|  |  |  |
| --- | --- | --- |
|  | 2017 $m | 2016 $m |
| Prepayment | 24.7 | 17.6 |
| Non-financial assets held for sale | 17.9 | 7.8 |
| Other | 5.3 | 22.9 |
| Total other non-financial assets | 47.9 | 48.2 |

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, and land pending settlement.

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

This condition is regarded as met only when:

* the asset is available for immediate 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.

6.3 Payables

|  |  |  |
| --- | --- | --- |
|  | 2017 $m | 2016 $m |
| Current payables |  |  |
| Contractual |  |  |
| Salaries, wages and on-costs | 166.7 | 97.9 |
| Accrued grants and transfer payments | 101.7 | 43.9 |
| Other accruals | 9.8 | 8.7 |
| Schools creditors | 11.4 | 12.1 |
| Capital expenditure | 117.8 | 41.0 |
| Operating expenditure | 217.8 | 190.1 |
| Total | 625.2 | 393.8 |
|  |  |  |
| Statutory |  |  |
| Taxes payable | 25.7 | 23.7 |
| Advance payable to Public Account | 34.9 | 43.9 |
| Total | 60.6 | 67.6 |
| Total current payables | 685.8 | 461.4 |
| Total payables | 685.8 | 461.4 |

Payables consist of:

* contractual payables, classified as financial instruments and measured at amortised cost. Accounts payable represent liabilities for goods and services provided to the Department prior to the end of the financial year that are unpaid; and
* statutory payables, such as GST and fringe benefits tax 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.

6.3.1 Aging analysis of contractual payables

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  | | Maturity dates | | | | |
| 2017 | Carrying amount $m | Nominal amount $m | | Less than 1 month $m | 1–3  months $m | 3 months– 1 year $m | Over 1 year $m | > 5 years $m |
| Payables | 625.2 | 625.2 | | 620.0 | 6.8 | 0.1 | (1.2) | (0.5) |
| Total | 625.2 | 625.2 | | 620.0 | 6.8 | 0.1 | (1.2) | (0.5) |
|  |  | |  | Maturity dates | | | | |
| 2016 | Carrying amount $m | | Nominal amount $m | Less than 1 month $m | 1–3  months $m | 3 months– 1 year $m | Over 1 year $m | > 5 years $m |
| Payables | 393.8 | | 393.8 | 398.7 | 0.4 | (0.4) | (4.8) | 0.0 |
| Total | 393.8 | | 393.8 | 398.7 | 0.4 | (0.4) | (4.8) | 0.0 |

Note 7 Financing our operations

|  |  |
| --- | --- |
| Introduction  This section provides information on the sources of finance utilised by the Department during its operations, along with interest expenses (the cost of borrowings) and other information related to financing activities of the Department.  This section includes disclosures of balances that are financial instruments (such as borrowings and cash balances). Note 8.1 provides additional, specific financial instrument disclosures. | Structure  7.1 Borrowings  7.1.1 Maturity analysis of borrowings  7.2 Leases  7.2.1 Finance lease liabilities—Department as lessee  7.2.2 Operating leases—Department as lessee  7.3 Cash flow information and balances  7.3.1 Reconciliation of net result for the period to cash flow from operating activities  7.4 Trust account balances  7.5 Commitments for expenditure  7.5.1 Total commitment payable  7.5.2 Public Private Partnership commitments  7.5.3 Commitments other than Public Private Partnership |

7.1 Borrowings

|  |  |  |
| --- | --- | --- |
|  | 2017 $m | 2016 $m |
| Current borrowings |  |  |
| Finance lease liabilities1 |  |  |
| PPP related finance lease liabilities | 30.8 | 15.2 |
| Motor vehicles related finance lease liabilities | 4.3 | 4.0 |
| Advance from Public Account2 | 8.4 | 7.4 |
| Other current3 | 1.4 | 1.6 |
| Total current borrowings | 44.9 | 28.2 |
| Non-current borrowings |  |  |
| Finance lease liabilities |  |  |
| PPP related finance lease liabilities | 356.4 | 160.1 |
| Motor vehicles related finance lease liabilities | 5.0 | 4.6 |
| Advance from Public Account2 | 43.7 | 48.3 |
| Other non-current3 | 7.0 | 8.4 |
| Total non-current borrowings | 412.1 | 221.4 |
| Total Borrowings | 457.0 | 249.6 |

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 7.2.1 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 in schools.

‘Borrowings’ refer to interest bearing liabilities mainly raised from finance leases and other interest bearing arrangements.

Borrowings are classified as financial instruments. All interest bearing borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs. The measurement basis subsequent to initial recognition depends on whether the Department has categorised its interest bearing liabilities as either ‘financial liabilities designated at fair value through profit or loss’, or financial liabilities at ‘amortised cost’. The classification depends on the nature and purpose of the interest bearing liabilities. The Department determines the classification of its interest bearing liabilities at initial recognition.

7.1.1 Maturity analysis of borrowings

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  | Maturity dates | | | | |
| 2017 | Carrying amount $m | Nominal amount $m | Less than 1 month $m | 1–3  months $m | 3 months– 1 year1 $m | Over 1 year1 $m | > 5 years $m |
| Borrowings | 457.0 | 763.8 | 1.4 | 9.3 | 35.7 | 169.1 | 548.4 |
| Total | 457.0 | 763.8 | 1.4 | 9.3 | 35.7 | 169.1 | 548.4 |

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  | Maturity dates | | | | |
| 2016 | Carrying amount $m | Nominal amount $m | Less than 1 month $m | 1–3  months $m | 3 months– 1 year1 $m | Over 1 year1 $m | > 5 years $m |
| Borrowings | 249.6 | 383.4 | 2.0 | 4.9 | 18.9 | 110.7 | 247.0 |
| Total | 249.6 | 383.4 | 2.0 | 4.9 | 18.9 | 110.7 | 247.0 |

7.2 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, the commencement of the lease term is deemed to be the date of commissioning. All other leases are classified as operating leases.

7.2.1 Finance lease liabilities—Department as lessee

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | Minimum future lease payments |  | Present value of minimum future lease payments | |
|  | 2017 $m | 2016 $m | 2017 $m | 2016 $m |
| PPP related finance lease liabilities |  |  |  |  |
| Not longer than one year | 31.9 | 15.8 | 30.8 | 15.2 |
| Longer than one year but not longer than five years | 126.3 | 63.4 | 105.3 | 52.1 |
| Longer than five years | 535.4 | 229.6 | 251.1 | 108.2 |
| Motor vehicles lease liabilities |  |  |  |  |
| Not longer than one year | 4.5 | 4.2 | 4.3 | 4.0 |
| Longer than one year but not longer than five years | 5.2 | 4.7 | 5.0 | 4.6 |
| **Minimum future lease payments** | **703.2** | **317.8** | **396.5** | **184.0** |
| Less future finance charges | (306.5) | (133.8) | - | - |
| **Present value of minimum lease payments** | **396.7** | **184.0** | **396.5** | **184.0** |
|  | | | | |
| Included in the financial statements as: |  |  |  |  |
| Current borrowings finance lease liabilities (Note 7.1) | - | - | 35.1 | 19.2 |
| Non-current borrowings finance lease liabilities (Note 7.1) | - | - | 361.4 | 164.8 |
| Total aggregate carrying amount of borrowings | - | - | 396.5 | 184.0 |

|  | 2017 $m | 2016 $m |
| --- | --- | --- |
| Assets pledged as security |  |  |
| Motor vehicles under finance lease | 9.3 | 8.3 |
| Partnership Victoria in Schools assets | 386.6 | 148.7 |
| Total assets pledged as security | 395.9 | 157.0 |

The Department’s Leases are made up of finance leases for Public Private Partnership (PPP) arrangements and motor vehicles.

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

Minimum finance lease payments are apportioned between reduction of the outstanding lease liability and periodic finance expense which is calculated using the interest rate implicit in the lease and charged directly to the comprehensive operating statement.

Contingent rentals associated with finance leases are recognised as an expense in the period in which they are incurred.

PPP—Partnerships Victoria in Schools

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 open 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.

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. Over 2017 and 2018 school years 15 schools will open. 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 services. Eight schools were delivered on 01 January 2017 and one school on 31 May 2017. The remaining schools are scheduled for completion 01 January 2018.

7.2.2 Operating leases—Department as lessee

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

7.3 Cash flow information and balances

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

|  |  |  |
| --- | --- | --- |
|  | 2017 $m | 2016 $m |
| Amounts held by schools | 602.6 | 497.8 |
| Bank accounts held in trust | 128.9 | 196.9 |
| Other bank accounts | 9.3 | 8.6 |
| Total cash and deposits | 740.8 | 703.3 |

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 7.4).

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.

7.3.1 Reconciliation of net result for the period to cash flow from operating activities

|  |  |  |
| --- | --- | --- |
|  | 2017 $m | 2016 $m |
| Net result for the reporting period | 408.1 | 182.5 |
| Non-cash movements |  |  |
| Net (gain)/loss on sale of non-financial assets | (0.6) | (0.1) |
| Depreciation and amortisation | 355.7 | 310.5 |
| Movements in assets and liabilities |  |  |
| Decrease/(increase) in current receivables | (286.8) | (220.1) |
| Decrease/(increase) in prepayments | (7.1) | 2.5 |
| Decrease/(increase) in non-current receivables | 12.8 | (23.4) |
| Increase/(decrease) in current payables | 147.7 | 91.1 |
| Increase/(decrease) in other liabilities | 17.7 | 19.8 |
| Increase/(decrease) in current employee entitlements | 3.3 | 69.3 |
| Increase/(decrease) in non-current employee entitlements | (12.3) | 23.4 |
| Net cash inflow from/(used in) operating activities | 638.5 | 455.4 |

7.4 Trust account balances

The Department has responsibility for transactions and balances relating to trust funds on behalf of third parties external to the Victorian Government. Funds 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.

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

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| 2017 | Opening balance as  at 1 July 2016 $m | Total receipts $m | Total payments $m | Closing balance as at 30 June 2017 $m |
| Controlled trusts |  |  |  |  |
| State Treasury Trust | 161.2 | 130.8 | (217.8) | 74.2 |
| Inter-Departmental Trust | – | 9.9 | – | 9.9 |
| Commonwealth Treasury Trust | 35.7 | 35.3 | (26.2) | 44.8 |
| Total controlled trusts | 196.9 | 176.0 | (244.0) | 128.9 |
| Administered trusts |  |  |  |  |
| Prizes and scholarships | 1.5 | 0.2 | (0.2) | 1.5 |
| Commuter club | – | 0.8 | (0.9) | (0.1) |
| On-passing from the Commonwealth | 0.6 | 3,029.8 | (3,029.8) | 0.6 |
| Total administered trusts | 2.1 | 3,030.8 | (3,030.9) | 2.0 |
|  |  |  |  |  |
| 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 |
| Inter-Departmental Trust | – | – | – | – |
| 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 | – | 0.7 | (0.8) | – |
| 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 |

There were no trust accounts opened or closed by the Department during 2017.

The State trust fund operates by virtue of section 19 of the *Financial Management Act 1994.*

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 alignment.

7.5 Commitments for expenditure

Commitments for future expenditure include operating and capital commitments arising from contracts. These commitments are recorded below at their nominal value and inclusive of GST. Where it is considered appropriate and provides additional relevant information to users, the net present values of significant individual projects are stated. These future expenditures cease to be disclosed as commitments once the related liabilities are recognised in the balance sheet.

7.5.1 Total commitment payable

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| 2017 | Less than 1 year | Between  1 and 5 years | Over 5 years | Total |
| Public private partnership commitments | 24.6 | 139.0 | 859.4 | **1,023.1** |
| Capital expenditure commitments payable | 330.7 | 94.3 | – | **425.0** |
| Operating and lease commitments payable | 11.7 | 26.4 | 39.8 | **77.8** |
| Other commitments payable | 796.8 | 49.4 | 10.9 | **857.1** |
| Total commitments (inclusive of GST) | 1,163.7 | 309.2 | 910.1 | 2,383.0 |
| Less GST recoverable | 101.4 | 27.5 | 81.7 | **210.7** |
| Total commitments (exclusive of GST) | 1,062.3 | 281.6 | 828.3 | 2,172.3 |
|  | | | | |
| 2016 | Less than 1 year | Between 1 and 5 years | Over 5 years | Total |
| Public private partnership commitments | 23.0 | 195.9 | 1,257.7 | **1,476.6** |
| Capital expenditure commitments payable | 133.0 | 17.2 | – | **150.2** |
| Operating and lease commitments payable | 12.2 | 21.4 | 43.1 | **76.7** |
| Other commitments payable | 703.0 | 53.6 | – | **756.6** |
| Total commitments (inclusive of GST) | 871.2 | 288.1 | 1,300.8 | 2,460.1 |
| Less GST recoverable | 79.2 | 26.2 | 118.3 | **223.6** |
| Total commitments (exclusive of GST) | 792.0 | 261.9 | 1,182.5 | 2,236.5 |

7.5.2 Public Private Partnership commitments

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. The remaining components are accounted for as commitments for operating costs, which are expensed in the comprehensive operating statement as they are incurred.

Commissioned public-private partnership

Partnership Victoria in schools

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 7.2.1.

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.

New schools PPP

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. Over the 2017 and 2018 school years, 15 schools will open. 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 services. Eight schools were delivered on 01 January 2017 and one school on 31 May 2017.

The total commitments for public private partnerships are as follows:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | Other Commitments | | Other Commitments | |
|  | Present value 2017 $m | Nominal value 2017 $m | Present value 2016 $m | Nominal value 2016 $m |
| **Commissioned Public Private Partnerships** | | | | |
| Partnerships Victoria in Schools—Operations, maintenance and contingent rental commitments | 182.6 | 390.1 | 174.4 | 388.6 |
| New schools PPP | 114.2 | 223.8 | – | – |
| Total commitments for Public Private Partnership | 296.8 | 613.9 | 174.4 | 388.6 |

Uncommissioned public-private partnership

The remaining schools are scheduled for completion 1 January 2018.

|  |  |  |  |
| --- | --- | --- | --- |
|  | Minimum lease payments | Other commitments | Total commitments |
|  | Discounted value  2017 $m | Present Value 2017  $m | Nominal value 2017  $m |
| **Uncommissioned Public Private Partnerships** | |  |  |
| New schools PPP | 152.0 | 66.7 | 409.1 |
| Total commitments for public private partnerships | 152.0 | 363.5 | 1,023.1 |
|  | Minimum lease payments | Other commitments | Total commitments |
|  | Discounted value  2016 $m | Present Value 2016  $m | Nominal value 2016  $m |
| **Uncommissioned Public Private Partnerships** | |  |  |
| New schools PPP | 393.6 | 176.0 | 1,088.0 |
| Total commitments for Public Private Partnerships | 393.6 | 350.4 | 1,476.6 |

7.5.3 Commitments other than Public Private Partnership

|  |  |  |
| --- | --- | --- |
|  | 2017 Nominal value (incl GST) $m | 2016 Nominal value (incl GST) $m |
| Capital expenditure commitments: Plant, buildings and equipment | 425.0 | 150.2 |
| Operating lease commitments | 77.8 | 76.7 |
| Other expenditure commitments | 857.1 | 756.6 |
| Total commitments other than Public Private Partnerships | 1,359.9 | 983.5 |

Capital commitments

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

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.

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.

Note 8 Risks, contingencies and valuation judgements

|  |  |
| --- | --- |
| ***Introduction***  The Department is exposed to risk from its activities and outside factors. In addition, it is often necessary to make judgements and estimates associated with recognition and measurement of items in the financial statements. This section sets out financial instrument specific information, (including exposures to financial risks) as well as those items that are contingent in nature or require a higher level of judgement to be applied. | ***Structure***  8.1. Financial instruments specific disclosures  8.2 Fair value determination  8.3 Contingent assets and liabilities  8.3.1 Contingent assets  8.3.2 Contingent liabilities |

8.1. Financial instruments specific disclosures

8.1.1 Financial instruments: categorisation

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 assets and liabilities do not meet the definition of financial instruments in AASB 132 Financial Instruments: Presentation.

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.

Categories of financial instruments

Receivables and cash

Receivables and cash 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, receivables are measured at amortised cost using the effective interest method, less any impairment.

The receivables category includes cash and deposits, term deposits with maturity greater than three months, receivables (excluding statutory receivables), and other receivables.

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.

Financial instrument liabilities measured at amortised cost include all of the Department’s payables (excluding statutory payables) and borrowing.

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. All financial instrument assets, except those measured at fair value through profit or loss, are subject to annual review for impairment.

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

|  |  |  |  |
| --- | --- | --- | --- |
|  | Note | 2017 $m | 2016 $m |
| Contractual financial assets |  |  |  |
| Cash and deposits—Department | 7.3 | 128.2 | 205.4 |
| Cash and deposits—Schools | 7.3 | 602.6 | 497.8 |
| Receivables | 6.1 | 119.9 | 86.0 |
| Term deposits | 5.3 | 296.3 | 274.9 |
| Total contractual financial assets |  | 1,147.0 | 1,064.2 |
| Contractual financial liabilities |  |  |  |
| Payables | 6.3 | 625.2 | 393.8 |
| Borrowings | 7.1 | 457.0 | 249.6 |
| Total contractual financial liabilities |  | 1,082.2 | 643.4 |

8.2 Fair value determination

This section sets out information on how the Department determined fair value for financial reporting purposes. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The following assets and liabilities are carried at fair value:

* Land, buildings, infrastructure, plant and equipment

In addition, the fair values of other assets and liabilities which are carried at amortised cost, also need to be determined for disclosure purposes.

The Department determines the policies and procedures for determining fair values for both financial and non-financial assets and liabilities as required.

**Fair value hierarchy**

In determining fair values a number of inputs are used. To increase consistency and comparability in the financial statements, these inputs are categorised into three levels, also known as the fair value hierarchy. The levels are as follows:

* 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; and
* Level 3—Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

The Department determines whether transfers have occurred between levels in the hierarchy by reassessing 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.

**How this section is structured**

For those assets and liabilities for which fair values are determined, the following disclosures are provided:

* carrying amount and the fair value (which would be the same for those assets measured at fair value);
* which level of the fair value hierarchy was used to determine the fair value; and
* in respect of those assets and liabilities subject to fair value determination using Level 3 inputs:
  + a reconciliation of the movements in fair values from the beginning of the year to the end; and
  + details of significant unobservable inputs used in the fair value determination.

This section is divided between disclosures in connection with fair value determination for financial instruments (Note 8.2.1) and non-financial physical assets (Note 8.2.2).

8.2.2 Fair value determination of financial assets and liabilities

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.

8.2.2 Fair value determination: Non-financial physical assets

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 land 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.

Fair value measurement hierarchy for assets as at 30 June 2017

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  |  | Fair value measurement at end of reporting period using: | | |
| 2017 | Carrying amount as at 30 June 2017 $m | Level 1 $m | Level 2 $m | Level 3 $m |
| Land at fair value | | | | |
| Land | 9,409.6 | – | 478.2 | 8,931.4 |
| Total land at fair value | 9,049.6 | – | 478.2 | 8,931.4 |
|  | | | | |
| Buildings at fair value | | | | |
| Buildings | 9,960.5 | – | – | 9,960.5 |
| Total of buildings at fair value | 9,960.5 | – | – | 9.960.5 |
|  | | | | |
| Heritage buildings at fair value | | | | |
| Heritage Buildings | 103.1 | – | – | 103.1 |
| Total of heritage buildings at fair value | 103.1 | – | – | 103.1 |
|  | | | | |
| Leasehold buildings at fair value | | | | |
| Leasehold buildings | 383.2 | – | – | 383.2 |
| Total of leasehold buildings at fair value | 383.2 | – | – | 383.2 |
|  | | | | |
| Leasehold improvements at cost | | | | |
| Leasehold improvements | 2.9 | – | – | 2.9 |
| Total of leasehold improvements at cost | 2.9 | – | – | 2.9 |
|  | | | | |
| Plant and equipment at fair value | | | | |
| Plant and equipment | 87.7 | – | 22.8 | 64.9 |
| Total of plant and equipment at fair value | 87.7 | – | 22.8 | 64.9 |

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 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.

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.

Non-financial physical assets arising from finance leases

The initial cost for non-financial physical assets under a finance lease (Note 7.2.1) 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 7.5 in relation to such assets and arrangements.

Fair value measurement hierarchy for assets as at 30 June 2016

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  |  | Fair value measurement at end of reporting period using: | | |
| 2016 | Carrying amount as at  30 June 2016 $m | Level 1 $m | Level 2 $m | Level 3 $m |
| Land at fair value | | | | |
| Land | 9,367.6 | – | 419.2 | 8,948.5 |
| Total land at fair value | 9,367.6 | – | 419.2 | 8,948.5 |
|  | | | | |
| 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 cost | | | | |
| Leasehold improvements | 3.7 | – | – | 3.7 |
| Total of leasehold improvements at cost | 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 |

Reconciliation of Level 3 fair value 30 June 2017

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| 2017 | Land $m | Buildings $m | Heritage buildings $m | Leasehold buildings $m | Leasehold improvements $m | Plant and equipment $m |
| Opening balance | 8,948.4 | 10,014.0 | 104.1 | 145.0 | 3.7 | 73.2 |
| Prior year adjustments | – | (37.0) | - | 37.0 | – | – |
| Purchases (sales) | (9.6) | (6.8) | 2.6 | 206.5 | – | 13.3 |
| Transfers to completed assets | – | 281.4 | – | – | – | 7.0 |
| Transfer (to)/from assets Reval Reserve | – | 9.5 | – | – | – | – |
| Transfer (to)/from assets held for sale | (7.3) | 0.3 | – | – | – | – |
| Depreciation | – | (300.9) | (3.6) | (5.3) | (0.7) | (28.6) |
| **Closing balance** | 8,931.4 | 9,960.5 | 103.1 | 383.2 | 2.9 | 64.9 |

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 | 7,646.5 | 8,266.8 | 58.1 | 191.0 | 0.5 | 97.8 |
| Prior year adjustments | (32.6) | 79.4 | – | – | 4.3 | 3.5 |
| Purchases (sales) | (4.7) | (17.8) | – | – | 0.1 | 5.0 |
| Transfers to completed assets | – | 273.3 | – | – | 0.1 | 2.7 |
| Transfer (to)/from assets held for sale | 102.1 | (0.6) | – | – | – | – |
| Depreciation | – | (248.6) | (2.6) | (3.2) | (1.3) | (35.7) |
| Disposals identified through revaluation | (0.4) | (110.1) | – | – | – | – |
| Additions identified through revaluation | 132.8 | 176.3 | – | – | – | – |
| Revaluation | 1,104.7 | 1,595.1 | 48.7 | (42.8) | – | – |
| Closing balance | 8,948.4 | 10,014.0 | 104.1 | 145.0 | 3.7 | 73.2 |

Description of significant unobservable inputs to Level 3 valuations

|  |  |  |
| --- | --- | --- |
| 2017 and 2016 | 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 2016.

8.3 Contingent assets and liabilities

Contingent assets and contingent liabilities are not recognised in the balance sheet, but are disclosed and, if quantifiable, are measured at nominal value.

Contingent assets and liabilities are presented inclusive of GST receivable or payable respectively.

8.3.1 Contingent assets

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

8.3.2 Contingent liabilities

Contingent liabilities are:

* possible obligations that arise from past events, whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or
* present obligations that arise from past events but are not recognised because:
  + it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligations; or
  + the amount of the obligations cannot be measured with sufficient reliability.

Contingent liabilities are also classified as either quantifiable or non-quantifiable.

Quantifiable contingent liabilities

|  |  |  |
| --- | --- | --- |
| Quantifiable contingent liabilities | 2017 $m | 2016 $m |
| Claims for damages | 39.0 | 18.8 |
| Total quantifiable contingent liabilities | 39.0 | 18.8 |

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 under the influence of illicit drugs or alcohol 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.

The Department is presently involved in several confidential legal matters, which are being conducted through Council’s solicitors. As these matters are yet to be finalised, and the financial outcomes are unable to be reliably measured, no allowance for these contingencies has been made in the financial report.

Note 9 Other disclosures

|  |  |
| --- | --- |
| Introduction  This section includes additional material disclosures required by accounting standards or otherwise, for the understanding of this financial report. | Structure  9.1 Subsequent events  9.2 Other economic flows included in net result  9.3 Remuneration of executives and other personnel  9.4 Responsible persons  9.5 Related parties  9.6 Reserves  9.7 Australian Accounting Standards and interpretation issues that are not yet effective  9.8 Glossary of technical terms |

9.1 Subsequent events

The Department has no material or significant events that have occurred since the reporting date, to the signing date of these Financial Statements that would affect significantly the figures included in them.

9.2 Other economic flows included in net result

|  |  |  |
| --- | --- | --- |
|  | 2017 $m | 2016 $m |
| (a) Net gain/(loss) on non-financial assets |  |  |
| Net gain/(loss) on disposals of non-financial assets | 0.7 | 0.1 |
| Total net gain/(loss) on non-financial assets | 0.7 | 0.1 |
| (b) Net gain/(loss) on financial instruments |  |  |
| Impairment of loans and receivables | (1.9) | (17.4) |
| Total net gain/(loss) on financial instruments | (1.9) | (17.4) |
| (c) Other gains/(losses) from other economic flows |  |  |
| Net gain/(loss) arising from revaluation of long service leave liability | 87.2 | (31.1) |
| Total other gains/(losses) from other economic flows | 87.2 | (31.1) |

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

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:

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.

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.

9.3 Remuneration of executives and other personnel

9.3.1 Remuneration of executives

The number of executive officers, other than ministers and accountable officers, and their total remuneration during the reporting period are shown in the table below. Total annualised employee equivalents provide a measure of full time equivalent executive officers over the reporting period.

Remuneration comprises employee benefits in all forms of consideration paid, payable or provided by the entity, or on behalf of the entity, in exchange for services rendered, and is disclosed in the following categories.

**Short-term employee benefits** include amounts such as wages, salaries, annual leave or sick leave that are usually paid or payable on a regular basis, as well as non-monetary benefits such as allowances and free or subsidised goods or services.

**Post-employment benefits** include pensions and other retirement benefits paid or payable on a discrete basis when employment has ceased.

**Other long-term benefits** include long service leave, other long-service benefit or deferred compensation.

**Termination benefits** include termination of employment payments, such as severance packages.

Several factors affected total remuneration payable to executives over the year. A number of employment contracts were completed and renegotiated.

|  |  |
| --- | --- |
| Remuneration | Total remuneration 20171 |
| Short-term employee benefits | 14.6 |
| Post-employment benefits | 1.4 |
| Other long-term benefits | 0.3 |
| Termination benefits | 0.3 |
| Total remuneration | 16.6 |
| Total number of executives | 101 |
| Total annualised employee equivalents2 | 76.6 |

1 Note that for the first year of implementation (2016–17), no comparatives will be required.

2 Annualised employee equivalent is based on paid working hours of 38 ordinary hours per week over the 52 weeks for a reporting period.

9.3.2 Remuneration of other personnel

Payments have been made to a number of contractors with significant management responsibilities. These contractors are responsible for planning, directing or controlling, directly or indirectly, the Department’s activities.

|  |  |  |
| --- | --- | --- |
| Expenses band ($) | 2017 Number | 2016 Number |
| $130,000–$139,999 | – | 1 |
| Total expenses (exclusive of GST) $m | – | 0.1 |

9.4 Responsible persons

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

Names

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

|  |  |  |
| --- | --- | --- |
| Position | Name | Dates they were Minister/Secretary |
| Minister for Education | The Hon. James Merlino MP | 1 July 2016 to 30 June 2017 |
| Minister for Training and Skills | The Hon. Steve Herbert MP | 1 July 2016 to 9 November 2016 |
| Minister for Training and Skills | The Hon. Gayle Tierney MP | 9 November 2016 to 30 June 2017 |
| Minister for Families and Children | The Hon. Jenny Mikakos MP | 1 July 2016 to 30 June 2017 |
| Secretary | Gill Callister | 1 July 2016 to 30 June 2017 |

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 $510,000 - $519,999 (2015–16 $480,000 - $489,999).

9.5 Related parties

The Department is a wholly owned and controlled entity of the State of Victoria. Related parties of the Department include:

* all key management personnel and their close family members; and
* all cabinet ministers and their close family members.

All related party transactions have been entered into on an arm’s length basis.

Key management personnel of the Department include the Portfolio Minister’s, the Secretary, Deputy Secretary and members of the Executive Board. The compensation detailed below excludes the salaries and benefits the Portfolio Minister’s receives. The Minister’s remuneration and allowances is set by the *Parliamentary Salaries and Superannuation Act 1968* is reported within the Department of Parliamentary Services’ Financial Report.

|  |  |
| --- | --- |
| Compensation | 2017 ($m) |
| Short-term employee benefits | 3.6 |
| Post-employment benefits | 0.3 |
| Other long-term benefits | 0.1 |
| Termination benefits | 0.1 |
| Total | 4.1 |

Transactions with key management personnel and other related parties

Given the breadth and depth of State government activities, related parties transact with the Victorian public sector in a manner consistent with other members of the public e.g. stamp duty and other government fees and charges. Further employment of processes within the Victorian public sector occur on terms and conditions consistent with the Public Administration Act 2004 and Codes of Conduct and Standards issued by the Victorian Public Sector Commission. Procurement processes occur on terms and conditions consistent with the Victorian Government Procurement Board requirements. Outside of normal citizen type transactions with the Department, there were no related party transactions that involved key management personnel and their close family members. No provision has been required, nor any expense recognised, for impairment of receivables from related parties.

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.

|  |  |  |
| --- | --- | --- |
|  | 2017 $m | 2016 $m |
| Grants paid during the year |  |  |
| Victorian Registration and Qualifications Authority | 10.8 | 12.2 |
| Victorian Curriculum and Assessment Authority | 51.3 | 49.9 |
| Rent provided free of charge during the year |  |  |
| Victorian Registration and Qualifications Authority | 0.6 | 0.5 |
| Victorian Curriculum and Assessment Authority | 2.4 | 2.3 |
| Payments made during the year |  |  |
| The Institute of Public Administration Australia Victoria | 0.2 | 0.1 |

9.6 Reserves

|  |  |  |
| --- | --- | --- |
|  | 2017 $m | 2016 $m |
| Physical asset revaluation surplus |  |  |
| Balance at beginning of financial year | 10,400.7 | 7,382.3 |
| Revaluation increment/(decrement) of land during the year | – | 1,406.7 |
| Revaluation increment/(decrement) of buildings during the year | (0.1) | 1,777.2 |
| Prior year adjustments | – | (165.4) |
| Balance at the end of the financial year | 10,400.6 | 10,400.7 |

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

9.7 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 2017 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 2017, the following Australian Accounting Standards have been issued by the AASB, but are not mandatory for financial year ending 30 June 2017. 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:  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. |
| 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 | 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. |
| AASB 2014–5 Amendments to Australian Accounting Standards arising from AASB 15 | Amends the measurement of trade receivables and the recognition of dividends.  Trade receivables that do not have a significant financing component, are to be measured at their transaction price, at initial recognition.  Dividends are recognised in the profit and loss only when:   * 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. |
| 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 | 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:   * 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 | The assessment has indicated that as most operating leases will be recognised on the balance sheet.  Depreciation of lease assets and interest on lease liabilities will be recognised in the income statement with marginal impact on the operating surplus.  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.  No change for lessors. |

9.8 Glossary of technical terms

The following is a summary of the major technical terms used in this report.

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”.

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

Comprehensive result is the amount included in the operating statement representing total change in net worth other than transactions with owners as owners.

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 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 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:

* a balance sheet as at the end of the period
* a 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

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

Interest income

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

Lease

Leases are rights 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 infrastructure, property, plant and equipment are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership from the lessor to the lessee. All other leases are classified as operating leases.

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.

Operating result

Operating result is a measure of financial performance of the operations for the period. It is the net result of items of revenue, gains and expenses (including losses) recognised for the period, excluding those that are classified as ‘other non-owner movements in equity’. Refer also ‘net result’.

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.

In simple terms, other economic flows are changes arising from market remeasurements. They include gains and losses from disposals, revaluations and impairments of non-current physical and intangible assets; fair value changes of financial instruments.

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.

They include:

* changes in physical asset revaluation surplus; and
* 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 and certain intangible assets. Intangible produced assets may include computer software, 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, grants, taxes 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 2016–17 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

Appendix 1 Disclosure index 170

Appendix 2 Budget portfolio outcomes 172

Appendix 3 Statutory bodies’ reports 178

Appendix 4 Acronyms and abbreviations 186

Appendix 5 Grants and transfer payments (other than contributions by owners) 188

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.

Table 35 – Disclosure index

| Legislation | | Requirement | Page |
| --- | --- | --- | --- |
| Report of operations | | | |
| Charter and purpose | | | |
| FRD 22H | Manner of establishment and the relevant ministers | | 42 |
| FRD 22H | Purpose, functions, powers and duties | | 6 |
| FRD 8D | Departmental objectives, indicators and outputs | | 11 |
| FRD 22H | Initiatives and key achievements | | 14 |
| FRD 22H | Nature and range of services provided | | 6 |
| Management and structure | | | |
| FRD 22H | Organisational structure | | 42 |
| Financial and other information | | | |
| FRD 8D | Performance against output performance measures | | 25 |
| FRD 8D | Budget portfolio outcomes | | 172 |
| FRD 10A | Disclosure index | | 170 |
| FRD 12B | Disclosure of major contracts | | 72 |
| FRD 15D | Executive officer disclosures | | 67 |
| FRD 22H | Employment and conduct principles | | 57 |
| FRD 22H | Occupational health and safety policy | | 57 |
| FRD 22H | Summary of the financial results for the year | | 39 |
| FRD 22H | Significant changes in financial position during the year | | 40 |
| FRD 22H | Major changes or factors affecting performance | | 39 |
| FRD 22H | Subsequent events | | 154 |
| FRD 22H | Application and operation of Freedom of Information Act | | 72 |
| FRD 22H | Compliance with building and maintenance provisions of Building Act | | 74 |
| FRD 22H | Statement on National Competition Policy | | 75 |
| FRD 22H | Application and operation of the Protected Disclosure Act | | 75 |
| FRD 22H | Application and operation of the Carers Recognition Act | | 76 |
| FRD 22H | Details of consultancies over $10,000 | | 72 |
| FRD 22H | Details of consultancies under $10,000 | | 72 |
| FRD 22H | Disclosure of government advertising expenditure | | 71 |
| FRD 22H | Disclosure of ICT expenditure | | 72 |
| FRD 22H | Statement of availability of other information | | 84 |
| FRD 24C | Reporting of office‑based environmental impacts | | 77 |
| FRD 25C | Victorian Industry Participation Policy disclosures | | 70 |
| FRD 29B | Workforce Data disclosures | | 57 |
| SD 5.2 | Specific requirements under Standing Direction 5.2 | | i |
| Compliance attestation and declaration | | | |
| SD 5.1.4 | Attestation for compliance with Ministerial Standing Direction | | 85 |
| SD 5.2.3 | Declaration in report of operations | | i |

|  |  |  |
| --- | --- | --- |
| Financial statements | | |
| Declaration |  |  |
| SD 5.2.2 | Declaration in financial statements | 88 |
| Other requirements under Standing Directions 5.2 | |  |
| SD 5.2.1(a) | Compliance with Australian accounting standards and other authoritative pronouncements | 97 |
| SD 5.2.1(a) | Compliance with Ministerial Directions | 88 |
| SD 5.2.1(b) | Compliance with Model Financial Report | 168 |
| Other disclosures as required by FRDs in notes to the financial statements | |  |
| FRD 9A | Departmental Disclosures of Administered Assets and Liabilities by Activity | 177 |
| FRD 11A | Disclosure of Ex gratia Expenses | N/A |
| FRD 13 | Disclosure of Parliamentary Appropriations | 101 |
| FRD 21C | Disclosures of Responsible Persons, Executive Officers and other Personnel (Contractors with Significant Management Responsibilities) in the Financial Report | 156 |
| FRD 103F | Non-Financial Physical Assets | 131 |
| FRD 110A | Cash Flow Statements | 94 |
| FRD 112D | Defined Benefit Superannuation Obligations | 108 |
| Legislation | | |
| *Freedom of Information Act 1982* | | 72 |
| *Building Act 1993* | | 74 |
| *Protected Disclosure Act 2012* | | 75 |
| *Carers Recognition Act 2012* | | 76 |
| *Victorian Industry Participation Policy Act 2003* | | 70 |
| *Financial Management Act 1994* | | i |

1. Budget portfolio outcomes

The budget portfolio outcomes provide a comparison between the actual Financial Statements of all general government sector entities within the portfolio and the forecast financial information published in the 2016–17 Budget Paper No. 5 Statement of Finances (BP5).[[35]](#footnote-36) 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 2017

Table 36 – Comprehensive operating statement for the year ended 30 June 2017

|  | 2017 actual $m | 2017 budget $m | Variation % | Variation $m |
| --- | --- | --- | --- | --- |
| **Net result from continuing operations** |  |  |  |  |
| **Income from transactions** |  |  |  |  |
| Output appropriations | 12,184.3 | 12,149.1 | 0.3 | 35.1 |
| Special appropriations | 13.0 | 12.0 | 8.0 | 1.0 |
| Interest | 23.2 | 30.1 | (23.0) | (6.9) |
| Sales of goods and services[[36]](#footnote-37) | 559.4 | 774.4 | (27.8) | (214.9) |
| Grants | 17.2 | 6.1 | 182.5 | 11.1 |
| Other income | 609.8 | 606.8 | 0.5 | 3.0 |
| **Total income from transactions** | **13,406.8** | **13,578.5** | **(1.3)** | **(171.7)** |
|  |  |  |  |  |
| **Expenses from transactions** |  |  |  |  |
| Employee benefits | (6,780.2) | (6,936.3) | (2.3) | 156.1 |
| Depreciation and amortisation | (421.9) | (396.7) | 6.3 | (25.1) |
| Interest expense | (19.9) | (21.0) | (5.1) | 1.1 |
| Grants and other transfers | (1,045.9) | (1,019.9) | 2.5 | (26.0) |
| Capital asset charge[[37]](#footnote-38) | (1,467.4) | (1,317.4) | 11.4 | (150.0) |
| Other operating expenses[[38]](#footnote-39) | (3,305.3) | (3,798.3) | (13.0) | 492.9 |
| **Total expenses from transactions** | **(13,040.6)** | **(13,489.6)** | **(3.3)** | **449.0** |
| **Net result from transactions (net operating balance)** | **366.2** | **88.9** | **312.0** | **277.3** |
|  |  |  |  |  |
| **Other economic flows included in net result** |  |  |  |  |
| Net gain/(loss) on non-financial assets | 3.6 | (0.3) | (1,235) | 3.9 |
| Net gain/(loss) on financial instruments and  Statutory receivables/payables | (4.5) | (1.2) | 277.1 | (3.3) |
| Other gains/(losses) from other economic flows | 85.0 | (0.7) | (11,442.9) | 85.7 |
| **Total other economic flows included in net result** | **84.1** | **(2.3)** | **(3,835)** | **86.3** |
| **Net result** | **450.3** | **86.6** | **420.0** | **363.7** |
|  |  |  |  |  |
| **Other economic flows—other comprehensive income** |  |  |  |  |
| Change in non-financial assets revaluation surplus[[39]](#footnote-40) | 116.6 | 9.9 | 1,073 | 106.6 |
| Adjustment to accumulated surplus/(deficit) due to a change in accounting policy | (2.2) | – | n/a | (2.2) |
| Other | 3.1 | – | n/a | 3.1 |
| **Total other economic flows—other non-owner changes in equity** | **117.5** | **9.9** | **10.7** | **107.5** |
| **Comprehensive result** | **567.8** | **96.6** | **488.0** | **471.2** |

Balance sheet as at 30 June 2017

Table 37 - Balance sheet as at 30 June 2017

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | 2017 actual $m | 2017 budget $m | Variation (%) | Variation $m |
| **Assets** |  |  |  |  |
| Financial assets |  |  |  |  |
| Cash and deposits | 1,049.4 | 1,018.3 | 3 | 31.1 |
| Receivables from government[[40]](#footnote-41) | 2,025.1 | 1,650.5 | 23 | 374.6 |
| Other receivables | 122.8 | 161.1 | (24) | (38.3) |
| Other financial assets | 474.7 | 427.1 | 11 | 47.7 |
| **Total financial assets** | **3,672.0** | **3,256.9** | **13** | **415.1** |
|  |  |  |  |  |
| **Non-financial assets** |  |  |  |  |
| Inventories | 1.6 | 1.8 | (15) | (0.3) |
| Non-financial assets classified as held for sale, including disposal group assets | 33.4 | 10.8 | 208 | 22.6 |
| Property, plant and equipment | 22,411.5 | 22,474.9 | – | (63.3) |
| Investment properties | 93.0 | 91.9 | 1 | 1.0 |
| Intangible assets | 73.8 | 56.1 | 32 | 17.7 |
| Other | 40.1 | 30.0 | 34 | 10.1 |
| **Total non-financial assets** | **22,653.4** | **22,665.6** | **–** | **(12.2)** |
| **Total assets** | **26,325.4** | **25,922.5** | **2** | **402.9** |
|  |  |  |  |  |
| **Liabilities** |  |  |  |  |
| Payables[[41]](#footnote-42) | 694.0 | 478.7 | 45 | 215.3 |
| Borrowings | 406.8 | 395.7 | 3 | 11.2 |
| Provisions | 1,560.5 | 1,628.8 | (4) | (68.3) |
| **Total liabilities** | **2,661.3** | **2,503.2** | **6** | **158.2** |
| **Net assets** | **23,664.1** | **23,419.3** | **1** | **244.8** |
|  |  |  |  |  |
| **Equity** |  |  |  |  |
| Accumulated surplus/(deficit) | 2,823.9 | 2,460.5 | 15 | 363.3 |
| Reserves | 11,422.1 | 11,314.2 | 1 | 107.8 |
| Contributed capital | 9,418.1 | 9,644.6 | (2) | (226.4) |
| **Total equity** | **23,664.1** | **23,419.3** | **1** | **244.8** |

Statement of cash flows for the year ended 30 June 2017

Table 38–Statement of cash flows for the year ended 30 June 2017

|  | 2017 actual $m | 2017 budget $m | Variation% | Variation $m |
| --- | --- | --- | --- | --- |
| **Cash flows from operating activities** |  |  |  |  |
| **Receipts** |  |  |  |  |
| Receipts from government | 10,471.6 | 12,272.1 | (15) | (1,800.5) |
| Receipts from other entities | 522.1 | 696.5 | (25) | (174.4) |
| Interest received | 23.3 | 30.1 | (23) | (6.8) |
| Other receipts | 703.8 | 685.7 | 3 | 18.0 |
| **Total receipts** | **11,720.7** | **13,684.4** | **(14)** | **(1,963.7)** |
|  |  |  |  |  |
| **Payments** |  |  |  |  |
| Payments of grants and other transfers | (1,030.6) | (1,017.9) | 1 | (12.8) |
| Payments to suppliers and employees | (9,908.0) | (10,669.1) | (7) | 761.0 |
| Capital asset charge | (1,467.4) | (1,317.4) | 11 | (150.0) |
| Interest and other costs of finance paid | (20.3) | (20.9) | (3) | 0.6 |
| **Total payments** | **(12,426.4)** | **(13,025.2)** | **(5)** | **598.8** |
| **Net cash flows from/(used in) operating activities** | **(705.7)** | **659.2** | **(207)** | **(1,364.9)** |
|  |  |  |  |  |
| **Cash flows from investing activities** |  |  |  |  |
| Net investments | (52.3) | (5.2) | 9.0 | (47.1) |
| Payments for non-financial assets | (678.9) | (850.5) | (0.2) | 171.6 |
| Proceeds from sale of non-financial assets | 9.6 | 2.5 | 2.9 | 7.2 |
| Net loans to other parties | 2.0 | 1.4 | 0.4 | 0.6 |
| **Net cash flow from/(used in) investing activities** | **(719.6)** | **(851.8)** | **(16)** | **132.3** |
|  |  |  |  |  |
| **Cash flows from financing activities** |  |  |  |  |
| Owner contributions by State Government | 31.6 | 242.3 | (87) | (210.7) |
| Repayment of finance leases | (5.1) | (6.4) | (21) | 1.3 |
| Net borrowings | 1,454.2 | (19.0) | (7,772) | 1,473.1 |
| **Net cash flows from/ (used in) financing activities** | **1,480.7** | **217.0** | **582** | **1,263.7** |
|  |  |  |  |  |
| **Net increase/(decrease) in cash and cash equivalents** | **55.4** | **24.3** | **128** | **31.1** |
| Cash and cash equivalents at the beginning of the financial year | 993.9 | 993.9 | ­– | – |
| **Cash and cash equivalents at the end of the financial year** | **1,049.4** | **1,018.3** | **3** | **31.1** |

Statement of changes in equity for the year ending 30 June 2017

Table 39 - Statement of changes in equity for the year ending 30 June 2017

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | Accumulated surplus/ (deficit) $m | Contributions by owner $m | Revaluation surplus $m | Other reserves $m | Total equity $m |
| **Actual** |  |  |  |  |  |
| **Opening balance at 1 July 2016** | **2,373.9** | **9,402.2** | **11,302.6** | **1.6** | **23,080.4** |
| Comprehensive result | 450.3 | – | 116.6 | – | **566.9** |
| Transactions with owners in their capacity as owners | – | 15.9 | – | – | **15.9** |
| Adjustment due to change in accounting policy | (2.2) | – | – | – | **(2.2)** |
| Other | 1.9 | – | – | 1.2 | **3.1** |
| Closing balance 30 June 2017 | **2,823.9** | **9,418.1** | **11,419.2** | **2.9** | **23,664.1** |
|  |  |  |  |  |  |
| **Budget** |  |  |  |  |  |
| **Opening balance 1 July 2016** | **2,373.9** | **9,402.2** | **11,302.6** | **1.6** | **23,080.4** |
| Comprehensive result | 86.6 | – | 9.9 | – | **96.6** |
| Transactions with owners in their capacity as owners | – | 242.3 | – | – | **242.3** |
| **Closing balance 30 June 2017 (Published Budget)** | **2,460.5** | **9,644.6** | **11,312.6** | **1.6** | **23,419.3** |
|  |  |  |  |  |  |
| **Variance to budget** |  |  |  |  |  |
| **Opening balance at 1 July 2016** | – | – | – | – | **–** |
| Comprehensive result | 363.7 | – | 106.6 | – | **470.3** |
| Transactions with owners in their capacity as owners | – | (226.4) | – | – | **(226.4)** |
| Adjustment due to change in accounting policy | (2.2) | – | – | – | **(2.2)** |
| Other | 1.9 | – | – | 1.2 | **3.1** |
| **Closing balance 30 June 2017** | **363.3** | **(226.4)** | **106.6** | **1.2** | **244.8** |
|  |  |  |  |  |  |
| **Variance (%)** | **15** | **(2)** | **1** | **­73** | **1** |

Administered items statement for the year ended 30 June 2017

Table 40 - Administered items statement for the year ended 30 June 2017

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | 2017 Actual $m | 2017 Budget $m | Variation (%) | Variation $m |
| **Administered income** |  |  |  |  |
| Sale of goods and services | 71.1 | 3.0 | 2,257 | 68.1 |
| Grants | 3,032.4 | 3,036.1 | – | (3.7) |
| Other income | 1.9 | 1.9 | – | – |
|
| **Total administered income** | **3,105.5** | **3,041.0** | **2** | **64.4** |
|  |  |  |  |  |
| **Administered expenses** |  |  |  |  |
| Expenses on behalf of the State | (0.9) | – | n/a | (0.9) |
| Grants and other transfers | (3,030.0) | (3,036.3) | – | 6.3 |
| Payments into the Consolidated Fund | (80.0) | (37.7) | 112 | (42.3) |
| **Total administered expenses** | **(3,110.0)** | **(3,074.0)** | **1** | **(36.0)** |
| **Income less expenses** | **(5.4)** | **(32.9)** | **(84)** | **27.6** |
|  |  |  |  |  |
| **Other economic flows included in net result** |  |  |  |  |
| Net gain/(loss) on non-financial assets | 8.1 | 33.0 | (76) | (24.9) |
| **Total other economic flows included in net result** | **8.1** | **33.0** | **(76)** | **(24.9)** |
| **Net result** | **2.7** | **0.1** | **5,306** | **2.7** |
| **Comprehensive result** | **2.7** | **0.1** | **5,306** | **2.7** |
|  |  |  |  |  |
| **Administered assets** |  |  |  |  |
| Receivables | 16.2 | 13.6 | 20 | 2.7 |
| Other financial assets | 1.3 | 1.3 | – | – |
| Property, plant and equipment | – | – | n/a | – |
| **Total administered assets** | **17.6** | **14.9** | **18** | **2.7** |
|  |  |  |  |  |
| **Administered liabilities** |  |  |  |  |
| Payables | – | – | n/a | – |
| **Total administered liabilities** | – | **–** | **n/a** | – |
| **Net assets** | **17.6** | **14.9** | **18** | **2.7** |

1. Statutory bodies’ 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 2016–17. The Department provides secretariat support to the board. Members are shown below.

Table 41 – Children’s Services Coordination Board members

|  |
| --- |
| Children Services Coordination Board members at 30 June 2017 |
| 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. 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 helping Victorian government departments build a stronger evidence base and understanding of how to improve child outcomes and opportunities.

The council held six meetings in 2016–17, with additional meetings of working groups when needed. The Department provides secretariat support to the Victorian Children’s Council.

During the year, three members’ terms were renewed and one member resigned from the council. The 11 members at 30 June 2017 are listed in the table below.

Table 42 – Victorian Children’s Council members

|  |  |
| --- | --- |
| Victorian Children’s Council members at 30 June 2017 | |
| 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 Marie Connolly | Chair and Head of Social Work, University of Melbourne |
| Doctor Susana Gavidia-Payne | Associate Professor, RMIT University |
| Professor Collette Tayler | Chair of ECEC, 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 sections 2.4.59F and 2.4.61 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 three appeals pending at 1 July 2016 and received a further four appeals by 30 June 2017.

Chairpersons, nominated by the Secretary, were appointed under Sections 2.4.73(2)(a) and 2.4.74 of the Education and Training Reform Act. It is a requirement that chairpersons have been admitted to legal practice in Victoria for not less than five years. Chairpersons of the Disciplinary Appeals Boards are shown in table 44.

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

Table 43 - Disciplinary Appeals Boards nominees

|  |  |  |
| --- | --- | --- |
| Chairpersons of the Disciplinary Appeals Boards from 1 August 2015 | | |
| Dr Peter Condliffe | Mr Peter Harris | Ms Jo-Anne Mazzeo |
| Mr Russell Daily | Ms Catherine Healy | Mr William O’Shea |
| Mr Phillip Davies | Mr Robert Howard | Ms Paula Robinson |
| Ms Annette Eastman | Mr Peter Kempson | Mr Ian Scott |
| Ms Leneen Forde |  |  |

|  |  |  |
| --- | --- | --- |
| Secretary’s nominees to the Disciplinary Appeals Boards from 1 August 2015 | | |
| Mr David Alsop | Dr Richard Gould | Mr Peter Norden |
| Mr Ian Bentley | Mr Russell Isaac | Mr Brian O’Dea |
| Mr Ross Bevege | Mr Robert Loader | Ms Karen O’Dowd |
| Ms Claire Bolster | Ms Marilyn McMahon |  |

|  |  |  |
| --- | --- | --- |
| Minister’s nominees to the Disciplinary Appeals Boards from 1 August 2015 | | |
| Mr Christopher Chant | Ms Sandra Greenhill | Mr Wayne Smith |
| Ms Janet Evison | Mr Stephen McGarrigle | Ms Karen Terry |
| Mr David Finnerty | Ms Maureen O’Flaherty | Ms Rhonda Warburton |
| Ms Leonie Fitzgerald | Mr Dennis Pratt |  |

|  |  |  |
| --- | --- | --- |
| Chairpersons of the Disciplinary Appeals Boards from 23 August 2016 | | |
| Ms Jordana Millman |  |  |

|  |  |  |
| --- | --- | --- |
| Secretary’s nominees to the Disciplinary Appeals Boards from 23 August 2016 | | |
| Ms Vicki Augustinus | Ms Michonne Van Reese | Ms Lola Wenn |

|  |  |  |
| --- | --- | --- |
| Minister’s nominees to the Disciplinary Appeals Boards from 23 August 2016 | | |
| Ms Vincenzina (Enza) Calabro | Ms Moira Findlay | Ms Glenda Splatt |

Merit Protection Boards

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

advise the Minister for Education about principles of merit and equity to be applied in the teaching service

hear reviews and appeals in relation to decisions made under the Education and Training Reform Act (except Part 2.4 Divisions 9A and 10) or any other Act

advise the Minister or the Secretary about any matter referred to them by the Minister or the Secretary relating to merit and equity in the teaching service

hear reviews and appeals in relation to any decision prescribed by the regulations or Ministerial Order, as appropriate

hear reviews and appeals in relation to any decision of the Secretary if the Secretary has delegated his or her function or power to hear reviews and appeals to a Merit Protection Board.

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

Access to the Merit Protection Boards is available to employees of the Department and members of the teaching service, including principals, teachers and school-based non-teaching staff.

Grievances of the Department lodged by Victorian Public Service staff 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 Department employees and associated statutory authorities in education.

Appeals and grievances may be regarding transfer and promotion, leave, change of time fraction of working hours, outcomes of performance reviews, outcomes of local complaints and other personal management decisions.

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

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

Table 44 – Members of the Merit Protection Boards

|  |  |  |  |
| --- | --- | --- | --- |
| Chairpersons of the Merit Protection Boards to 21 September 2016 | | | |
| 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 | Dr Jenny Wajsenberg |
| Mr Rick Gervasoni | Ms Angeliki Karvouni | |  | |

|  |  |  |
| --- | --- | --- |
| Secretary’s nominees to the Merit Protection Boards to 21 September 2016 | | |
| 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 |

|  |  |  |
| --- | --- | --- |
| Minister’s nominees to the Merit Protection Boards to 21 September 2016 | | |
| 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 |  |  |

|  |  |  |
| --- | --- | --- |
| Chairpersons of the Merit Protection Boards from 22 September 2016 | | |
| Mr Peter Hibbins  (Senior Chairperson, full-time) | Mr David Finnerty | Mr Wayne Smith |
| Mr Neil Campbell | Mr Vernon Hilditch |  |
| Dr Mary Cannon | Ms Jo-Anne Mazzeo |  |

|  |  |  |
| --- | --- | --- |
| Secretary’s nominees to the Merit Protection Boards from 22 September 2016 | | |
| Ms Rowena Archer | Ms Meaghan Cook | Ms Alison Ivey |
| Ms Kate Atkin | Mr Ian Dendle | Mr Matt McKittrick |
| Ms Clare Berger | Ms Janet Evison | Mr Dean McLean |
| Ms Melissa Bray | Mr Rick Gervasoni | Ms Leanne Preece |
| Ms Tanya Burton | Ms Sandra Greenhill | Ms Paula Robinson |
| Mr Roger Chao | Mr Andrew Harnett | Ms Wendy Sengotta |
| Ms Louise Chocholis | Ms Karen Hutchinson | Ms Rhonda Warburton |

|  |  |  |
| --- | --- | --- |
| Minister’s nominees to the Merit Protection Boards from 22 September 2016 | | |
| Mr Steven Adams | Ms Rebekah Fewkes | Mr George Porter |
| Mr Andrew Bennett | Ms Lynette Hannon | Ms Susan Seneviratne |
| Ms Rachel Carlyon | Ms Sally Lasslett | Ms Glenda Splatt |
| Mr Nathan Chisholm | Ms Susan Mattingley | Ms Meredith Stephenson |
| Mr Jason Coningsby | Ms Alison Murphy | Mr Aaron Wolanuik |
| Ms Tracey Cronin | Ms Natalie Nelson | Mr Chris Woodhouse |

Appeals and grievances

Table 45 – Teaching service appeals and grievances 2016–17

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 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 |  |
| Personal[[42]](#footnote-43) | 81 | 29 | 22 | 2 | 8 | 4 | 18 | 12 | 11 | 4 | 16 | 5 | 6 | 2 | **110** |
| Selection | 9 | 12 | 1 | 0 | 0 | 0 | 0 | 3 | 2 | 0 | 6 | 9 | 0 | 0 | **21** |
| **Total** | **90** | **41** | **23** | **2** | **8** | **4** | **18** | **15** | **13** | **4** | **22** | **14** | **6** | **0** | **131** |

Table 46 – Public service appeals and grievances 2016–17

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Category | Received | | Upheld | |  | | Disallowed | | Withdrawn | | Abandoned | | Pending | | Total |
| Male / Female | F | M | F | M |  |  | F | M | F | M | F | M | F | M |  |
| Personal | 9 | 2 | 3 | 1 |  |  | 4 | 0 | 1 | 0 | 1 | 0 | 0 | 1 | **11** |
| Selection | 3 | 2 | 2 | 0 |  |  | 1 | 1 | 0 | 1 | 0 | 0 | 0 | 0 | **5** |
| **Total** | **12** | **4** | **5** | **1** |  |  | **5** | **1** | **1** | **1** | **1** | **0** | **0** | **1** | **16** |

Merit protection training

It is a requirement that all of the Department’s recruitment and promotion selection panels 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 2016–17, the board conducted 28 seminars and provided training for 974 members of the teaching service and public service staff.

Table 47 – Number of employees trained by region (includes reaccreditation)

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Region | Principals | Teachers | Education Support Class | Victorian Public Service | Total |
| North Eastern Victoria | 20 | 121 | 12 | 7 | 160 |
| North Western Victoria | 29 | 127 | 24 | 12 | 192 |
| South Eastern Victoria | 18 | 87 | 19 | 9 | 133 |
| South Western Victoria | 42 | 191 | 34 | 2 | 269 |
| Central | 1 | 4 | 1 | 214 | 220 |
| **Total** | **110** | **530** | **90** | **244** | **974** |

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](file:///C:/Users/08327039/AppData/Local/Microsoft/Windows/Temporary%20Internet%20Files/Content.IE5/Admin/www.mpb.vic.gov.au).

1. Acronyms and abbreviations

|  |  |
| --- | --- |
| AASB | Australian Accounting Standards Board |
| ABS | Australian Bureau of Statistics |
| ACFE | Adult and Committee Further Education Board |
| AEDC | Australian Early Development Census |
| AMES | Adult Multicultural Education Services |
| ARC | Audit and Risk Committee |
| BAU | Business As Usual |
| BP3 | Budget Paper No. 3 |
| BP4 | Budget Paper No. 4 |
| CAC | Capital Asset Charge |
| CAE | Centre for Adult Education |
| COAG | Council of Australian Governments |
| CPA | Certified Practicing Accountants |
| Department | Department of Education and Training |
| DPC | Department of Premier and Cabinet |
| DTF | Department of Treasury and Finance |
| ECEC | Early Childhood Education and Care |
| ECSEG | Early Childhood and School Education Group |
| EMS | Environmental Management System |
| ESK | Early Start Kindergarten |
| FISO | Framework for Improving Student Outcomes |
| FOI | Freedom of Information |
| FRD | Financial Reporting Direction |
| FTE | Full-time Equivalent |
| GST | Goods and Services Tax |
| HESG | Higher Education and Skills Group |
| IBAC | Independent Broad-based Anti-corruption Commission |
| ICT | Information and Communication Technology |
| IFSG | Infrastructure and Finance Services Group |
| IMTC | Information Management and Technology Committee |
| KAS | Key Age and Stage |
| LLEN | Local Learning and Employment Network |
| MCH | Maternal and Child Health |
| NAPLAN | National Assessment Program—Literacy and Numeracy |
| NQF | National Quality Framework |
| NQS | National Quality Standards |
| NQSA1 | National Quality Standard Area 1 |
| NQSA6 | National Quality Standard Area 6 |
| PEC | Performance and Evaluation Committee |
| PESG | People and Executive Services Group |
| PIC | Policy and Implementation Committee |
| PISA | Programme for International Student Assessment |
| PPC | Procurement and Probity Committee |
| PRG | Policy Reform Group |
| PSD | Program for Students with Disabilities |
| RSG | Regional Services Group |
| RTO | Registered Training Organisation |
| SEHQ | School Entrance Health Questionnaire |
| STEM | Science Technology Engineering and Mathematics |
| SWL | Structured Workplace Learning |
| TAFE | Technical and Further Education |
| TIMSS | Trends in International Mathematics and Science Study |
| VAEAI | Victorian Aboriginal Education Association Incorporated |
| VAGO | Victorian Auditor-General’s Office |
| VCAA | Victorian Curriculum and Assessment Authority |
| VCAL | Victorian Certificate of Applied Learning |
| VCAT | Victorian Civil and Administrative Tribunal |
| VET | Vocational Education and Training |
| VEYLDF | Victorian Early Years Learning and Development Framework |
| VGPB | Victorian Government Purchasing Board |
| VGV | Valuer-General Victoria |
| VIT | Victorian Institute of Teaching |
| VPS | Victorian Public Service |
| VRQA | Victorian Registration and Qualifications Authority |
| VSBA | Victorian School Building Authority |
| WDCC | Workforce Development and Culture Committee |

1. Grants and transfer payments (other than contributions by owners)

Table 48 – Department grant and transfer payments by activity

| Grant | Payment $ |
| --- | --- |
| Anaphylaxis Support & Advisory Line | 105,000 |
| Apprenticeship Completions Project | 640,000 |
| Apprenticeship Support Officer Program | 2,589,055 |
| Association of Business Managers in Victorian State Schools, ES Relief Program | 50,700 |
| Asylum Seeker VET Program Grant | 330,160 |
| Back to Work Reconnect | 7,861,987 |
| Ballarat Future Innovation Community Space | 543,000 |
| Careers and Pathways | 654,227 |
| Children’s Facilities Capital Grants | 14,890,000 |
| Children’s Week Grants | 50,780 |
| Country Education Project | 28,874 |
| Curriculum Maintenance Managers | 1,600,000 |
| Doctors in Secondary Schools - Primary Health Networks Service Agreements | 477,136 |
| Drought Response Traineeships | 477,093 |
| Education Week Grants | 35,059 |
| Gifted Education—Regional seminars for parents and teachers of gifted students | 49,663 |
| Group Schemes—Overheads & Policy Initiatives | 2,556,100 |
| Implementation of the Victorian framework for selection into initial teacher education | 340,000 |
| Knox Innovation, Opportunity and Sustainability Centre | 342,362 |
| Koorie Youth Council | 25,059 |
| Languages Education | 9,581,666 |
| Local Learning and Employment Networks (LLEN) | 8,354,699 |
| Monash Alexander Theatre | 4,000,000 |
| Multicultural Education to enhance social cohesion and cultural competence | 75,556 |
| Museum Victorian, Star 6 Program at Scienceworks | 100,000 |
| Navigator Pilot Program | 1,535,067 |
| Office of the Victorian Skills Commissioner | 28,761 |
| Organisation/peak association support | 1,936,375 |
| Powerful Learning and Teaching project | 181,818 |
| Principals as Literacy Leaders Professional Learning Program | 120,000 |
| Professional Learning Communities Support Grants | 1,993,081 |
| Refugee Education Support | 2,961,515 |
| right@home licence | 356,400 |
| School Breakfast Clubs Program | 3,195,000 |
| Science Graduate Scholarships Program | 464,000 |
| SEHQ Enhancement Project | 239,450 |
| Sir John Monash Foundation to establish a Victorian Government Sir John Monash Scholarship in perpetuity. | 500,000 |
| Skills and Jobs Centres | 495,000 |
| Skills First TAFE Community Service funding (TAFE Rescue Fund (Operating)) | 43,622,324 |
| Specialised Teaching Equipment Fund | 10,000,000 |
| State Schools’ Relief Affordable Uniforms | 4,290,000 |
| State Schools’ Relief Glasses for kids program | 132,000 |
| STEM programs | 1,625,000 |
| Stephanie Alexander Kitchen Garden Program | 500,000 |
| Stronger TAFE Fund (TAFE Supplementary funding) | 107,000,000 |
| Structured Workplace Learning | 3,681,570 |
| Student Teacher Rural Placement Programs (Grants to Universities) | 160,000 |
| Student Voice to promote student involvement in learning, teaching and schooling | 95,604 |
| Support for Deaf and Hard of Hearing Program | 419,301 |
| Supporting Victoria's Industry Advisory Bodies | 2,100,000 |
| TAFE Boost fund | 91,500,000 |
| TAFE Organisational Capability Development Program Grant | 700,000 |
| TAFE Rescue Fund (Capital) | 42,000,000 |
| TAFE Structural Adjustment Fund (Capital) | 10,854,000 |
| TAFE Structural Adjustment Fund (Operating) | 12,940,000 |
| Teach for Australia | 98,000 |
| Teaching Scholarships Program | 100,000 |
| Tech School funding agreements and other grants | 22,192,126 |
| Training Package Programs | 563,870 |
| Training Participation and Facilitation Fund | 10,278,267 |
| VET pathway into initial teacher education | 50,000 |
| VET Professional Development) | 2,990,000 |
| Victorian Aboriginal Child Care Agency | 35,208 |
| Victorian Aboriginal Children and Young People’s Alliance (auspiced by VACCHO) | 85,737 |
| Victorian Aboriginal Education Association Incorporated (VAEAI) Common Funding Agreements (2) | 3,688,816 |
| Victorian Clontarf Football Academies | 594,000 |
| Victorian Institute of Teaching—Effective Mentoring program | 120,000 |
| Vocational Education | 1,001,000 |
| Vocational training Fellowships | 608,000 |
| Wellbeing and Health Programs | 5,268,130 |
| Workforce training innovation Fund | 594,840 |

1. Victorian government and non-government schools. [↑](#footnote-ref-2)
2. Progress in International Reading Literacy Study. Data collected every five years. 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. [↑](#footnote-ref-3)
3. Trends in International Mathematics and Science Study. Data collected every four years. Source: Thomson, S., Hillman, K. and Wernert, N. (2012). Monitoring Australian Year 8 student achievement internationally: TIMSS 2011, ACER. [↑](#footnote-ref-4)
4. Programme for International Student Assessment (PISA). Data collected every three years. In Australia, the national agreed baseline, as agreed in the Measurement Framework for Schooling in Australia (May 2015), is at or above the National Proficient Standard (Level 3). [↑](#footnote-ref-5)
5. Top performing PISA jurisdictions are defined as the top 25 percent of jurisdictions by mean score (both countries and economic areas) undertaking the PISA test in that cycle. Country/economic area rankings may shift over time. [↑](#footnote-ref-6)
6. This is a new measure for this report and data are not available prior to 2015. Completed qualifications is a new measure and should be interpreted with care because:

   completion reported in any year relates to commencement in that and previous years.

   the Department cancelled contracts for a number of poor performing Registered Training Organisations following quality audits undertaken as part of the Quality Assurance Review Blitz. This could have increased the number of non-completions and continuing enrolments for 2016.

   Data for future years is expected to provide a higher level of comparability. [↑](#footnote-ref-7)
7. Survey estimates, subject to statistical error. Source: ABS Survey of Education and Work (cat.no. 6227.0). [↑](#footnote-ref-8)
8. 2016 data not available at time of publication. [↑](#footnote-ref-9)
9. Productivity Commission Report on Government Services 2017,Table 4A.33 [↑](#footnote-ref-10)
10. In 2014, the methodology 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. In 2016, an improved methodology was developed for estimating the kindergarten participation rate to more accurately reflect the actual age distribution of children enrolled in kindergarten and for alignment with school/kindergarten entry age. [↑](#footnote-ref-11)
11. Figures for the 2012–13 financial year under 2012, 2013–14 under 2013, and for 2014–15 under 2014. Results for 2015–16 and 2016–17 were not available at the time of publication. Source: Maternal and Child Health Services Annual Report. [↑](#footnote-ref-12)
12. 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. [↑](#footnote-ref-13)
13. Victorian government schools. Data extracted on 3 March 2017. [↑](#footnote-ref-14)
14. Victorian government schools. Data extracted on 22 June 2017. Unapproved categories include unexplained and parent choice unauthorized. [↑](#footnote-ref-15)
15. 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. [↑](#footnote-ref-16)
16. Number of students undertaking government-subsidised training. [↑](#footnote-ref-17)
17. 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. [↑](#footnote-ref-18)
18. Figures for the 2012–13 financial year under 2012, 2013–14 under 2013, and for 2014–15 under 2014. Results for 2015–16 and 2016–17 were not available at the time of publication. Source: Maternal and Child Health Services Annual Report. [↑](#footnote-ref-19)
19. These school education measures relate to Victorian government schools and are 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. [↑](#footnote-ref-20)
20. 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. [↑](#footnote-ref-21)
21. 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. [↑](#footnote-ref-22)
22. Figures for the 2012–13 financial year under 2012, 2013–14 under 2013, 2014–15 under 2014, 2015–16 under 2015 and 2016–17 under 2016. [↑](#footnote-ref-23)
23. Reflects the State Government component of the standard per capita rate at the end of the relevant financial year. 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. [↑](#footnote-ref-24)
24. 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 $368 and $1,194 in 2016–17). 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. [↑](#footnote-ref-25)
25. Victorian government schools. Source: Productivity Commission Report on Government Services 2017,Table 4A.12 [↑](#footnote-ref-26)
26. Figures for School Education—Primary and School Education—Secondary are not available for 2015. [↑](#footnote-ref-27)
27. Reports on government services are published in January each year; 2016 results not available at time of publication, anticipated to be released in the 2018 Report on Government Services. [↑](#footnote-ref-28)
28. Figures for School Education—Primary and School Education—Secondary are not available for 2015. [↑](#footnote-ref-29)
29. Reports on government services are published in January each year; 2016 results not available at time of publication, anticipated to be released in the 2018 Report on Government Services. [↑](#footnote-ref-30)
30. Source: Productivity Commission Report on Government Services 2017, Table 5A.43. In Victoria, the Education and Training Reform Amendment (Dual Sector Universities) Bill 2013 came into effect. As a result the Ministerial directions and guidelines to TAFE institutes no longer apply to the four dual sector universities in Victoria. The Victorian 2014 AVETMISS financial statements therefore reflect a de-consolidation of these entities in the 2014 reporting year. State funding provided to the Universities for training delivery during the 2014 reporting year is reflected as a payment to a non-TAFE provider for VET delivery. [↑](#footnote-ref-31)
31. Reports on government services are published in January each year; 2016 results not available at time of publication, anticipated to be released in the 2018 Report on Government Services. [↑](#footnote-ref-32)
32. 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. [↑](#footnote-ref-33)
33. Provisions for employee benefits consist of amounts for annual leave, long service leave and other employee benefits accrued by employees, not including on-costs [↑](#footnote-ref-34)
34. Make good provisions does not form part of employee benefits, but does form part of total current provisions. [↑](#footnote-ref-35)
35. Balance Sheet and equity amounts are restated to incorporate actual opening balances for 2016–17. This corresponds to the figures published in the 2017–18 BP5. [↑](#footnote-ref-36)
36. The variance between the actual result and the published budget is mainly due to TAFE fee revenue being lower than budgeted. [↑](#footnote-ref-37)
37. The variance between the actual result and the published budget is mainly due to an upward revaluation of the Department's buildings. [↑](#footnote-ref-38)
38. The variance between the actual result and the published budget is mainly due to the timing of program delivery. [↑](#footnote-ref-39)
39. The variance between the actual result and the published budget is mainly due to upward revaluations of land in TAFEs. [↑](#footnote-ref-40)
40. The variance between the actual result and the published budget mainly reflects the timing of the drawdown in the State Administration Unit. The State Administration Unit balance is impacted by movements in prepayments and other financial assets, payables, employee benefits and other provisions. [↑](#footnote-ref-41)
41. The variance between the actual results and the published budget is mainly due to higher accruals/payables for various programs including corporate capital works, facilities construction, registered training organisations, prepaid international tuition fees and backdated salary increase accrual under EBA 2017. [↑](#footnote-ref-42)
42. 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 staff being declared excess. [↑](#footnote-ref-43)