



Department of Education & Training

Annual Report 2005–06



October 2006

Lynne Kosky, MP
Minister for Education and Training
Jacinta Allan, MP
Minister for Education Services

Dear Ministers

I have pleasure in submitting the annual report of the Department of Education & Training for the year 2005–06 in accordance with the *Education Act 1958* and the *Financial Management Act 1994*.

Yours sincerely

A handwritten signature in black ink, appearing to read 'G Hehir', with a long horizontal flourish extending to the right.

Grant Hehir
SECRETARY

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About this report

This report sets out the Department's key activities and achievements from 1 July 2005 to 30 June 2006 against the outputs and the Departmental objectives detailed in the 2005–06 Budget Papers.

The report of operations is organised around the major output groups:

- compulsory years (pages 16–30)
- post-compulsory years (pages 31–49)
- services to students (pages 24–25)
- portfolio management services (pages 50–53).

Performance measures against these output groups are further detailed on pages 54–64.

The financial report (pages 65–114) provides information on the financial position and performance of the Department in 2005–06.

Thirteen appendices (pages 115–171) provide supplementary financial and non-financial information. The report is a public document tabled in the Victorian Parliament in October 2006. It is available on the Department's website <www.det.vic.gov.au>.

Secretary's report



The Department has a prime responsibility to fulfil the vision and meet the objectives outlined by the Government for education and training. A strong education and training system is vital to ensure

that all Victorians have the knowledge and skills to be active, informed and productive citizens.

In 2005–06, the Department made significant progress in developing and implementing the strategies that will help us achieve our Corporate Plan vision of an assured future for all Victorians and a prosperous society through learning.

The Department's Corporate Plan 2003–06 sets out the objectives and strategies necessary to ensure that we meet our mission of providing high-quality education and training that raises achievement, reduces disparity and leads to opportunities. The plan outlines the values that guide our work, and the governance framework that harnesses our human, physical and financial resources towards the achievement of these priorities.

Our objectives include increasing participation, engagement and achievement in education and training, expanding options and pathways for learners, and strengthening the quality of service delivery and our responsiveness to the community and industry.

Our strategies directly correlate to these objectives and include extending the capability of education and training professionals, improving curriculum and qualifications, providing innovative and responsive learning environments, increasing accountability and system performance, and achieving sustainable financing and resourcing.

Key achievements in 2005–06 include:

- continued progress towards achievement of the Government's goals and targets for education and training
- successful implementation of the suite of Ministerial Statements that cover the education and training portfolio
- the achievement of a number of high-priority key deliverables, including:
 - introduction of the new Education and Training Reform Act
 - completion of a review of vocational education and training (VET) arrangements in Victoria and release of the Government Statement on skills: *Maintaining the Advantage: Skilled Victorians*
 - introduction of new arrangements for reporting to parents on student progress
 - development of a new school capital investment process based on improving student outcomes
 - implementation of new P–10 curriculum standards following a year of validation
- implementation of a range of corporate improvements designed to lift performance, build leadership capacity across the organisation and strengthen integration and strategic management on a portfolio-wide basis, including:
 - the second 'Your Job, Your Say' organisational health survey
 - implementation of the Schools In: 2020 project
 - progress with a comprehensive leadership development strategy including significant achievements in building a new relationship with school principals.

All of these achievements are fundamental building blocks to ensuring that the Department achieves the Government's goals and targets for education and training.

Blueprint for Government Schools

The Department continued to implement the reform strategies outlined in the *Blueprint for Government Schools*. The Blueprint provides a framework for a highly effective government school system – a system which has a common preferred view of the future, places students at the centre, is values driven, and develops effective teachers, leaders and schools. The Blueprint strategies are focused on:

- recognising and responding to the diverse needs of students by providing the tools which can spread effective practice across the system
- building the skills of the education workforce to enhance the teaching–learning relationship and the capacity of our leaders and teachers
- continuously improving schools by enhancing school accountability.

Significant progress has been made in the implementation of Blueprint initiatives during 2005–06.

Following a year of validation involving extensive consultation, the Victorian Essential Learning Standards are now being implemented in Victorian schools. The Standards have been very well received by principals, teachers, parents and the community.

New plain English Student Report Cards for both primary and secondary schools, including a focus on both past performance and future development needs, A–E assessment and progress against the statewide Standards, are being introduced with widespread public and stakeholder support.

A number of schools have now been accredited through the Performance and Development Culture program. This initiative recognises that the quality of teachers makes the biggest difference to improvement in student outcomes. This first phase of accreditation provides a strong foundation for driving further improvement in the government school system. The processes have now been mainstreamed so the program can be rolled out across all government schools.

Effective leadership is the precondition for establishing and sustaining cultures that support high-quality teaching and learning and is essential for school improvement. A comprehensive suite of leadership capacity-building initiatives acknowledging this is also being implemented.

Training and tertiary education

The Department has continued the important work set out in the Ministerial Statements *Knowledge & Skills for the Innovation Economy*, *Future Directions for Victorian Higher Education*, and *Future Directions in Adult Community Education*.

The three key steps outlined in the Knowledge & Skills Statement have been achieved. The Victorian VET system is performing well and sets the national benchmark for efficiency and industry engagement. Victoria exceeds national benchmarks for employer satisfaction. Nearly 80 per cent of Victorian employers were pleased with the quality of trained VET graduates, while 84 per cent were pleased with apprenticeship/traineeship training.

Training in Victoria is also significantly less expensive than across Australia, with an average hourly cost of \$12.15 compared to a national average hourly cost of \$14.09. Over 21 per cent of revenue comes from fee-for-service activity in Victoria, compared to a national average of 11 per cent.

In 2005, nearly 71,000 young people aged 15–19 years undertook vocational education and training in government-funded programs in TAFE institutes, adult community education (ACE) and private registered training organisations. These programs provide opportunities for early school leavers to continue in education and improve their career and employment options.

Following an extensive public consultation process, an independent review of VET arrangements in Victoria was released in February 2006. The Government responded to the review through the release of the Statement: *Maintaining the Advantage: Skilled Victorians* in March 2006.

The Statement outlines initiatives under the four key actions: Starting Earlier, Learning Longer, Getting Smarter and Making It Easier. The investment detailed in the Statement represents the largest injection of funds ever made into the VET sector in Victoria; a commitment of \$214,000,000 over four years.

Legislative reform

The Education and Training Reform Bill was passed by the Victorian Parliament in May 2006. The Act emerged from a legislative review that included an extensive and successful public consultation process. The new legislation incorporates 12 existing Acts into a single, modern, comprehensive document.

The Act includes, for the first time in Victorian education and training legislation, a set of overarching principles upon which the practice of education and training will be based. This includes a requirement that all education and training providers deliver a curriculum consistent with Australian democratic principles. The other key principles are:

- the right of a parent to choose the appropriate education for their child, whether that is at a government school, non-government school or through home schooling
- a commitment that all Victorians should have access to high-quality education and training
- that information concerning the performance of education and training providers should be publicly available
- that a community has a right to the high performance of its education and training provider
- that a parent and student have a right to access information about the student's achievement.

Building on these fundamental principles, the benefits of a common regulatory framework for all education and training providers, and a modern risk management approach, legislation is in place which is relevant to the contemporary education and training environment and aligned with the needs, expectations and aspirations of contemporary and future society.

A consistent and flexible regulatory framework will apply to all Victorian providers, regardless of ownership. The new Victorian Registration and Qualifications Authority will ensure that all schools, training and non-university higher education providers are accountable to the same standards, so that all Victorian students can have the very best education possible.

Statutory authorities

The contributions of the key statutory authorities to the achievement of Government goals, targets and outputs for education and training are significant and vital. I would like to once again extend my thanks to the board and council members, and staff of the Victorian Curriculum and Assessment Authority (VCAA), the Victorian Qualifications Authority (VQA), the Adult Community and Further Education (ACFE) Board, the Victorian Learning and Employment Skills Commission (VLESC), and the Victorian Institute of Teaching (VIT).



Grant Hehir
SECRETARY

Overview

About the Department

State education in Victoria dates from 1 January 1873. The Department of Education & Training has operated in its current form since 3 November 2003.

The Department plays a pivotal role in fulfilling the vision and achieving the challenges set by the Government for education and training.

Vision

An assured future for all Victorians and a prosperous society through learning.

Mission

The Department will ensure the provision of high-quality education and training that:

- raises achievement
- reduces disparity
- leads to opportunities.

Key responsibilities

The Department provides, funds, purchases and regulates education and training services for Victorians of all ages through schools, TAFE institutes, registered training organisations, ACE organisations, adult education institutions and higher education institutions.

The Department's primary functions include:

- planning, regulating, managing, resourcing and delivering high-quality primary and secondary education in Victoria's system of government schools
- funding, regulating and liaising with non-government schools in Victoria

- planning, regulating, resourcing and purchasing training and further education, apprenticeships and traineeships, and adult community education that strengthen the knowledge and skills of all Victorians
- regulating and administering the legislation governing the provision of higher education in Victoria
- providing leadership to a diverse and multi-dimensional education and training system.

The Department provides support and advisory services to the Minister for Education and Training, Lynne Kosky, and the Minister for Education Services, Jacinta Allan. It is also responsible for the effective management and administration of their respective portfolios.

More information on the Ministerial portfolios appears in Appendix 10 on pages 165–166.



Lynne Kosky, Minister for Education and Training



Jacinta Allan, Minister for Education Services

Corporate governance

The Department's corporate governance framework coordinates the structures and processes within the Department that support effective direction setting and decision making, the assessment and treatment of risk, compliance and accountability requirements, and the monitoring and optimising of performance. It is underpinned by a set of departmental values and principles of conduct as outlined in the Department's People Principles.

Portfolio Board

The Department's corporate governance arrangements include the Portfolio Board, comprising the Secretary and Deputy Secretaries of the Department, the Chief Executive Officer of the VCAA and the Director of the VQA. The Board meets quarterly to set the overall strategic direction of the Portfolio, to assess the Portfolio's performance against key indicators, and determine if changes in strategic approach are required. The Board also determines and manages key strategic risks to the achievement of the Portfolio's objectives.

Departmental Management Committee

The Departmental Management Committee leads, manages and monitors the work of the Department in accordance with the strategic directions provided by the Government and the Portfolio Board.

The committee has a formal monthly meeting where performance is reviewed against business plans and critical policy, program and resource matters are considered. It also meets weekly on a less formal basis.

The committee takes responsibility for driving the policy agenda set by the Government, as reflected in the goals and targets for education and training and in Ministerial Directions and Statements. It also manages and coordinates stakeholder interaction and monitors progress against the Department's Corporate Plan 2003–06. Members have key strategic, operational and financial responsibilities and are accountable for Department outcomes.

The work of the Departmental Management Committee is supported by seven committees: Portfolio Audit, Strategic and Financial Planning, Human Resources, Knowledge Management, Research, Accredited Purchasing Unit, and Education and Training Provision.

Members of the Departmental Management Committee at 30 June 2006 were as follows.

MR GRANT HEHIR

SECRETARY

Commenced in position 5 May 2003

Mr Grant Hehir joined the Department following a career in public sector budget management and policy development. Mr Hehir joined the Department of Treasury and Finance in 1998 as Deputy Secretary, Budget and Financial Management Division. In this role, he provided advice to Government on State Budget strategy and management and advised on emerging policy issues. In early 2003, he joined the Department of Premier and Cabinet as Deputy Secretary, Strategic, Economic and Social Policy, advising the Premier on social and economic policy matters.

Prior to moving to Melbourne, Mr Hehir worked in Canberra for the Commonwealth Government, holding senior positions in the Department of Finance and Administration.

MR DARRELL FRASER

DEPUTY SECRETARY,

OFFICE OF SCHOOL EDUCATION

Commenced in position 14 January 2004

Prior to joining the Department's central office, Mr Darrell Fraser was principal of Glen Waverley Secondary College. Mr Fraser has been awarded national recognition for his contribution to education through leadership, innovative pedagogy and leading practice in information and communications technology (ICT) and Intranet/ Extranet solutions.

The Office of School Education is responsible for developing and administering the delivery of school education for students in government schools. It is also responsible for non-government school policy.

MS KATHERINE HENDERSON

DEPUTY SECRETARY,
OFFICE OF STRATEGY AND REVIEW
Commenced in position 7 February 2005

Ms Katherine Henderson returned to the Victorian Public Service in early 2005 after a ten-year period working in the Northern Territory. Ms Henderson's most recent position was as Deputy Chief Executive, Northern Territory Department of Employment, Education and Training. Prior to joining the public service, Ms Henderson taught for ten years in the secondary and tertiary sectors.

The Office of Strategy and Review undertakes portfolio-wide policy development and strategic planning and provides services and support to the Ministers and the Secretary.

MS PATRICIA NEDEN

DEPUTY SECRETARY,
OFFICE OF TRAINING AND TERTIARY
EDUCATION
Commenced in position 25 July 2005

Ms Patricia Neden has held positions in the education and training, industry and labour departments of the Victorian Government. Ms Neden has worked in human resource management for Mount Newman Mining Company and in systems analysis for LM Ericsson. Prior to being appointed Deputy Secretary, Ms Neden held the position of General Manager, Training Operations Division.

The Office of Training and Tertiary Education focuses on vocational education and training, adult community education and tertiary education programs.

MR JEFF ROSEWARNE

DEPUTY SECRETARY, OFFICE OF
RESOURCES MANAGEMENT AND STRATEGY
Commenced in position 26 May 2003

Mr Jeff Rosewarne returned to the Department after six years in executive positions in the Department of Treasury and Finance, the most recent as Director, Budget Formulation in the Budget and Financial Management Division.

The Office of Resources Management and Strategy has primary responsibility for the development and implementation of the financial and resource strategy for the Department. The Office also provides Department-wide services in the areas of finance, information technology, corporate services and human resources.

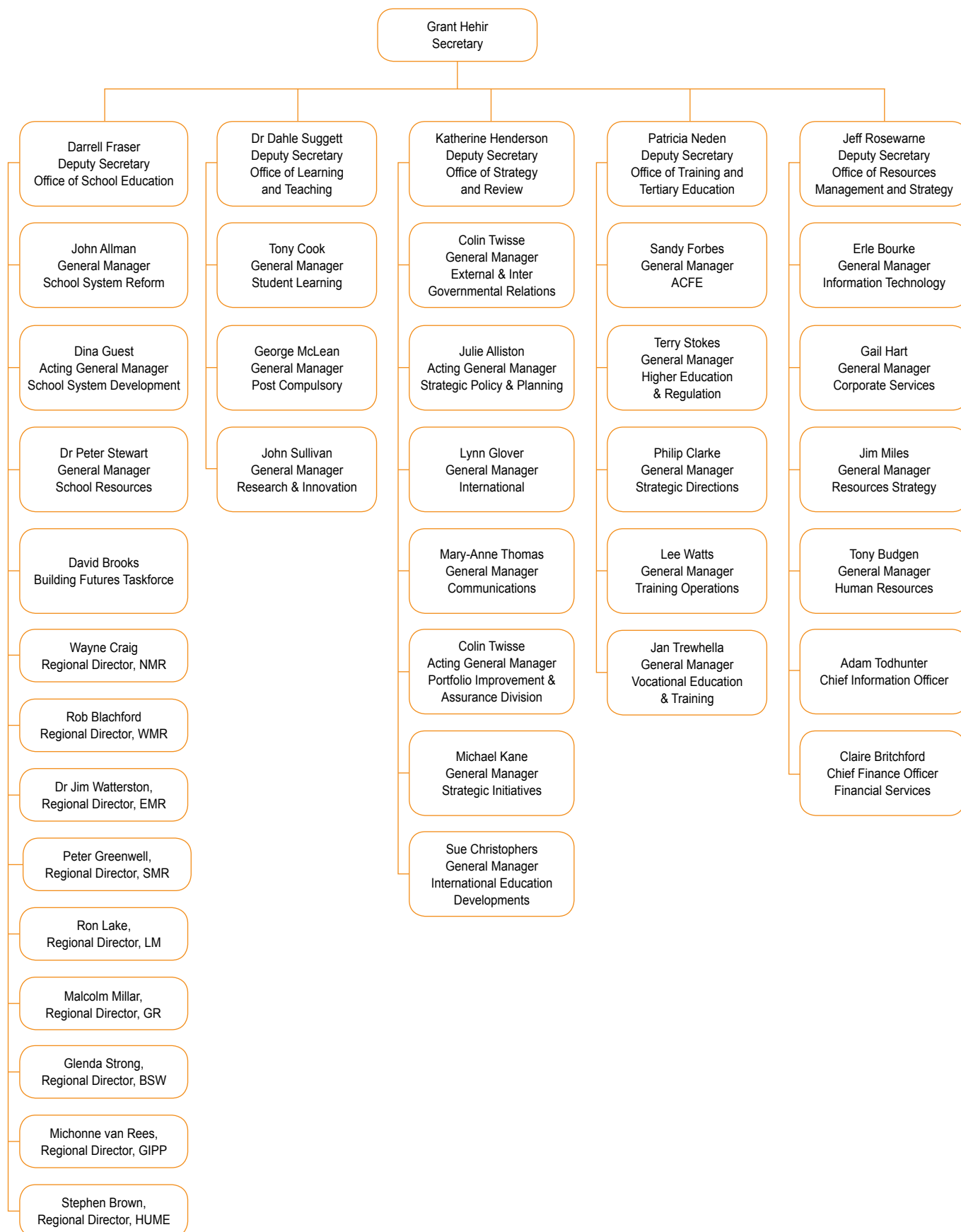
DR DAHLE SUGGETT

DEPUTY SECRETARY, OFFICE OF LEARNING
AND TEACHING
Commenced in position 17 March 2004

Prior to joining the Department, Dr Dahle Suggett previously held positions as a partner in the Allen Consulting Group and at Exxon Chemical in both Australia and the United States. Dr Suggett has also held senior public service positions in the Commonwealth Government including Assistant Commissioner of the Commonwealth Schools Commission and Executive Director of the Commonwealth Youth Bureau.

The Office of Learning and Teaching is responsible for developing policy and strategy for learning and teaching in the school and VET sectors. It has carriage of the DE&T research agenda and provides executive services for the VLESC.

Organisation chart as at 30 June 2006



Human resources

As at June 2006, there were 52,291.5 full-time equivalent (FTE) staff employed by the Department. These staff were distributed across the schools, the head office and regions as demonstrated by the following table.

Full-time equivalent (FTE) of staff on pay as at June 2006

| Location | 2006 | 2005 |
|-------------------------|----------|----------|
| School | | |
| Teaching | 40,154.6 | 39,507.5 |
| Non-teaching | 10,455.6 | 10,020.2 |
| Subtotal | 50,610.2 | 49,527.6 |
| Head Office and regions | 1,681.3 | 1,658.4 |

Further workforce statistics are contained in Appendix 4 on pages 134–139.

‘Your Job, Your Say’

During March and April 2006, the Department conducted an organisational health survey entitled ‘Your Job, Your Say’ 2006. The survey was first introduced in early 2005 to obtain information about the organisational and people management practices that influence employee well-being and organisational performance.

The survey was designed to:

- obtain information on a range of indicators that reflect the key people management issues underpinning staff well-being and performance
- benchmark the Department against other Australian public sector organisations
- establish key strengths and areas for improvement
- create a reliable and valid baseline that enables the Department to accurately monitor and evaluate change over time.

The response rate of 84 per cent means that the Department can have confidence that the results represent the views of the majority of staff.

The overall Department Organisational Climate Index showed significant improvement from an overall climate index of 66.3 in 2005 to 70.2

in 2006. The Department is at or above the Australian Average and Education Corporate benchmarks for the Organisational Climate Index, approach to work and leadership index. Cultural indicators also showed a positive change across the Department.

Work-groups and managers have since been actively working on the action planning phase of the survey process.

Summary of financial results

The Department of Education & Training portfolio as described in the 2005–06 State Budget papers comprises four key output areas:

- compulsory years
- post-compulsory years
- services to students
- portfolio management services.

The financial statements presented in this annual report relate to the controlled operations of the Department and include corporate activities and the 1606 government schools.

Other agencies within the portfolio report separately and therefore are not included within the controlled financial transactions of the Department. These entities include the ACFE Board, the VCAA, the VIT, the VLESC, the VQA and TAFE institutes.

The table on page 13 provides information on the Department’s financial results for 2005–06 and comparisons with the previous four financial years.

There were no significant changes in financial position during the reporting period.

The Department is not aware of any events that adversely affected the achievement of operational objectives for the year.

There were no events subsequent to the balance date that would have a significant effect on the operations of the Department.

| | 2001–02 \$ million | 2002–03 \$ million | 2003–04 \$ million | 2004–05* \$ million | 2005–06 \$ million |
|---|-----------------------|-----------------------|-----------------------|------------------------|-----------------------|
| Operating revenue | | | | | |
| Income from State Government | 5,323.8 | 5,533.9 | 5,757.0 | 6,205.9 | 6,600.5 |
| Other revenue | 458.0 | 478.3 | 429.5 | 491.5 | 441.3 |
| Total income | 5,781.8 | 6,012.2 | 6,186.5 | 6,697.4 | 7,041.8 |
| Total expenses | 5,727.4 | 5,898.9 | 6,170.8 | 6,524.0 | 6,894.2 |
| Net result for this reporting period | 54.4 | 113.3 | 15.7 | 173.4 | 147.6 |
| Total assets | 7,212.6 | 8,205.0 | 9,368.1 | 9,217.0 | 10,331.8 |
| Total liabilities | 1,045.0 | 1,009.2 | 1,111.9 | 1,170.0 | 1,228.3 |
| Net assets | 6,167.6 | 7,195.8 | 8,256.1 | 8,047.0 | 9,103.5 |
| Cash and cash equivalents at the end of the financial year | 399.9 | 401.6 | 384.7 | 463.8 | 477.3 |

*Comparative change: Year 2004–05 in the above table has changed due to A-IFRS accounting adjustments required in the Department's financial statements (refer Note 30 of Notes to the financial statements in this annual report).

2005–06 result

The Department's result from ordinary activities for 2005–06 was \$147.6 million, compared with \$173.4 million in 2004–05. The Department's net result has reduced primarily due to greater planned maintenance expenditure and reduced third party revenue generated by schools in 2005–06 compared to 2004–05.

Revenue and expenses

The growth in the Department's revenue and expenses primarily reflects the funding from the Government for additional output initiatives in the 2005–06 State Budget, general inflation-related indexation and enterprise bargaining outcomes.

During the year, the Department increased funding for Education Maintenance Allowance payments, school cleaning and a fibre-optic data communication network connecting all government schools (as announced in the 2005–06 Budget). It continued to implement funding for initiatives approved in the previous Budgets.

Assets

The value of the Department's assets increased by \$1114 million in 2005–06. Of this increase, \$821.3 million arose from the annual revaluation

of the Department's non-current assets. The balance of the increase reflects spending under the Government's commitment to improving the quality of school infrastructure as well as asset purchases by schools.

Goals and targets

The Government's goals for education and training are:

- to improve the standards of literacy and numeracy in primary schooling
- to increase the percentage of young people who successfully complete Year 12 or its educational equivalent
- to increase the percentage of adults who take up education and training and so increase the overall level of educational attainment and literacy levels in Victoria
- to increase the level of participation and achievement in education and training in rural and regional Victoria and among groups where it is presently low
- to make near-universal participation in post-school education and training the norm in our society.

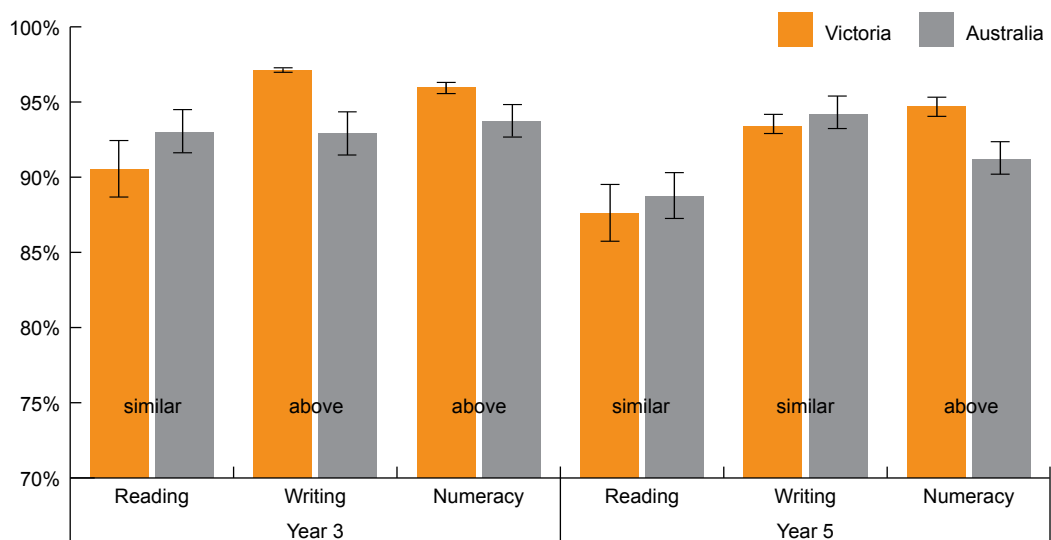
In 2005, the Government released an update to *Growing Victoria Together*, which set four targets for this Department:

- the proportion of Victorian primary students achieving the national benchmark levels for reading, writing and numeracy will be at or above the national average
- by 2010, 90 per cent of young people in Victoria will successfully complete Year 12 or its educational equivalent

- the level of participation in vocational education and training of adults aged 25–64 years will increase
- the number of early school leavers who are unemployed after six months will decline.

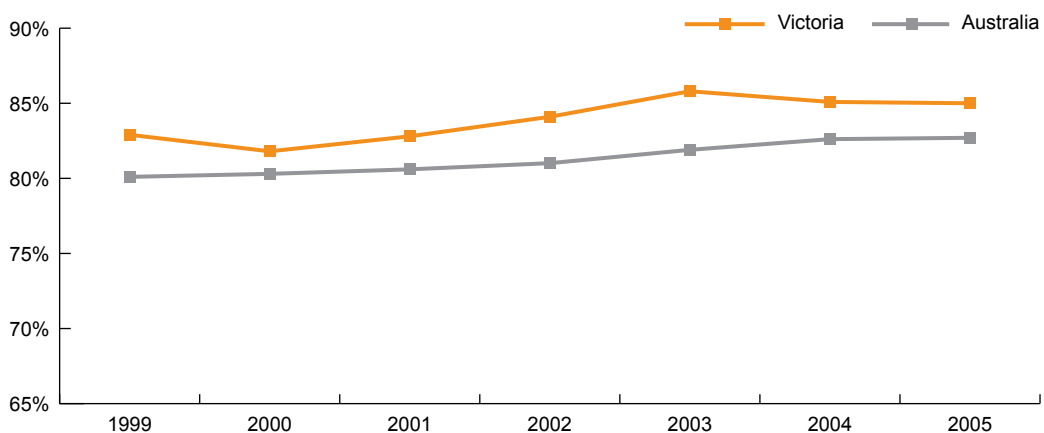
Progress against these targets is shown in the following table.

Victoria's performance against National Benchmark results – 2004
Percentage at or above national benchmarks, Victoria and Australia



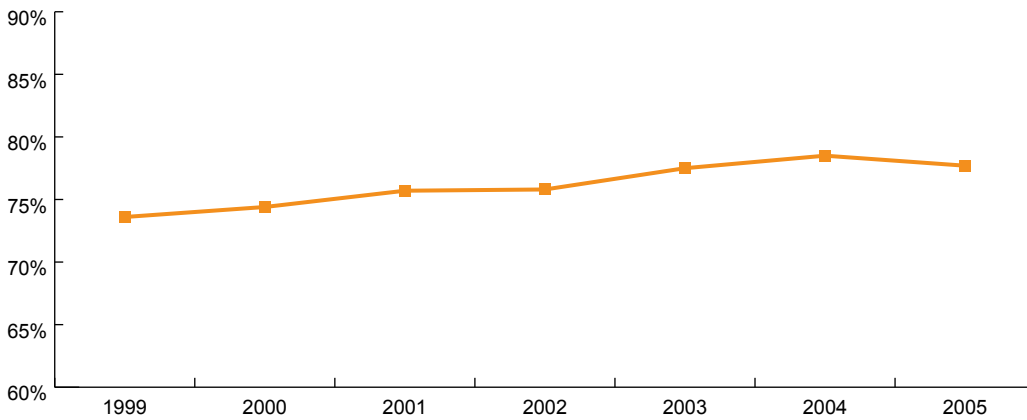
Against the National Benchmark standards for Years 3 and 5 literacy and numeracy, Victoria was at or above the national average in 2004. The national benchmark results, as with all measurements, are subject to some error. Due to the complex process used to equate the national benchmarks results, it is important to include explanatory information about the limitations of the data. The chart above includes the nationally agreed markers of 95 per cent confidence intervals. There is 95 per cent confidence that the markers at the top of each bar show the range in which true result is located.

Proportion of 20–24 year olds who have completed Year 12 or equivalent, 1999–2005



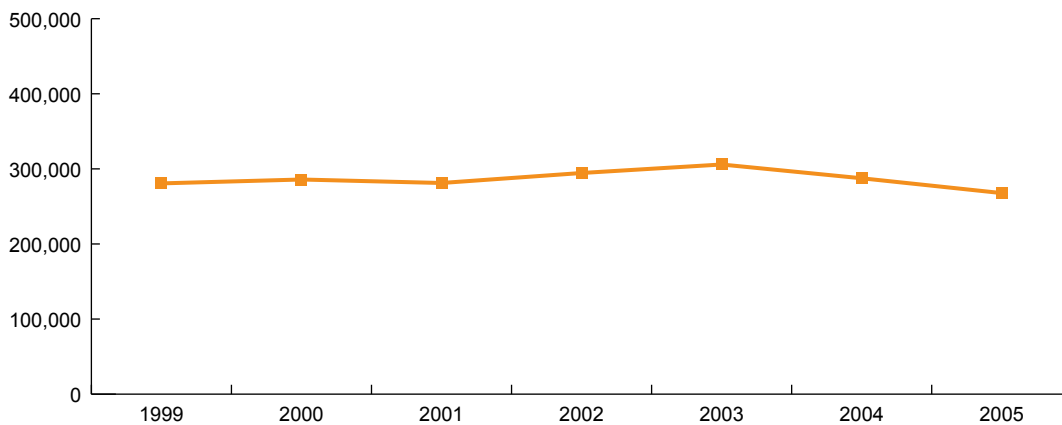
Year 12 or equivalent completion provides young people with a solid foundation for their future participation in education, training and work. Against the national measure of Year 12 or equivalent, Victoria has consistently recorded the highest proportion of young people aged 20–24 years with a Year 12 or equivalent qualification. In 2005, 85.0 per cent of 20–24-year-olds had completed a Year 12 or equivalent qualification, compared to 82.9 per cent in 1999. This is higher than the national average, and higher than any other state. (Note: ACT and NT recorded a higher Year 12 completion rate than Victoria in 2005.)

Year 12 or equivalent completion rates at age 19 including VET completions, 1999–2005



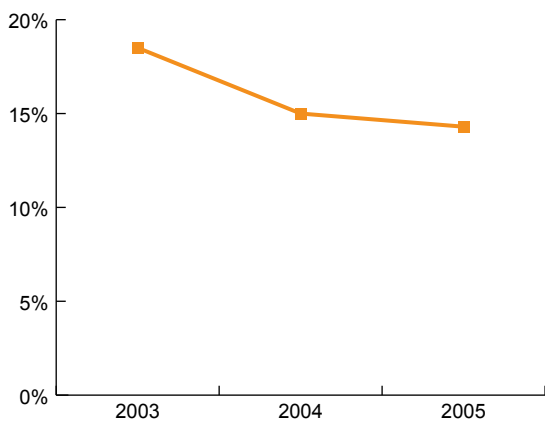
The percentage of young people who complete Year 12 or an equivalent qualification by the age of 19 is a supplementary measure to the agreed *Growing Victoria Together* and national measure of 20–24-year-old completions. This measure is based on administrative data and cannot be compared to other jurisdictions. In 2005, 78 per cent of Victorians had achieved this foundation qualification by the age of 19, up from 74 per cent in 1999.

Adult participation in Vocational Education and Training: number of students aged 25–64 years, 1999–2005



Victoria's VET adult participation rate (as a percentage of the population) continues at a higher rate than any other state. The number of adults (aged 25–64 years) participating in VET has fluctuated between 260,000 and 300,000 for most of the period 1999–2005. While the number of participants has decreased from 2004, students are undertaking courses of longer duration. Maintaining the Advantage will provide a \$241 million funding boost over four years to further increase adult participation in VET. This includes funding for an additional 1,800 targeted places for 35–64 year olds to access Certificate III Level training or above and an additional 3,500 higher level qualification places in key industries and occupations.

Percentage of early school leavers who are unemployed after six months



Each year the On Track survey tracks the destination of Year 12 completers and a sample of early school leavers from Government and non-government schools six months after they leave school. The percentage of early school leavers who are unemployed at the time of the On Track survey has fallen consistently since 2003, and in 2005 was less than 15 per cent. As the sample size for the On Track survey is relatively small, these results are indicative only and should be interpreted with care.