



Australian Government
Department of Education and Training

Annual Report 2016–17

Opportunity through learning





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The document must be attributed as the *Department of Education and Training Annual Report 2016–17*.

Disclaimer: The Department of Education and Training acknowledges diversity and respectfully uses both the terms 'Indigenous' and 'Aboriginal and Torres Strait Islander peoples' interchangeably throughout this document.



Australian Government
Department of Education and Training

Secretary
Dr Michele Bruniges AM

Senator the Hon Simon Birmingham
Minister for Education and Training
Parliament House
CANBERRA ACT 2600

Dear Minister

It is my pleasure to present to you the *Department of Education and Training Annual Report for 2016–17*.

The report reflects the department's legislative reporting requirements and has been prepared in accordance with section 46 of the *Public Governance, Performance and Accountability Act 2013*. Subsection 46(1) of that Act and subsection 63(1) of the *Public Service Act 1999* require me to provide you with a report for you to present to the Parliament.

It reflects the requirements of the *Public Governance, Performance and Accountability Rule 2014* in relation to annual reports for non-corporate Commonwealth entities and includes the department's annual performance statements.

Also included are the Auditor-General's report and the department's audited financial statements prepared in accordance with the *Public Governance, Performance and Accountability (Financial Reporting) Rule 2015*.

As required by section 17AG(2)(b) of the *Public Governance, Performance and Accountability Rule 2014*, I certify that I am satisfied that the department:

- prepared fraud risk assessments and fraud control plans
- had in place appropriate fraud prevention, detection, investigation, recording and reporting mechanisms
- took all reasonable measures to appropriately deal with fraud relating to the department.

The report includes the information required to be laid before each House of Parliament in accordance with section 127 of the *Australian Education Act 2013* for the 2016 year.

The report includes the 2016–17 Annual Reports of the:

- Tuition Protection Service, as required under section 170B of the *Education Services for Overseas Students Act 2000*
- Student Identifiers Registrar, as required under section 51 of the *Student Identifiers Act 2014*
- Trade Support Loans Program, as required under section 103 of the *Trade Support Loans Act 2014*.

Yours sincerely

Dr Michele Bruniges AM

13 October 2017

Opportunity through learning

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Report guide

This report is prepared in accordance with parliamentary reporting and legislative requirements and its purpose is to provide details of departmental activities and performance during the financial year.

Overview

This section includes a review by the Secretary and outlines the portfolio and department structure.

Performance statements

This section reports on performance in 2016–17 aligned with the department's outcomes and goals.

Management and accountability

This section reports on the department's corporate governance, management of human and financial resources, and external scrutiny.

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Financial statements

This section includes the independent auditor’s report and the department’s financial statements.

Appendices

This section provides additional information about the department’s resourcing and includes other legislative reporting requirements.

Reference materials

This section includes reference material to assist in the navigation and understanding of this report.



PART 1

Overview

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SECRETARY'S REVIEW

Our year has been characterised by concurrent major reform initiatives in child care, schooling, higher education and skills and training—all of which contribute to achieving our vision of *opportunity through learning*.

In delivering the Government's major reform agenda, the Department of Education and Training has worked closely with our Ministers, collaborated with other portfolio entities, and actively engaged with stakeholders to achieve outcomes in education and training for students and families in Australia.

Within the department, we have focused on strengthening our governance, developing a more efficient and effective corporate operating model, and providing our people with more opportunity to develop their capabilities and to achieve their potential.

I am pleased to introduce the *Department of Education and Training Annual Report 2016–17*, which provides me an opportunity to highlight the significant achievements we have made this year. This report demonstrates our national leadership and performance against our four goals as set out at the commencement of 2016–17 in the department's *Corporate Plan 2016–2020*.



Goal 1: Access to quality child care

We achieved important milestones in the delivery of the new child care package, following the successful passage of the legislation required for the Child Care Subsidy and Additional Child Care Subsidy, which are set to begin in July 2018. To support these important changes, the department developed an online Family Child Care Subsidy Estimator which has helped families estimate likely entitlements under the new arrangements.

New programs commenced in July 2016, including Connected Beginnings, which focuses on Indigenous communities, and the Inclusion Support Programme, which supports children with additional needs, or who are vulnerable and disadvantaged, and their families.

We have continued to strengthen compliance activities within the child care sector which included changes to legislation and implementing joint initiatives with regulatory and law enforcement partner agencies across the Australian and state and territory governments.

Goal 2: Quality schooling

The *Quality Schools, Quality Outcomes* policy, released in May 2016, provides the framework for strengthening teaching, school leadership, learning, and improving student participation and parent engagement. Following amendments to the *Australian Education Act 2013*, the Quality Schools package will not only provide significant additional Commonwealth investment in our schools, but also firmly embed the principle of transparent and consistent needs-based school funding.

Alongside continued funding to support children to participate in 600 hours of quality early childhood education in the year before school, the Early Learning Languages Australia program became available nation-wide to encourage the study of languages from a child's early years.

Supporting teachers and the profession will always be a priority for the department. We are committed to collaborating with the Australian Institute for Teaching and School Leadership, the Australian Curriculum, Assessment and Reporting Authority and Education Services Australia—on issues ranging from strengthening school leadership, to making significant progress delivering the Teacher Education Ministerial Advisory Group's recommended reforms to initial teacher education, and supporting implementation of the Australian Curriculum, particularly in science, technology, engineering and mathematics and digital literacy.

Goal 3: World-class tertiary education and research

Improving the sustainability and effectiveness of Government funding for tertiary education has continued to be a key focus of our work throughout the year. In particular, the department supported a broad consultation process with the higher education sector to support development of a higher education reform package that would deliver increased transparency, accountability and sustainability in the sector.

Part 1

Enrolments in undergraduate degrees continue to increase, and the proportion of students from disadvantaged groups or backgrounds continues to grow. To assist prospective students to make informed choices, we supported the Quality Indicators in Learning and Teaching (QILT) website which makes comparing higher education study options easier—for both undergraduate and postgraduate courses as well as working with the sector to develop an implementation plan to improve the transparency of higher education administration processes.

During the year we continued to implement the Government's *National Strategy for International Education 2025*. Our international student numbers increased by 15 per cent in the first three months of 2017 compared to 2016 and the strategy encourages the international education sector's continued growth, global engagement and contribution to our economic and social prosperity.

The *2016 National Research Infrastructure Roadmap*, developed under the National Innovation and Science Agenda, was released. The Roadmap provides a guide to ensuring Australian researchers have access to cutting edge research infrastructure to lift our competitiveness and international reputation. Also, the new streamlined Research Support Program and Research Training Program began this year—an outcome of two earlier, significant reviews.

Goal 4: Skilled workforce

The new VET Student Loans program was fully implemented by July 2017 and represents an important step to strengthening quality and confidence in the vocational education and training (VET) sector. The program enables eligible students to access quality higher VET qualifications, designed to meet the needs of industry and to create better opportunities for employment. It will contribute to building a workforce capable of responding to the needs of current and emerging industries.

The department also increased compliance action within the sector, undertaking 32 audits of VET FEE-HELP providers, carrying out major fraud investigations and pursuing litigation against providers for relevant compliance cases.

Indigenous business is everyone's business

In our unwavering commitment to embracing diversity—in all of our work and in our workplace—the department has an underlying principle that *Indigenous business is everyone's business*. This includes our continued support for our Aboriginal and Torres Strait Islander colleagues and Indigenous businesses.

Financial performance

This financial year, the department administered approximately \$41.5 billion in payments. Our administration of \$26.9 million in grants funding was delivered within 1.3 per cent of the original budget. The department reported a small operating surplus of \$2.0 million, representing less than a one per cent variance to budget.



Looking to the future

Our achievements in 2016–17 provide us with a firm basis for continued reform. Next year, we'll be reporting on the *Department of Education and Training Corporate Plan 2017–18*, released on 28 August 2017. Our new plan maintains our focus on *opportunity through learning* under a new purpose statement: *maximising opportunity and prosperity through national leadership on education and training*.

This year's achievements, and our renewed purpose, shows our commitment to work together as an organisation, and collaboratively with others, to always have a positive impact on the lives of individuals, on our communities, and on our nation.

Dr Michele Bruniges AM

Secretary

Department of Education and Training

OUR PORTFOLIO

Education and Training Portfolio Ministers as at 30 June 2017.



Senator the Hon Simon Birmingham
Minister for Education and Training



The Hon Karen Andrews MP
Assistant Minister for Vocational
Education and Skills

Department of Education and Training

Dr Michele Bruniges AM | Secretary

Outcome 1: Improved early learning, schooling, student education outcomes and transitions to and from school through access to quality child care, support, parent engagement, quality teaching and learning environments.

Outcome 2: Promote growth in economic productivity and social wellbeing through access to quality higher education, international education, and international quality research, skills and training.



Portfolio entities



Australian Curriculum, Assessment and Reporting Authority

Robert Randall | Chief Executive Officer

Outcome: Improved quality and consistency of school education in Australia through a national curriculum, national assessment, data collection, and performance reporting system.



Australian Institute of Aboriginal and Torres Strait Islander Studies

Craig Ritchie | Chief Executive Officer

Outcome: Further understanding of Australian Indigenous cultures, past and present through undertaking and publishing research, and providing access to print and audiovisual collections.



Australian Institute for Teaching and School Leadership

Lisa Rodgers | Chief Executive Officer

Outcome: Enhance the quality of teaching and school leadership through developing standards, recognising teaching excellence, providing professional development opportunities, and supporting the teaching profession.



Australian Government
Australian Research Council

Australian Research Council

Leanne Harvey | A/g Chief Executive Officer (as at 30 June 2017)
Professor Sue Thomas | Chief Executive Officer (from 3 July 2017)

Outcome: Growth of knowledge and innovation through managing research funding schemes, measuring research excellence and providing advice.



Australian Government

Australian Skills Quality Authority

Australian Skills Quality Authority

Mark Paterson AO | Chief Commissioner and Chief Executive Officer

Outcome: Contribute to a high quality vocational education and training sector, including through streamlined and nationally consistent regulation of training providers and courses, and the communication of advice to the sector on improvements to the quality of vocational education and training.



Australian Government

Tertiary Education Quality and Standards Agency

Tertiary Education Quality and Standards Agency

Anthony McClaran | Chief Executive Officer

Outcome: Contribute to a high quality higher education sector through streamlined and nationally consistent higher education regulatory arrangements; registration of higher education providers; accreditation of higher education courses; and investigation, quality assurance and dissemination of higher education standards and performance.



OUR EXECUTIVE

The department is headed by an Executive team that leads the department in strategic policy development and engagement with a range of stakeholders to improve access to quality education and training in Australia and internationally.



Image: left to right—Jackie Wilson, Tony Cook PSM, Dr Michele Bruniges AM, David Learmonth, Carolyn Smith and Dr Subho Banerjee.

Dr Michele Bruniges AM

Secretary

Tony Cook PSM

Associate Secretary
Schools and Youth

Jackie Wilson

Deputy Secretary
Early Childhood and Child Care

Dr Subho Banerjee

Deputy Secretary
Skills and Training

David Learmonth

Deputy Secretary
Higher Education, Research and International

Carolyn Smith

Deputy Secretary
Corporate Strategy

Dr Michele Bruniges AM

Secretary

Dr Michele Bruniges is the Secretary of the Australian Government Department of Education and Training. Dr Bruniges has held this position since April 2016.

Prior to her appointment as the Secretary of the Australian Government department, Dr Bruniges led the New South Wales Department of Education—one of Australia's largest state government departments with a workforce of over 84,000 staff and direct responsibility for over 2200 schools. Previously, Dr Bruniges held senior roles in the Australian Government's Department of Education, Employment and Workplace Relations and senior positions in the Australian Capital Territory and New South Wales Departments of Education and Training.

Her qualifications include a PhD in educational measurement and a Master of Education. She is a Graduate of the Australian Institute of Company Directors, a Churchill Fellow and a Fellow of the Australian College of Educators and the Australian Council for Educational Leaders.

Dr Bruniges is a Member of the Order of Australia and in 2012 was recognised for her work in public policy as a joint recipient of the Inaugural 100 Women of Influence Awards.

In 2015, Dr Bruniges received national recognition for her significant contribution to education as the recipient of the Australian Council for Educational Leaders Gold Medal Award. She also received the 2015 Sir Harold Wyndham Medal Award from the Australian College of Educators for her contribution to the education of young people in New South Wales.

Dr Bruniges is also currently chair of the OECD Programme for International Student Assessment (PISA) Governing Board. PISA is a triennial assessment of education systems worldwide. Dr Bruniges commenced in this role in April 2017—as the first Australian to chair the international body—appointed in recognition of her expertise in assessing educational outcomes based on evidence, effective data collection and analysis.

In 2017 Dr Bruniges became a member of Chief Executive Women, who through advocacy, targeted programs and scholarships, work to remove the barriers to women's progression and ensure equal opportunity for prosperity.



Tony Cook PSM

Associate Secretary

Tony Cook PSM is the Associate Secretary for Schools and Youth.

Before joining the department in October 2011, Mr Cook held several senior executive positions in Victoria, including Deputy Secretary, Government and Corporate with the Department of Premier and Cabinet, Deputy Secretary, Office for Children and Portfolio Coordination, and Deputy Secretary, Office for Planning, Strategy and Coordination within the Department of Education and Early Childhood Development. Mr Cook began his career with Education Queensland.

Mr Cook is a registered primary school teacher. He has been a deputy principal and has taught in schools and preschools in Queensland and the United Kingdom. Mr Cook holds a Bachelor of Education from the Queensland University of Technology with a major in early childhood education.

In October 2013 Mr Cook was made an Honorary Fellow of the Australian Council for Educational Leaders and in January 2014, he was awarded a Public Service Medal for outstanding public service, especially in driving schools policy and funding reform in Australia.

Jackie Wilson

Deputy Secretary

Jackie Wilson is the Deputy Secretary for Early Childhood and Child Care.

Ms Wilson is leading the implementation of—and playing a key role in developing—the Australian Government’s comprehensive child care reform package, which will deliver on the Government’s commitment to a more flexible, accessible and affordable child care system.

Prior to her current position, Ms Wilson was a Deputy Secretary at Social Services, Prime Minister and Cabinet, and Immigration. Ms Wilson gained significant experience from a number of senior positions in a variety of Commonwealth portfolios in program and policy areas; these covered health, disability, community services, education, employment, budget and finance issues.

Ms Wilson has a Bachelor of Science degree from the Australian National University.

Dr Subho Banerjee

Deputy Secretary

Dr Subho Banerjee is the Deputy Secretary for Skills and Training.

Dr Banerjee commenced in this position in December 2014. He has previously held senior executive positions in a number of Australian Public Service departments, providing policy advice across a broad range of environmental, social and economic policy issues.

Dr Banerjee has also worked as a management consultant in the private sector and for an Indigenous policy think tank.

Dr Banerjee has a Bachelor of Science and a PhD in physics from the Australian National University. He also completed Masters degrees in environmental policy and economic and social history at the University of Oxford, where he was a Rhodes Scholar.

David Learmonth

Deputy Secretary

David Learmonth is the Deputy Secretary for Higher Education, Research and International.

Mr Learmonth joined Department of Education and Training in September 2016.

Prior to this, he was a Deputy Secretary at the Department of Human Services where he was responsible for ensuring the delivery of effective and efficient welfare related payment programs, such as age pension, child care benefits, rural and multicultural, child support, and family payments.

He has previously held positions as a Deputy Secretary at the Department of Health, where he was responsible for medical benefits, pharmaceutical benefits, private health insurance, Indigenous health and sport. He was also Head, Industry Division of the Defence Materiel Organisation, where he was responsible for international cooperation, export and industry policy. His career has also included positions in aged care and Veterans' Affairs.



Carolyn Smith

Deputy Secretary

Carolyn Smith is the Deputy Secretary for Corporate Strategy.

Before joining the department in October 2016, Ms Smith was the Deputy Chief Executive Officer, Organisational Capability with the National Disability Insurance Agency.

Ms Smith has wide ranging experience in complex structural change, policy development and implementation, program management, corporate and regulation and has held senior executive positions in the Departments of Social Services, Health and Ageing and Finance.

Ms Smith was responsible for ageing and aged care for many years, spanning policy, program management and regulation of the aged care system. This included responsibility for development and implementation of major aged care reform. Prior to her work in aged care, Ms Smith was responsible for the National Immunisation Program and the introduction of a Bowel Cancer Screening Program. She was also a senior health negotiator on the Australian United States Free Trade Agreement, with particular focus on pharmaceutical issues.

OUR DEPARTMENTAL STRUCTURE





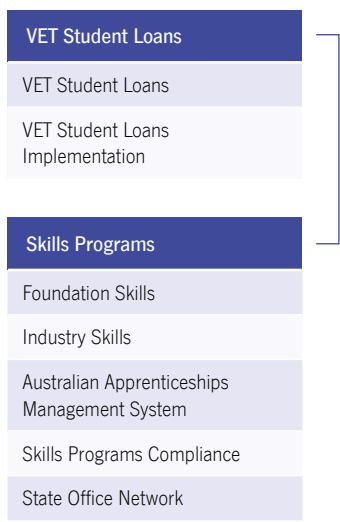
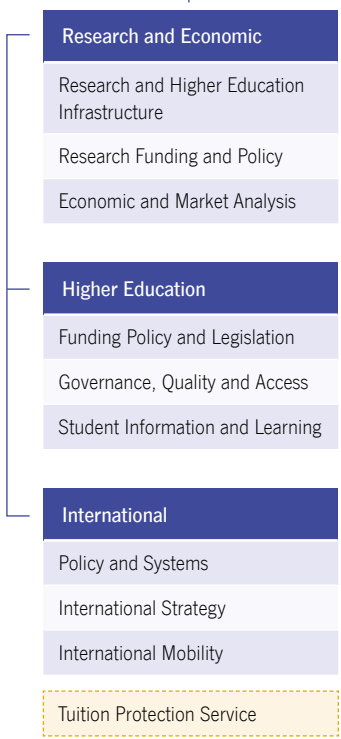
as at 30 June 2017



HIGHER EDUCATION, RESEARCH AND INTERNATIONAL
David Learmonth
Deputy Secretary



SKILLS AND TRAINING
Dr Subho Banerjee
Deputy Secretary



Legend: Statutory Officers



PART 2

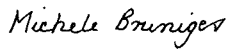
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Department of Education and Training
STATEMENT BY THE ACCOUNTABLE AUTHORITY

I, as the accountable authority of the Department of Education and Training, present the 2016–17 annual performance statements of the department, as required under paragraph 39(1)(a) of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act).

In my opinion, these annual performance statements are based on properly maintained records, accurately reflect the performance of the entity, and comply with subsection 39(2) of the PGPA Act.



Dr Michele Bruniges AM

Secretary

13 October 2017



OUR PURPOSES, PROGRAMS AND OUTCOMES

Figure 2.1: Map of our purposes, programs and outcomes as published in the department’s Corporate Plan and Portfolio Budget Statements for the 2016–17 reporting year.

Vision	Opportunity through learning				Corporate Plan 2016–2020
Purposes	Goal 1. Access to quality child care Build a sustainable national child care system that supports parents to enter and remain in the workforce while providing quality care and early learning	Goal 2. Quality schooling Support a high quality school education system, including preschool, with improved outcomes for Australia’s students by building on our schooling successes and focusing on quality teaching, school autonomy, parent engagement and the Australian Curriculum	Goal 3. World-class tertiary education and research Enable the delivery of quality higher education, international education and research that contributes to both the Australian and the global economy and society	Goal 4. Skilled workforce Ensure that Australia’s workforce has the capability to respond to the needs of current and emerging industries thus contributing to their global competitiveness	
Programs	1.1: Support for the Child Care System 1.2: Child Care Benefit 1.3: Child Care Rebate 1.4: Child Care Subsidy	1.5: Government Schools National Support 1.6: Non-Government Schools National Support 1.7: Early Learning and Schools Support 1.8: Youth Support	2.1: Commonwealth Grant Scheme 2.2: Higher Education Superannuation Program 2.3: Higher Education Support 2.4: Higher Education Loan Program 2.5: Investment in Higher Education Research 2.6: Research Capacity 2.7: International Education Support	2.4: Higher Education Loan Program 2.8: Building Skills and Capability	Portfolio Budget Statements
Outcome	Outcome 1: Improved early learning, schooling, student educational outcomes and transitions to and from school through access to quality child care, support, parent engagement, quality teaching and learning environments		Outcome 2: Promote growth in economic productivity and social wellbeing through access to quality higher education, international education, and international quality research, skills and training		

Note: Programs under Outcome 1 were renumbered in the *Education and Training Portfolio Budget Statements 2017–18*.

GOAL 1: ACCESS TO QUALITY CHILD CARE

Build a sustainable national child care system that supports parents to enter and remain in the workforce while providing quality care and early learning.

Performance highlights

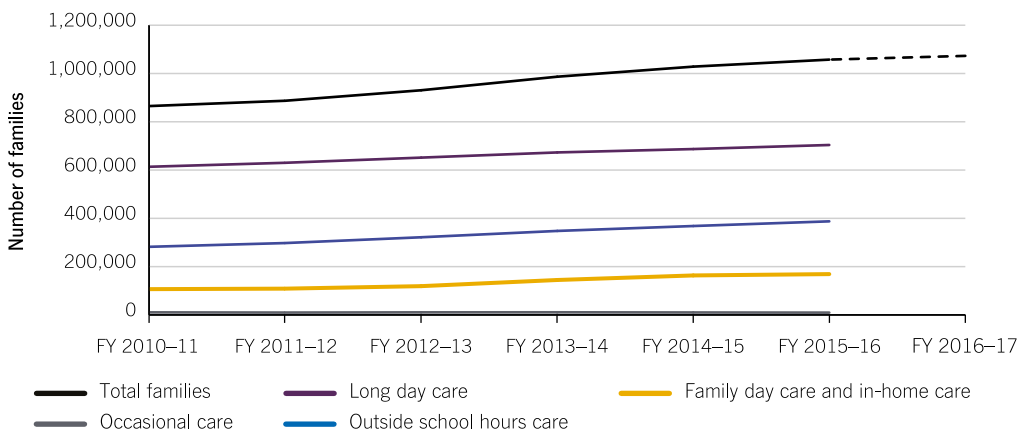
This section reports on the results against the performance criteria for Goal 1 as published in the *Department of Education and Training Corporate Plan 2016–2020* (see Table 2.1).

Table 2.1: Performance criteria for Goal 1 as published in the department’s Corporate Plan 2016–2020

Purpose	Performance criteria	Results
Goal 1: Access to Quality Child Care Build a sustainable national child care system that supports parents to enter and remain in the workforce while providing quality care and early learning	Number of families using approved child care	Page 20
	Percentage of all children attending child care from priority groups, including <ul style="list-style-type: none"> Indigenous children children from culturally and linguistically diverse backgrounds children with disability 	Page 25
	Percentage of families using child care services that receive a child care payment	Page 26

Growth in the number of families using approved child care

Figure 2.2: Number of families using approved child care, 2010–11 to 2016–17



Data Source: Department of Education and Training administrative data and modelling data (as at Budget 2017–18).



Since 2010–11 the number of families using approved child care has increased by more than 22 per cent, from around 865,000 in 2010–11 to more than one million families in 2015–16. It is estimated that almost 1.1 million families used approved child care in 2016–17. In the same period, the number of children attending approved care has increased from around 1.25 million children in 2010–11 to an estimated 1.62 million children in 2016–17.

Goal 1 analysis and priorities

This section provides an **analysis** of the factors or developments that have, or may have had, an impact on performance under Goal 1, with reference to key priorities that were identified in the *Department of Education and Training Corporate Plan 2016–2020*.

Support workforce engagement while addressing children’s early learning and development needs

On 4 April 2017 the *Family Assistance Legislation Amendment (Jobs for Families Child Care Package) Act 2017* was enacted. This legislation gives effect to the Australian Government’s new child care package, including the new Child Care Subsidy and Additional Child Care Subsidy payments that will be available to families from 2 July 2018. The department supported passage of the legislation, particularly through significant contributions to two Senate Inquiry processes that included over 100 submissions from families, child care services, peak bodies and academics.

The new child care package is designed to encourage people into the workforce and to put downwards pressure on fees while also supporting early learning opportunities for children. Throughout 2016–17, the department has been progressing implementation of the package in consultation with key stakeholders to ensure their views are taken into account in the transition.

The department supported the Ministerial Advisory Council on Child Care and Early Learning, which met four times in 2016–17. The Council was established in 2014 to provide a forum for considering policy issues affecting the child care and early learning sector, including during the development of the new child care package. The Council concluded at the end of 2016–17, with the Minister for Education and Training, Senator the Hon Simon Birmingham, acknowledging the Council’s significant contribution to the development of the package. In 2017–18 the department established an Implementation and Transition Reference Group, with representatives from across the child care sector, to provide advice on transition and implementation issues.

In conjunction with work undertaken through formal channels such as the Ministerial Advisory Council, the department undertook extensive consultation to finalise policy settings for the package. This included nation-wide consultation on subordinate legislation, known as Minister’s and Secretary’s Rules, which will underpin and give effect to the new legislation. For example, these rules set out activity test requirements for the Child Care Subsidy and eligibility requirements for families seeking to access Additional Child Care Subsidy payments. The feedback received through this process provided valuable insight into how the Rules will operate in practice and has informed the final settings.

The department also undertook a range of communication and stakeholder engagement activities, which will continue over the next 12 months, to support the transition process. A series of webinars and provider information sessions were held in 11 metropolitan and regional cities across Australia. The sessions gave providers an overview of the key changes in the new child care package and encouraged them to start

Part 2

considering what they will need to do to prepare for 2 July 2018. A Family Child Care Subsidy Estimator, available on the department's website, has also been a popular tool for families to get an estimate of what their likely entitlements will be under the new Child Care Subsidy.

Support vulnerable or disadvantaged communities

While the new family payments will be introduced from 2 July 2018, other elements of the child care package have been implemented sooner. These elements are part of the child care safety net and have a particular focus on supporting children and families with additional needs or who are vulnerable and disadvantaged. They include the Inclusion Support Programme (ISP) and Connected Beginnings, both of which commenced in July 2016.

The ISP was introduced in July 2016 to support improved access to, and participation in, mainstream child care for children with additional needs, including those with (or undergoing assessment for) disability, those from culturally and linguistically diverse, Indigenous, refugee or humanitarian intervention backgrounds. In 2016–17 the department facilitated a number of provider workshops around operational aspects of the program. A particular focus of the workshops was on the new innovative solutions funding stream established under the program, and progressing work on an outcomes reporting framework. The department also provided training to ISP providers to enhance their capacity to work in the Inclusion Support Portal, which is the management tool that supports individual services to build and develop their inclusion practice.

Connected Beginnings focuses on improving outcomes for vulnerable Indigenous children by supporting the integration of child care, maternal and child health and family support services in selected Indigenous communities that are experiencing disadvantage. In 2016–17 the department executed seven contracts with lead agencies following extensive consultation and negotiation with state and territory governments, communities, existing community governance boards and other Commonwealth agencies. These consultations were critical to the development of the program and its successful implementation to date. Projects in each location have been individually co-designed with communities to respond to local conditions and needs. The recruitment of co-ordinators and family engagement workers, including local Indigenous staff, and the establishment of governance arrangements by lead agencies in Alice Springs and Ceduna, are examples of progress to date. An evaluation of the program commenced in early 2017, in partnership with the Department of Health.

Commencing from July 2018, other elements of the child care safety net including the Community Child Care Fund will provide grants to support eligible child care services to reduce barriers to child care participation, particularly in disadvantaged communities. Development of the program guidelines for the Community Child Care Fund has been informed and guided by stakeholder engagement, including public consultation on the draft program guidelines in May and June 2017. Stakeholder feedback from the consultation has been incorporated into the final program guidelines, which were released ahead of the opening of the first Community Child Care Fund round on 24 August 2017.

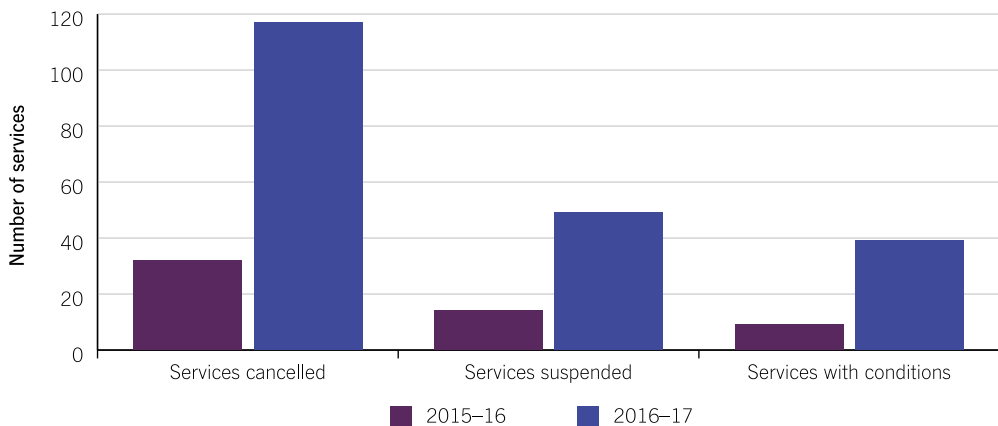
In 2016–17, the department also assisted Budget Based Funded (BBF) services to prepare to move to the new Child Care Subsidy. BBF services operate in many regional and remote areas of Australia and in areas with high Aboriginal and Torres Strait Islander populations. The department has engaged and met regularly with BBF services and funding recipients. One-on-one intensive support, including developing individual reports and transition plans for BBF funding recipients has been provided.



Protect taxpayer funding by continuing to focus on addressing child care payment non-compliance

During 2016–17 the department continued to strengthen compliance activities, predominantly in the family day care (FDC) sector, in order to decrease the level of non-compliance and overpayments. The department imposed sanctions and penalties on 136 services, including removing 117 high-risk services from the market, suspending 49 services, and imposing conditions of approval on 39 services. As Figure 2.3 illustrates, compared to the 2015–16 financial year, almost four times as many services were cancelled, and the number of suspended services and services with conditions imposed increased threefold.

Figure 2.3: Child care payments compliance activity, 2015–16 and 2016–17



Data Source: Department of Education and Training administrative data.

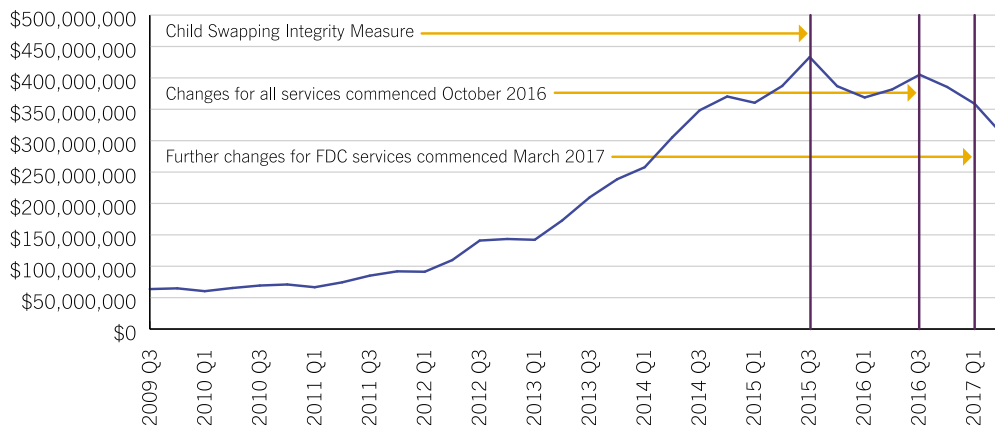
The department has supported the Government’s focus on strengthening compliance by introducing changes to the current legislation and implementing joint initiatives with regulatory and law enforcement partner agencies across the Australian and state and territory governments.

Building on the success of the Child Swapping Integrity Measure implemented in 2015–16, the department collaborated with child care stakeholders to develop further legislative instruments in 2016–17 to enhance regulation while safeguarding legitimate child care providers and the families who depend on them for care. Changes introduced in October 2016 included clarifying when child care attracts fee assistance and tightening eligibility rules for services and their personnel.

Further changes introduced in March 2017 triggered an immediate and significant reduction in child care payments. The changes, focused on non-compliant FDC services, included introducing a maximum hourly rate for which FDC services can report care for specific payments that attract the highest government subsidies, and specifying that no one is eligible for fee assistance for FDC provided to an older child, unless a specified circumstance applies.

Weekly child care fee assistance payments to FDC services in June 2017 were approximately \$12 million less per week compared to October 2015. The changes introduced in March 2017 are estimated to have reduced child care payments to non-compliant services by around \$5.5 million per week.

Figure 2.4: Total Child Care Benefit/Child Care Rebate payments to FDC services—Impact of legislative amendments



Data Source: Department of Education and Training administrative data.

Actuarial estimates show that the combination of legislative measures addressing sharp practice and non-compliance as well as the department’s ongoing enforcement effort has reduced total child care fee assistance expenditure by up to \$1.8 billion since the beginning of 2014. In 2016–17 this impact is estimated to be up to \$794 million (11 per cent of total outlays on child care fee assistance).

Monitor implementation and effectiveness

In 2016–17 the department undertook key pieces of work to ensure that child care policy and payments are informed by accurate, evidence-based data to assess policy and program effectiveness. The department commenced work on the evaluation of the new child care package, including identifying baseline data requirements. Evaluation of the ISP and Connected Beginnings also commenced, and the evaluation of the Nanny Pilot Programme and the review of the In Home Care program are informing the development of a new care type for care delivered in the family home.

Work has continued in 2016–17 in conjunction with the Department of Human Services, on the development of the new integrated child care information technology (IT) system, which will support the implementation of the new child care package from July 2018. Close monitoring of progress on this major IT project is being undertaken across the partner agencies. The new IT system will give the department access to better data about child care payments for future policy development and will also assist in ensuring effective compliance and minimising fraudulent use of taxpayer funds.

In 2016, the department commissioned the Australian National University Social Research Centre to undertake the third iteration of the Early Childhood Education and Care National Workforce Census. The research was conducted between May and September 2016, with almost 95 per cent of all approved child care services participating. The Census provides a national overview of the early childhood education and care workforce to inform policy that will assist services to provide better quality child care while supporting parents to enter the workforce. The final report has been published on the department’s website.



A summary of early childhood and child care data continues to be published quarterly on the department's website in the *Early Childhood and Child Care in Summary* reports. These reports provide information on the numbers of children and families using approved child care, the costs of care and the numbers and types of child care services in Australia, all of which provide an evidence base for policy development.

In late 2016, the department undertook a major redevelopment of the model that is used to estimate the Government's current and future expenditure on child care payments. The new model produces more accurate estimates of expenditure. It uses a year's worth of child care administrative data (60 million records) as the basis for predicting future expenditure and incorporates better growth methodologies. The new model enhances the reliability of child care fee assistance estimates for Government and accountability for taxpayers.

Program performance

This section reports results for each program under Goal 1, against the performance criteria published in the *Education and Training Portfolio Budget Statements 2016–17*.¹

Table 2.2: Performance results for Program 1.1 Support for the Child Care System

Performance criteria	Results	
Continue to maintain, develop and implement activities that improve access to child care and provide targeted assistance to services and vulnerable or disadvantaged families	<p>The department progressed implementation of a range of new initiatives and programs to improve access to child care and provide targeted assistance to vulnerable or disadvantage families, including:</p> <ul style="list-style-type: none"> • implementation of the Inclusion Support Programme, which started on 1 July 2016, to improve child care services' capacity and capability to include children with additional needs • support to Budget Based Funded services to analyse current business practices to assist in transition to new arrangements • informing child care services and families of changes ahead of a transition to new programs (e.g. the department consulted on draft guidelines for the Community Child Care Fund in May and June 2017) <p>For more information on progress in implementing new programs see page 22.</p>	
Additional performance information	Estimate	Actual
Percentage of children in priority groups using child care services: Indigenous children ^a	3%	3%
Percentage of children in priority groups using child care services: Children from culturally and linguistically diverse backgrounds ^a	17%	22%
Proportion of children attending child care who are in priority groups: Children with disability ^a	3%	3%
Number of children in child care assisted through Jobs Education and Training Child Care Fee Assistance (JETCCFA) ^b	24,600	19,500
Number of families assisted through JETCCFA ^b	17,100	13,300

¹ No performance information provided for Program 1.4 Child Care Subsidy as this commences on 2 July 2018.

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Additional performance information	Estimate	Actual
Number of child care services receiving assistance to improve access and quality of child care: Number receiving sustainability assistance	1,978	2,028
Number of child care services receiving assistance to improve access and quality of child care: Number receiving establishment assistance	125	155
Number of child care services receiving assistance to improve access and quality of child care: Number receiving subsidy assistance to include children with additional needs	5,500	6,075
Number of child care services receiving assistance to improve access and quality of child care: Number Budget Based Funded (BBF) Services	298	294
Number of families assisted through the Interim Home Based Care Subsidy (Nanny Pilot Programme) over the life of the pilot ^c	Up to 500	196

- a Estimate based on the 2013 *National Early Childhood Education and Care Workforce Census*, published in May 2014. Actual reported based on the 2016 census results, which has been published.
- b The 2016–17 estimates are drawn from the *2016–17 Portfolio Budget Statements*, and therefore do not take account of substantial changes to the child care forward estimates model implemented at MYEFO 2017–18. The difference between estimated and actual figures can also be attributed to the impact of compliance measures undertaken in 2016–17.
- c Actual refers to the number of families who have received care or were receiving care as at 30 June 2017.

Table 2.3: Performance results for Program 1.2 Child Care Benefit and Program 1.3 Child Care Rebate

Performance criteria	Results	
Ensure accurate, efficient and effective management of child care fee assistance (including progressing compliance activities that improve the integrity of child care payments)	The department strengthened child care payments legislation and improved operational and strategic compliance and enforcement activities. For more information see page 23 .	
Additional performance information	Estimate	Actual ^a
Number of families receiving Child Care Benefit (CCB) only ^b	92,000	72,000
Number of families receiving Child Care Rebate (CCR) only ^b	371,000	260,000
Number of families receiving CCB and CCR ^b	721,000	723,000
Percentage of families using child care services that receive a child care payment (CCB or CCR)	99.6%	99.7%

- a Actuals are estimates as at 2 July 2017, final figures for 2016–17 are not yet available.
- b The 2016–17 estimates are drawn from the *2016–17 Portfolio Budget Statements*, and therefore do not take account of substantial changes to the child care forward estimates model implemented at MYEFO 2017–18. The difference between estimated and actual figures can also be attributed to the impact of compliance measures undertaken in 2016–17.



GOAL 2: QUALITY SCHOOLING

Support a high quality school education system, including preschool, with improved outcomes for Australia’s students by building on our schooling successes and focusing on quality teaching, school autonomy, parent engagement and the Australian Curriculum.

Performance highlights

This section reports on the results against the performance criteria for Goal 2 as published in the *Department of Education and Training Corporate Plan 2016–2020* (see Table 2.4).

Table 2.4: Performance criteria for Goal 2 as published in the department’s Corporate Plan 2016–2020

Purpose	Performance criteria	Results
Goal 2: Quality schooling Support a high quality school education system, including preschool, with improved outcomes for Australia’s students by building on our schooling successes and focusing on quality teaching, school autonomy, parent engagement and the Australian Curriculum.	High-level targets and measures outlined in the <i>Australian Education Act 2013</i> and the Education Council’s Measurement Framework for Schooling in Australia ^a	
	<ul style="list-style-type: none"> Lift the Year 12 (or equivalent) or Certificate III attainment rate to 90 per cent by 2020 	Page 28
	<ul style="list-style-type: none"> Halve the gap for Indigenous Australians aged 20–24 in Year 12 attainment or equivalent attainment rates (by 2020) 	Page 29
	<ul style="list-style-type: none"> Close the Gap between Indigenous and non-Indigenous school attendance within five years (by 2018) 	Page 29
	<ul style="list-style-type: none"> Halve the gap for Indigenous children in reading and numeracy within a decade (by 2018) 	Page 30
	<ul style="list-style-type: none"> For the Australian schooling system to be considered a high quality and highly equitable schooling system by international standards by 2025 	Page 32
	<ul style="list-style-type: none"> For Australia to be placed, by 2025, in the top 5 highest performing countries based on the performance of school students in reading, mathematics and science 	Page 32

^a Only high-level targets and measures are reported here. The *National Report on Schooling in Australia*, the Prime Minister’s *Closing the Gap Report* and the Productivity Commission’s *Report on Government Services* include additional information that collectively report against the schedule of performance criteria from the Measurement Framework for Schooling in Australia. This includes detailed enrolment, attendance and retention rates and student achievement in the National Assessment Program.

Contribute to the operating costs of government and non-government primary and secondary schools through needs-based funding

Recurrent schools funding is the main way in which the Australian Government contributes to in-school educational costs. This funding is in addition to the funding provided by state and territory governments. In line with their constitutional responsibility for school education, states and territories are the majority public funder of government schools. The Australian Government has historically provided the majority of public funding for

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non-government schools. Commonwealth recurrent funding to government schools grew by 72.4 per cent in real per student terms from 2005–06 to 2014–15, and funding for non-government schools grew by 25.7 per cent.²

In 2016–17 the Commonwealth provided recurrent funding of \$10.55 billion for non-government schools and \$6.49 billion for government schools.

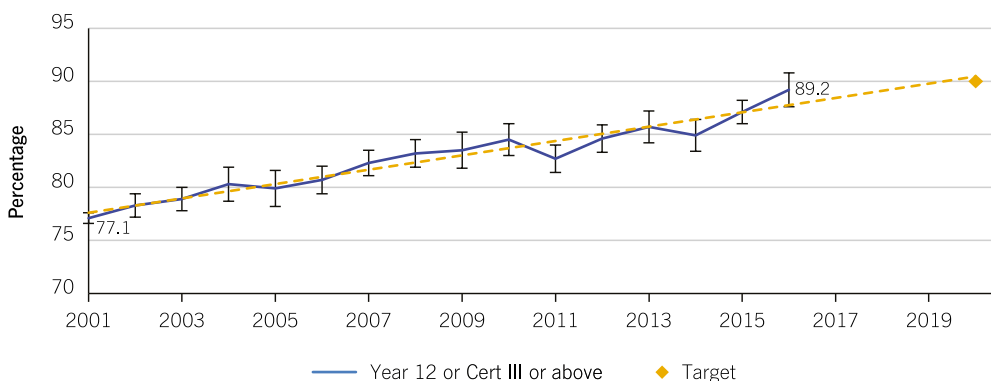
In the 2016 calendar year, under the *Australian Education Act 2013*, the Commonwealth provided:

- **Recurrent funding:** Approximately \$6.02 billion was paid in monthly instalments to state and territory governments and approximately \$10.08 billion was paid in three instalments to non-government schools through state and territory governments.
- **Additional funding for students with disability:** Approximately \$44.2 million was paid to state and territory governments and approximately \$250,000 was paid to non-government schools through state and territory governments.
- **Indigenous boarding initiative:** Approximately \$2.1 million was provided to 27 eligible non-government schools in the Northern Territory, Queensland, Western Australia and Victoria under the prescribed circumstances provisions.
- **Capital grants:** The Government provided \$140.1 million to block grant authorities for capital projects in non-government schools.
- **Special circumstances funding—short term emergency assistance:** Approximately \$1.21 million was paid to non-government schools under the special circumstances provisions.
- **Non-government representative bodies—Students First Support Fund:** A total of \$41.2 million was paid to non-government representative bodies.

Lift the Year 12 (or equivalent) or Certificate III attainment rate to 90 per cent by 2020

The Year 12 (or equivalent) Certificate III attainment rate in 2016 was 89.2 per cent. Between 2001 and 2016, the Year 12 or Certificate III or above attainment rate has increased by 0.8 percentage points per year. If this trend continues, the Council of Australian Governments' (COAG) target of 90 per cent will be met by 2020.

Figure 2.5: Percentage of 20–24 year olds with at least a Year 12 or Certificate III or above qualification (with 95 per cent confidence interval and trend line)



Source: Australian Bureau of Statistics (ABS), 2016, *Education and Work*, cat. no. 6227.0.

² Source: Productivity Commission, Report on Government Services, 2017.

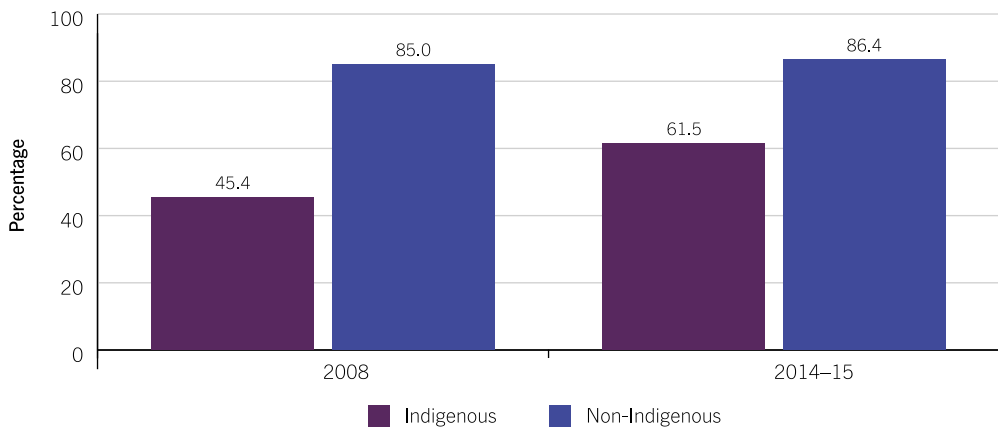


Halve the gap for Indigenous Australians aged 20–24 in Year 12 attainment or equivalent attainment rates (by 2020)

In 2014–15, 61.5 per cent of Indigenous Australians aged 20–24 had attained a Year 12 or equivalent qualification (Certificate II or above), compared with 86.4 per cent of non-Indigenous Australians.

Nationally the proportion of Indigenous 20–24 year olds who had achieved Year 12 or equivalent increased from 45.4 per cent in 2008 to 61.5 per cent in 2014–15. Over the same period the gap narrowed by 14.7 percentage points (from 39.6 percentage points in 2008 to 24.9 percentage points in 2014–15). If recent trends continue, the target of halving the gap by 2020 is likely to be met.

Figure 2.6: Proportion of 20–24 year olds attaining Year 12 or equivalent, Indigenous and non-Indigenous, 2008 and 2014–15



Sources: ABS 2008, *National Aboriginal and Torres Strait Islander Social Survey*, cat. no. 4714.0 (microdata).

ABS 2014–15, *National Aboriginal and Torres Strait Islander Social Survey*, cat. no. 4714.0.

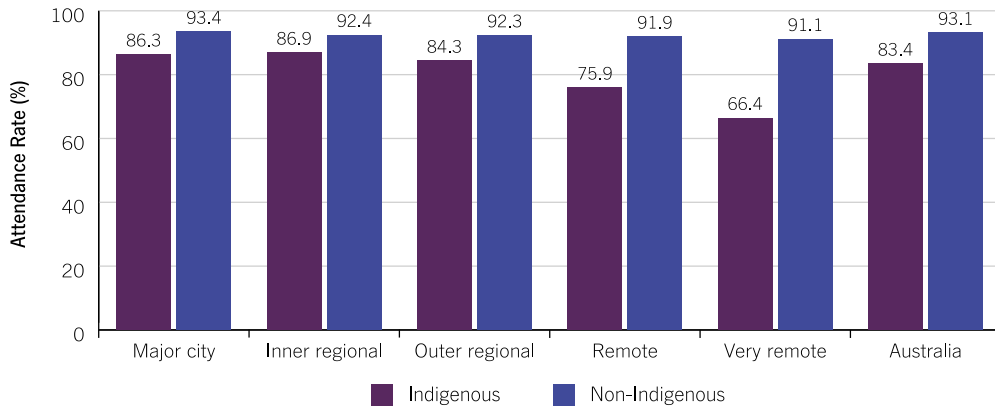
Close the Gap between Indigenous and non-Indigenous school attendance within five years (by 2018)

In 2016, the attendance rate for Indigenous students in Years 1–10 was 83.4 per cent. The corresponding rate for non-Indigenous students was 93.1 per cent, a gap of 9.7 percentage points. The attendance gap widens for older students and tends to be greater in remote and very remote areas.

Between 2014 and 2016 there was no significant change in the attendance gap, which remained at around 10 percentage points. The attendance target therefore appears unlikely to be met by 2018. In order to reach this target, more work remains to be done to change the status quo and improve Indigenous school attendance.

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Figure 2.7: Student attendance rates (per cent) Year 1 to 10 combined, by Indigenous status and remoteness, Semester 1, 2016



Source: Productivity Commission 2017, *Report on Government Services*.

Halve the gap for Indigenous children in reading and numeracy within a decade (by 2018)

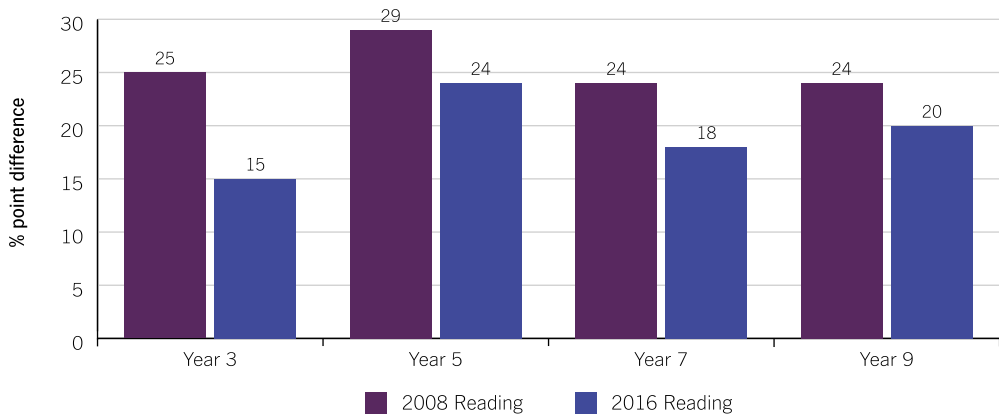
Data from the National Assessment Program—Literacy and Numeracy (NAPLAN) 2016 show that the gap in performance between the proportion of Indigenous and non-Indigenous students achieving at or above the national minimum standard (NMS) has narrowed since 2008 in all targeted areas.

A reduction in the gap of between one and 10 percentage points is evident across the reading and numeracy domains at all Year levels, as shown for reading in Figure 2.8 and numeracy in Figure 2.9.

The Closing the Gap target for Year 3 reading is within reach, however for most areas progress will need to be accelerated if Closing the Gap targets are to be met.



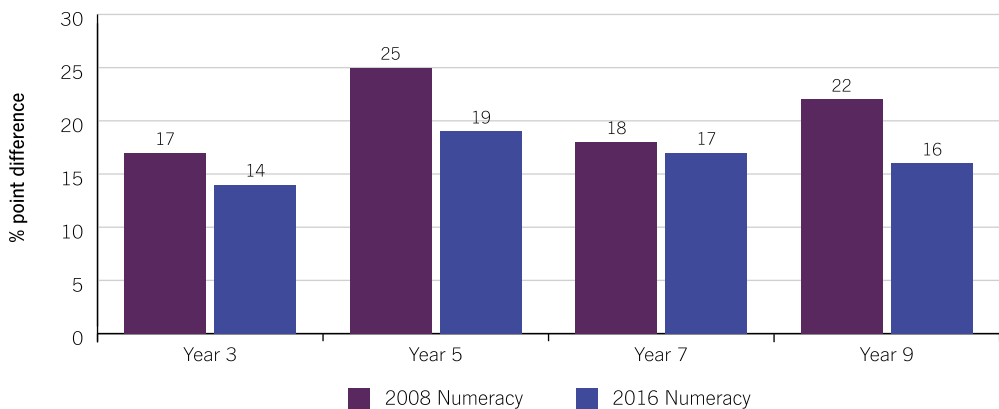
Figure 2.8: Gap between the proportion of Indigenous and non-Indigenous performing at or above the NMS in NAPLAN Reading, 2008 and 2016



Source: ACARA 2016, NAPLAN Achievement in Reading, Writing, Language Conventions and Numeracy: National Report for 2016.

Note: All changes have been calculated based on figures rounded to the nearest whole number.

Figure 2.9: Gap between the proportion of Indigenous and non-Indigenous performing at or above the NMS in NAPLAN Numeracy, 2008 and 2016



Source: ACARA 2016, NAPLAN Achievement in Reading, Writing, Language Conventions and Numeracy: National Report for 2016.

Note: All changes have been calculated based on figures rounded to the nearest whole number.

For the Australian schooling system to be considered a high quality and highly equitable schooling system by international standards by 2025

The Organisation for Economic Co-operation and Development (OECD) released the 2015 Programme for International Student Assessment (PISA) data in December 2016. In PISA 2015 Australia's equity was not significantly different to the average across OECD countries, but Australian scientific literacy scores were significantly higher than the OECD average. Schooling in Australia was therefore classified as average equity but high quality.

The OECD defines a high quality system as one where students achieve PISA scores above the OECD average. Equity in PISA is a measure of how well students' socioeconomic status can predict their performance in the major domain. Where socioeconomic status is a poor predictor of performance (compared with the OECD average), then the schooling system is considered more equitable.

For Australia to be placed, by 2025, in the top 5 highest performing countries based on the performance of school students in reading, mathematics and science

While schooling in Australia is considered high quality when compared across all OECD countries, Australia's relative performance in PISA 2015 has declined in all domains since 2012.

Australia's mean scores declined significantly in scientific and mathematical literacy and remained stable in reading literacy between 2015 and 2012. Over the longer term (since 2000 for reading, 2003 for mathematics and 2006 for science), mean scores have declined significantly in every domain. In PISA 2015, Australia was significantly outperformed by nine countries in scientific literacy (two more than in 2012), 11 countries in reading literacy (two more than in 2012) and 19 countries in mathematical literacy (three more than in 2012).

In PISA 2015, only 11 per cent of Australian students were high performing by international standards in each domain and around 20 per cent were low performing (i.e. failed to demonstrate the basic skills needed to participate productively in society after school). Over the longer term the proportion of Australian students who are high performing has decreased in every domain. Likewise, the proportion of low performing Australian students has increased in every domain.

Results from the Trends in International Mathematics and Science Study (TIMSS) 2015 were also reported in 2016–17. In TIMSS, Australia's mean scores over the longer term show no significant change, apart from an improvement in Australia's mean score in Year 4 mathematics. Mean scores for students in other countries improved between 2011 and 2015, meaning that, for all but one year level and domain, more countries significantly outperformed Australia in 2015 than in 2011.

To support better outcomes for students going forward, the department is working to implement the Government's *Quality Schools* reforms, which will ensure Commonwealth funding will be tied to evidence based reforms.



Goal 2 analysis and priorities

This section provides an **analysis** of the factors or developments that have, or may have had, an impact on performance under Goal 2, with reference to key priorities that were identified in the *Department of Education and Training Corporate Plan 2016–2020*.

Improving access to, and participation in, quality preschool programs

The current National Partnership Agreement on Universal Access to Early Childhood Education provides \$840 million to states and territories to support the delivery of 600 hours of preschool per year for each child in 2016 and 2017. Under the National Partnership, states and territories are responsible for developing implementation plans that include priorities, strategies and actions to support children’s access to, and participation in, quality preschool education in the year before full-time school, with a focus on Indigenous, vulnerable and disadvantaged children.³

While this represents significant progress, attendance data suggests that further work is required to support regular participation. For example, of all the children enrolled in stand-alone preschools, around 30 per cent are not regularly participating for the full 15 hours a week. Given what we know about the importance of regular participation in improving educational outcomes, encouraging regular participation, particularly by the most disadvantaged children, needs to be a focus going forward.

Prior to National Partnership arrangements coming into effect in 2008, it is estimated that 77 per cent of children were enrolled in a preschool program for an average of 11 hours per week (440 hours per year). Since the Commonwealth has been working with states and territories through National Partnership arrangements, this has changed considerably. Preschool enrolment rates are now at 100 per cent nationally, with 93 per cent of enrolled children enrolled in programs that operate for at least 15 hours per week (up from just 12 per cent in 2008).⁴

As part of the 2017–18 Budget, the Government committed a further \$428 million to continue Commonwealth support for preschool throughout 2018. This will bring the level of Commonwealth investment in preschool to over \$3.2 billion since the first National Partnership was agreed in 2008.

Ensuring needs-based, transparent and effective schools funding

The Government places a high priority on education and supporting quality educational opportunities for all Australian students. The department works collaboratively with states, territories and non-government stakeholders to deliver evidence-based reforms that will help lift student outcomes.

On 27 June 2017 amendments to the *Australian Education Act 2013* received Royal Assent, giving effect to the Government’s *Quality Schools* package. Under the amended Act, Commonwealth school funding will be based on the Schooling Resource Standard (SRS) that provides a base amount per student and additional funding

3 A preschool or “quality early childhood education program” (as it is referred to in the National Partnership) is defined as a program delivered in the year before full-time school in a diversity of settings, including long day care centre based services, stand-alone preschools and preschools that are part of schools. The program is to provide structured, play based early childhood education, delivered by a qualified early childhood teacher in accordance with the *Early Years Learning Framework* and the *National Quality Framework*.

4 The result for preschool enrolments (at the national level) is derived by calculating the number of four and five year olds enrolled in a preschool program as a proportion of the estimated residential population of all four year olds (as supplied by the ABS). Where proportions are calculated using two different sources of data, data comparability issues can result in estimates greater than 100 per cent. Where this occurs, results are capped to 100 per cent.

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for disadvantage, as recommended by the 2011 *Review of Funding for Schooling*. From 2018 Commonwealth schools funding will be provided on the same basis of need, regardless of state or territory and sector, with shorter, simpler and more transparent transition arrangements for all schools to reach the SRS.

Alongside the Commonwealth's increased investment, state and territory governments will also be required to deliver their share of a total public funding level of at least 95 per cent of the SRS for all schools by 2023, unless otherwise agreed with the Commonwealth.

The Government is also establishing a National School Resourcing Board to provide greater independent oversight of funding arrangements. The Board will review elements of the funding model under the Act and the Australian Education Regulation 2013, and assess compliance of approved authorities with the requirements of the Act.

To ensure Commonwealth school funding is used to drive better outcomes for all students, the Government has established the *Review to Achieve Educational Excellence in Australian Schools*, chaired by Mr David Gonski AC. The review will provide advice on how the additional Commonwealth funding provided from 2018 should be invested to improve Australian schools' performance and grow student achievement. The review will report to Government by March 2018.

National policy leadership and targeted strategies to improve learning outcomes

In 2016–17 the department progressed a number of initiatives under the *Quality Schools, Quality Outcomes* agenda to improve learning outcomes for all students, including focusing on quality teaching, school leadership, parent engagement and supporting delivery of the Australian Curriculum.

Teaching and school leadership

Well-trained, skilled and knowledgeable teachers provide the foundation for a high quality education system. Evidence shows the effectiveness of the teacher in the classroom is the biggest in-school influence on student achievement. The department continues to support the Teach for Australia program, which attracts and supports high-calibre candidates into teaching in disadvantaged secondary schools. The department also supports the Australian Institute for Teaching and School Leadership (AITSL). AITSL, on behalf of the Government, works closely with the states and territories, non-government school sector, higher education providers, teacher regulatory authorities and other key stakeholders to support and improve the teaching profession.

The department and AITSL continue to support implementation of the Government's reforms to improve the capability of the teacher workforce based on the recommendations of the Teacher Education Ministerial Advisory Group (TEMAG) report. In December 2016 all education ministers, through the COAG Education Council, committed to developing the national Initial Teacher Education and Teacher Workforce Data Strategy to assist with workforce planning and assess the outcomes of initial teacher education. From 1 July 2016 all students undertaking an initial teacher education program are expected to meet the standard set by the Literacy and Numeracy Test for Initial Teacher Education Students to demonstrate that they have personal literacy and numeracy skills broadly equivalent to the top 30 per cent of the adult population before they graduate.

School leaders have an important role in determining the educational outcomes of students with research showing that principals have the second biggest in-school impact on student outcomes, after classroom teaching. School leaders set the tone and expectations of schools and are essential to creating an environment which supports and enables quality teaching. The department is working with AITSL to progress the Government's agenda for school leaders including the ongoing implementation of the *Australian Professional*



Standard for Principals and the *Leadership Profiles*, and to better assist current and aspiring principals to develop the skills and knowledge they need to be effective in the principal role. This included a School Leadership Roundtable, held in April 2017, which brought together key academics and researchers, school principals and leaders of national principal associations to explore future directions in school leadership.

School autonomy

The department continued to deliver the Government's priority for greater school autonomy and decision-making with the final year of the Independent Public Schools (IPS) program. Through this program, the Government has provided \$68.52 million from 2013–14 to 2016–17 to support increased autonomy in government schools. The initiative gave participating government schools in all states and territories more power over local decision-making and encouraged stronger links between schools, parents and local communities. Following the end of the IPS program in June 2017, the department is focusing on progressing work in the area of professional autonomy for school leaders through AITSL's work on leadership development.

Parent engagement in learning and wellbeing

In 2016–17 the department progressed a number of activities focussing on parent engagement in learning and wellbeing. These included expanding the Learning for Life program, adding new resources to the *Learning Potential* suite, and promoting the important role that parents have in the learning outcomes of their children.

The Government has partnered with The Smith Family to expand the Learning for Life program, which will support an additional 24,000 disadvantaged students across Australia, bringing the total students supported to some 56,000 by 2020. The program provides financial, practical and emotional support to disadvantaged students and their families, including helping them to stay at school, complete Year 12 (or equivalent) and successfully transition to work, or to further education and training. Parent engagement is at the core of this program. Families are supported to have shared responsibility for school attendance and educational outcomes. Parent engagement is at the core of this program. Families are supported to hold high expectations of their children and to have shared responsibility for student attendance and educational outcomes.

The Government's *Learning Potential* suite provides parents with two high quality online resources to help them support their children's learning and wellbeing:

- the *Learning Potential* app provides articles and informative videos, tips and suggestions to help parents become more involved in their children's education from birth to high school.
- the *Learning Potential Resources* website complements the app by providing primary school parents with activities and resources, linked to the Australian Curriculum, to support their children's literacy and numeracy learning.

In 2016–17 the app achieved an increase of 7668 users for a total of 123,342 users and an increase in website users of 31,257, reaching a total of 184,468 users. The *Learning Potential Resources* website has seen a steady increase in users to 13,128 since its launch in February 2017.

The *Learning Potential* app was recognised internationally in February 2017, winning the Education category of the Best Mobile Government Award at the World Government Summit in Dubai.

The department has also partnered with the Australian Research Alliance for Children and Youth to improve awareness and understanding of parent engagement in learning and wellbeing. This is being achieved through sharing evidence and by building and promoting the profile of parent engagement, through local champions,

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the Parent Engagement Network and the National Parent Engagement Conference. The conference was held on 6–8 June 2017 in partnership with The Smith Family, bringing together experts in the fields of research, policy and practice.

Supporting delivery of the Australian Curriculum

The department works closely with key stakeholders such as the Australian Curriculum, Assessment and Reporting Authority (ACARA) to support implementation of the Australian Curriculum. We also support targeted programs aligned to the curriculum. This includes a range of initiatives under the Government's National Innovation and Science Agenda to encourage student engagement in science, technology, engineering and mathematics (STEM). For example, first round recipients of the Digital Literacy School Grants were announced in April 2017. These grants are designed to help schools deliver the Australian Curriculum: Digital Technologies.

In 2016–17 the department led the establishment of a national STEM Partnerships Forum, in collaboration with the ACT Education Directorate, to build more effective STEM engagement between industry and schools. The Forum is a collaborative action under the *National STEM School Education Strategy 2016–2026* endorsed by all Australian education ministers in December 2015.

The inaugural meeting of the Forum was held in May 2017, chaired by Australia's Chief Scientist, Dr Alan Finkel AO. The forum participants, which included business and education representatives, identified three areas of initial focus:

- impact and outcomes
- teacher professional development
- careers awareness.

The department also supports targeted early learning initiatives aligned to the *Early Years Learning Framework*. For example, the Early Learning Languages Australia (ELLA) program makes language learning engaging and interesting to children in preschool through interactive apps. This program was made nationally available in 2017. Building on the success of ELLA, the department is also delivering the Early Learning STEM Australia (ELSA) pilot to enable preschool students to develop STEM concepts at an early age through play-based apps.

Supporting disadvantaged students

In 2016–17 the department worked across Government to ensure education remains a priority in whole-of-government Indigenous affairs agendas such as the Closing the Gap refresh and the implementation plan for the *National Aboriginal and Torres Strait Islander Health Plan 2013–2023*.

The department has also been working closely with the Departments of the Prime Minister and Cabinet, Social Services and Human Services to identify ways Government can better support Aboriginal and Torres Strait Islander students who study away from home.

The *Independent Review into Regional, Rural and Remote Education* is considering the key challenges and barriers that impact on the learning outcomes of regional, rural and remote students. It will provide recommendations to Government by December 2017 on innovative approaches to support improved access and achievement of these students in school and their transition to further study.



Digital Technologies Hub

The Digital Technologies Hub is an exciting science, technology, engineering and mathematics (STEM) initiative administered by the Department of Education and Training and delivered by Education Services Australia (ESA). It offers a single and easily accessible portal to a collection of freely available activities, learning sequences and other resources to support the teaching of the Australian Curriculum for digital technologies.

The aim of the Hub is to increase teacher and student engagement and confidence with digital technologies, and increase student proficiency in coding and computer programming.

Since going live in 2016, the Hub has attracted over 20,000 unique visitors. Teachers are able to

view case studies of school practice, search over 250 resources across Australian Curriculum year levels, and access lesson ideas to help plan for high quality learning opportunities for students. Students can visit the site to participate in fun competitions and challenges, find information about STEM careers or explore and create their own projects with the creative software available on the Hub.

Over the next three years, ESA will undertake further resource development. This will result in high quality resources to support the assessment of student progress in digital technologies, *Think like an Inventor* resources and purpose-made resources for students in Years 9 and 10.

Strengthening vocational education and training and career education in schools

The Pathways in Technology (P-TECH) pilot is an important element of the Government's plan to build Australia's STEM capability. In 2016 the Government announced it would be expanding the pilot from two sites to 14 sites across Australia. In 2017 five new P-TECH pilots commenced in schools in New South Wales, South Australia and Western Australia, with more to be phased in over the coming months. Local education and industry partners involved in the pilot are working together to design and deliver learning programs suited to local circumstances. P-TECH facilitates long-term partnerships between industry, schools and tertiary education providers to enable businesses to play an active role in the learning and career development of students.

The National Career Education Strategy is being developed with education, employer and parent stakeholders to improve career education in schools. The strategy aims to prepare young people with the skills, knowledge and attitudes they need to successfully transition from school to further education, training or employment or a combination of these and prepare them for the jobs of the future. The strategy is building on existing frameworks and is student-centred.

P-TECH Ballarat

“P-TECH gives you the chance to study technology both in the classroom and from those who use it really well in industry. It has been cool to see how much technology has changed and how machines are helping businesses to do things quicker and more efficiently.” Federation College student



In the regional city of Ballarat, the P-TECH pilot is run as a successful partnership between Federation College and IBM. Since 2016, approximately 35 students from Federation College have participated in authentic project-based learning, both at school and in the workplace. The collaboration has resulted in new learning experiences that support the delivery of the College's Victorian Certificate of Applied Learning (VCAL) program. With a focus on pathways in information technology, the Ballarat

P-TECH learning program provides opportunities for students to experience technology in action and explore how technology can solve problems to create new social and economic outcomes.

Students have delivered presentations to IBM mentors and community members on their understanding of the changing world of work and the importance of technology. They have formed connections with industry mentors and are on an industry supported pathway to post-school qualifications that will strengthen their employment prospects.

IBM's commitment to the program includes:

- providing a coordinator to work with IBM employees and Federation College to develop teaching and learning experiences
- the use of IBM workplace resources to support the delivery of VCAL through real-world applications
- developing a mentoring program to support young people in their understanding of workplace culture, employability skills and pathway planning.

In recognition of the success of the partnership between Federation College and IBM, the P TECH pilot at Ballarat won a 2016 'Partner—VCAL Partnerships' award from the Victorian Government.



Program performance

This section reports results for each program under Goal 2, against the performance criteria published in the *Education and Training Portfolio Budget Statements 2016–17*.

Table 2.5: Performance results for Program 1.5 Government Schools National Support

Performance criteria	Results	
Continue to work with state and territory governments to deliver quality student outcomes	The department works collaboratively with states, territories and non-government stakeholders to deliver evidence-based reforms that will help lift student outcomes. For more information see page 33	
Additional performance information	Estimate	Actual ^a
Funded full-time equivalent student enrolment projections	2,470,000	2,479,000
All full-time enrolments in Australian schools: Indigenous students	173,000	173,000
All full-time enrolments in Australian schools: Primary students	1,511,000	1,519,000
All full-time enrolments in Australian schools: Secondary students	948,000	947,000
Fund 100% of eligible students attending government schools	100%	100%

^a All actuals data is as at 5 August 2016.

Table 2.6: Performance results for Program 1.6 Non-Government Schools National Support

Performance criteria	Results	
Continue to work with non-government education authorities to deliver quality student outcomes	The department works collaboratively with states, territories and non-government stakeholders to deliver evidence-based reforms that will help lift student outcomes. For more information see page 33	
Additional performance information	Estimate	Actual ^a
Funded full-time equivalent student enrolment projections	1,312,000	1,313,000
Number of schools assisted with capital support	240	260
All full-time enrolments in Australian schools: Indigenous students	34,000	33,000
All full-time enrolments in Australian schools: Primary students	656,000	655,000
All full-time enrolments in Australian schools: Secondary students	659,000	658,000
Fund 100% of eligible students attending non-government schools	100%	100%

^a All actuals data is as at 5 August 2016. Enrolments rounded to the nearest thousand ('000).

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Table 2.7: Performance results for Program 1.7 Early Learning and Schools Support

Performance criteria	Results	
Facilitate children's early learning and development and transition to school, by maintaining universal access to, and improving participation in, affordable, quality early childhood education programs for all children	In 2016–17 the Commonwealth provided \$395.4 million to states and territories through the National Partnership Agreement on Universal Access to Early Childhood Education to support improved access to, and participation in, quality preschool education programs for 600 hours per year in the year before full-time school. For more information see page 33	
The department works collaboratively with government and non-government sectors and stakeholders to improve the quality of school education for all Australian students	The department works collaboratively with states, territories and non-government stakeholders to deliver evidence-based reforms that will help lift student outcomes. For more information see page 33	
Additional performance information	Estimate	Actual
<i>National Partnership Agreement on Universal Access to Early Childhood Education: Percentage of all children enrolled in quality early childhood education in the year before full time school</i> ^{a,b}	95%	100%
<i>National Partnership Agreement on Universal Access to Early Childhood Education: Percentage of Indigenous children enrolled in quality early childhood education in the year before full-time school</i> ^a	95%	100%
<i>National Partnership Agreement on Universal Access to Early Childhood Education: Of enrolled children, the percentage enrolled in quality early childhood education program(s) for 600 hours per year in the year before full-time school</i> ^a	95%	93%
<i>National Partnership Agreement on Universal Access to Early Childhood Education: Of enrolled Indigenous children, the percentage enrolled in quality early childhood education program(s) for 600 hours per year in the year before full-time school</i> ^a	95%	92%
National School Chaplaincy Programme: Number of schools receiving support for chaplaincy services ^{a,c}	2,900	3,327
Number of Associates commencing in schools in the Teach for Australia program ^d	60	130



Additional performance information	Estimate	Actual
Early Learning Languages Australia (ELLA) program expansion: Number of preschools and students participating ^e	N/A	There are over 1,800 preschools and over 60,000 students participating
Helping Children with Autism package: Number of teachers and other school staff attending professional development courses ^f	1,702	7,026
Helping Children with Autism package: Number of parents and carers attending workshops and information sessions ^g	1,800	2,830
Inspiring all Australians in Digital Literacy and STEM: Students participating in ICT Summer Schools	60	58
Inspiring all Australians in Digital Literacy and STEM: Digital Literacy School Grants to be provided	40	54
Additional 24,000 disadvantaged students participate in the Learning for Life program over 2016–17 to 2019–20 ^h	3,500	5,491

a Reported for the 2016 calendar year.

b The result for preschool enrolments (at the national level) is derived by calculating the number of four and five year olds enrolled in a preschool program as a proportion of the estimated residential population of all four year olds (as supplied by the ABS). Where proportions are calculated using two different sources of data, data comparability issues can result in estimates greater than 100 per cent. Where this occurs, results are capped to 100 per cent.

c As reported to the department by state and territory education authorities.

d The estimated number of associates commencing in the 2017 calendar is based on the minimum placements required under the contract. TFA was also encouraged to place additional associates into schools above the minimum specified. The actual number represents the total achieved.

e Reported for the 2017 calendar year.

f These figures relate to participation in both face-to-face workshops and online training which can be done independently of the workshops. The actual figures reflect a very high take up of the online learning modules.

g These figures relate to participation in both face-to-face workshops and online training which can be done independently of the workshops. The actual figures reflect a high take up of both the workshops and the online learning modules.

h The estimate for the first year of the project, which commenced in November 2016, was conservative. The Smith Family had an excellent start to the recruitment of students into the program. The substantially higher figure in year one does not affect their overall project target number of 24,000 as estimates and actuals are accrued.

Table 2.8: Performance results for Program 1.8 Youth Support

Performance criteria	Results
Funding for National Youth Week activities is provided directly to state and territory governments ^a	State and territory governments ran National Youth Week activities within their jurisdictions.

a As reported in the *Education and Training Portfolio Additional Estimates Statements 2016–17*, the National Youth Affairs Research Special Account 2006/45 determination sunset on 1 October 2016. As a result, only National Youth Week activities were funded in 2016–17.

GOAL 3: WORLD-CLASS TERTIARY EDUCATION AND RESEARCH

Enable the delivery of quality higher education, international education and research that contributes to both the Australian and the global economy and society.

Performance highlights

This section reports on the results against the performance criteria for Goal 3 as published in the *Department of Education and Training Corporate Plan 2016–2020* (see Table 2.9).

Table 2.9: Performance criteria for Goal 3 as published in the department’s Corporate Plan 2016–2020

Purpose	Performance criteria	Results
Goal 3: World-class tertiary education and research Enable the delivery of quality higher education, international education and research that contributes to both the Australian and the global economy and society.	Evaluation of the Higher Education Participation and Partnerships Program	Page 42
	Increased student participation in higher education, including by previously under-represented groups	Page 43
	Quality Indicators in Learning and Teaching drives improved quality, supports transparency and informs student choice	Page 44
	Higher Education Loan Program (HELP) enables access to tertiary education and HELP debts are affordable for both students and the community	Page 45
	Increased access to major national research infrastructure to support collaborative research activities	Page 46
	Maintain and strengthen international students’ satisfaction with studying and living in Australia (biennial survey)	Page 46

Evaluation of the Higher Education Participation and Partnerships Program

Higher Education Participation and Partnerships Program (HEPPP) aims to ensure that Australians from low socioeconomic status (low SES) backgrounds who have the ability to study at university also have the opportunity to do so. An evaluation of HEPPP was undertaken in 2016–17 and the report published on the department’s website on 19 May 2017.

The evaluation found that HEPPP is positively influencing the quantity and rigour of equity activities and policies in recipient universities. Between 2010 and 2015 some 2679 HEPPP projects were implemented at 37 eligible universities and over 310,000 university students participated, with additional students supported in schools and other institutions.

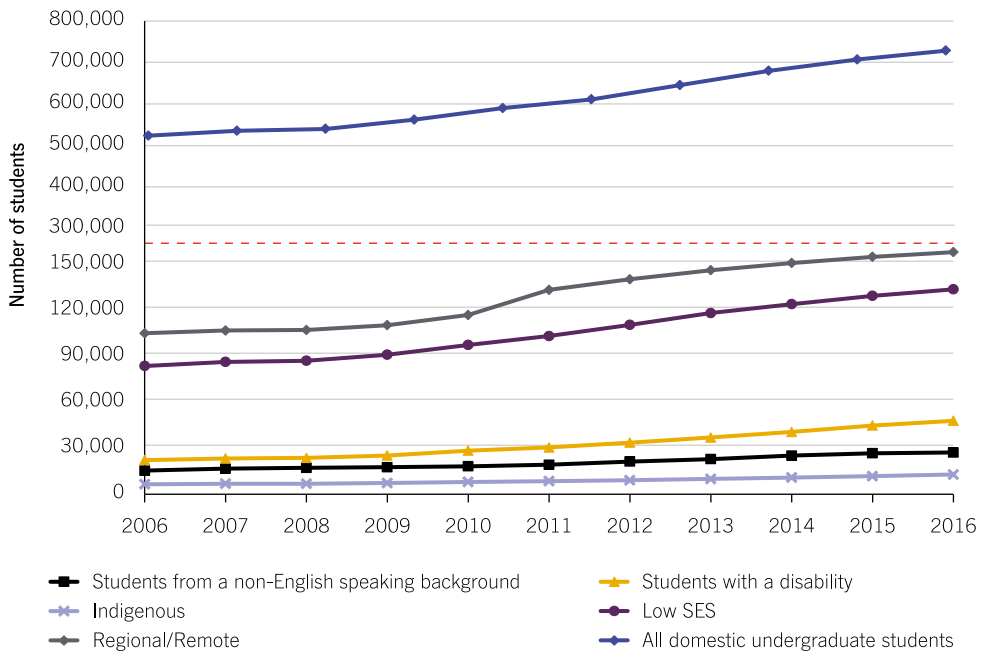


The evaluation identified areas for improvement to increase the program’s effectiveness, including revising the funding arrangements to focus on outcomes for low SES students and designing and embedding a stronger evaluation framework. In response to the evaluation, the Government announced reforms to the HEPPP as part of its higher education package, announced on 1 May 2017, which is subject to the passage of legislation. The department continued to support HEPPP implementation at the 37 eligible universities, ran 11 competitive grants processes under the National Priorities Pool component that allocated over \$6 million to equity research and innovation projects and hosted six equity fellowships during 2016–17.

Increasing participation in higher education, including for previously under-represented groups

Wider access to higher education has resulted in increased participation by identified equity groups. Contributing programs and policies include the HEPPP, the demand driven system of higher education and the Higher Education Disability Support Program.

Figure 2.10: Domestic undergraduate students by equity group, 2006–2016



Part 2

As shown in Figure 2.10, between 2011 and 2016, the overall number of domestic undergraduate students enrolled at Table A and B higher education providers increased from 611,000 to 744,200 (an increase of 21.7 per cent).⁵ Over the same period, the number of:

- students with disability grew from 30,600 to 48,000 (an increase of 57.0 per cent)
- Indigenous students grew from 8,600 to 12,900 (an increase of 50.6 per cent)
- students from a non-English speaking background grew from 19,300 to 27,300 (an increase of 41.4 per cent)
- low SES students grew from 103,400 to 133,900 (an increase of 29.5 per cent)
- regional and remote students increased from 133,500 to 158,200, an increase of 18.5 per cent.

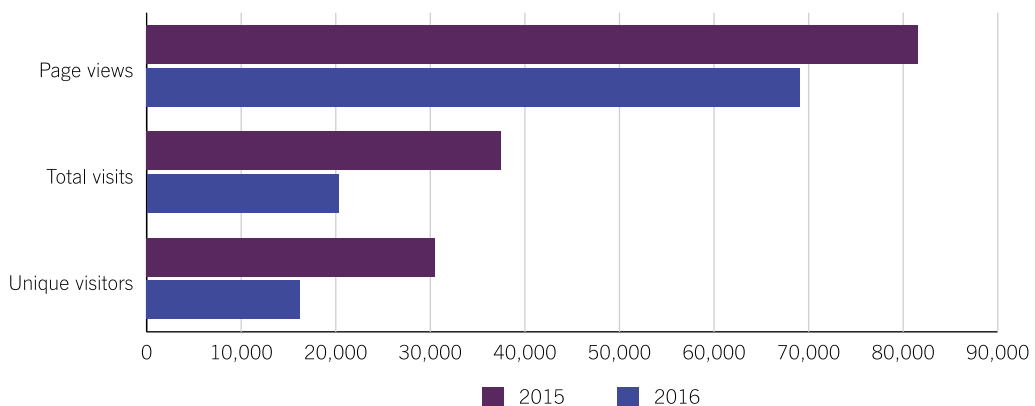
Improving quality in higher education by supporting transparency and informing student choice

Prospective students require transparent and comparable information about institution and course quality. The Quality Indicators in Learning and Teaching (QILT) website (www.qilt.edu.au), released in September 2015, helps inform student choice on study options and drives quality in higher education in Australia.

The QILT website allows prospective students to compare by institution and by study area and includes data for all Australian universities and around 55 non-university higher education providers. Available data includes indicators of student experience and satisfaction, as well as graduate labour market outcomes. Enhancements to the website in 2016 included the publication of results at the postgraduate coursework level and the ability to view institution results against national averages.

Over 366,000 unique visitors accessed the QILT website in 2016. As shown in Figure 2.11, average monthly unique visitors to the website increased from 20,300 to 37,500 between 2015 and 2016, with the number of page views per month increasing from 69,100 to 81,600.

Figure 2.11: Monthly average QILT website usage, 2015 and 2016



⁵ Refers to universities listed as Table A or Table B providers under the *Higher Education Support Act 2003*.



In addition to the ongoing focus on building stronger data for accountability, the department supported the Higher Education Standards Panel review of ways to improve the transparency of higher education admissions processes. The Panel's key recommendations (published November 2016, accepted by the Government on 16 December 2016) included that providers use common and consistent language to describe Australian Tertiary Admission Rank (ATAR) thresholds and other admissions requirements and publish information on admissions processes in agreed templates to ensure ease of comparison for prospective students and their parents.

A sector-led working group, supported by the department, was established in early 2017 to develop a practical response to recommendations of the Panel. The working group released its final agreed implementation plan on 5 July 2017, identifying the actions that higher education sector stakeholders and relevant government agencies commit to delivering over 2017 and 2018 to improve access to clear and readily comparable information on higher education admission requirements and processes.

Making tertiary education accessible and affordable by providing student loans

The Higher Education Loan Program (HELP) removes the up-front cost barriers to tertiary education by providing income contingent loans for students in higher education and selected vocational education and training (VET) courses. A high proportion of students choose to defer their tuition fees for eligible courses to a HELP loan. In 2015 and 2016, 88 per cent of Commonwealth supported students deferred their payment through HECS-HELP.

The average outstanding HELP debt in 2016–17 was \$20,300, which is around \$900 or five per cent higher than in 2015–16 (\$19,400). For people who fully repaid their HELP debt, the average time to repay in 2016–17 was 8.9 years, which is slightly higher than 2015–16 (8.8 years). These figures include people who have incurred HELP debts (formally known as the Higher Education Contribution Scheme) since 1989.

The estimated proportion of new HELP debts not expected to be repaid in 2016–17 (25 per cent) increased from 2015–16 (from 22 per cent). This increase is primarily due to a change in the Australian Government Actuary's (AGA's) methodology for modelling repayment profiles of debtors with vocational education and training (VET) loans. The AGA's preliminary advice shows the estimated proportion of new HELP debts incurred in 2016–17 (excluding VET loans) not expected to be repaid is 18 per cent.⁶

The Government is improving the sustainability of the HELP scheme by introducing a new schedule of repayment thresholds for HELP, this includes a minimum repayment threshold of \$42,000 with a one per cent repayment rate. Subject to the passage of legislation, this will apply to all current and future HELP debtors from 1 July 2018.

The VET FEE-HELP scheme ceased for new students on 31 December 2016, with a grandfathering option for students active within the scheme at that time. There were 72,468 unique students completing their studies at 30 June 2017. The new VET Student Loans program commenced on 1 January 2017 and is designed to improve affordability, maximise employment outcomes for students, prioritise loans that align with industry skills needs, and improve financial sustainability.

The department and the Australian Taxation Office (ATO) have implemented Message Queue technology to

⁶ As at 30 June 2017, the Australian Government Actuary estimated the fair value of the higher education loans to be \$35.9 billion. This balance takes into account new loans and repayments made during 2016–17, unwinding of discount and a fair value loss totalling \$6.1 billion. Further information, including the factors contributing to this loss, is provided in the financial statements at Part 4 of this report.

Part 2

support more timely and efficient transmission of data between the two agencies. This has included building on current processes to realign data fields between both agencies' systems and improving completeness of student data. The department and the ATO have also developed and implemented an overarching comprehensive risk-based compliance and enforcement strategy for HELP. The department is continuing to work with the ATO to monitor and manage risks with the HELP program.

Improving access to major national research infrastructure

Under the National Collaborative Research Infrastructure Strategy (NCRIS), the Australian Government has invested nearly \$3 billion since 2006 to create a national collaborative network of distributed research infrastructure facilities to underpin research in areas of national priority. The NCRIS network of national facilities provides researchers with access to a wide range of leading edge research infrastructure. Activities to increase access in 2016–17 included:

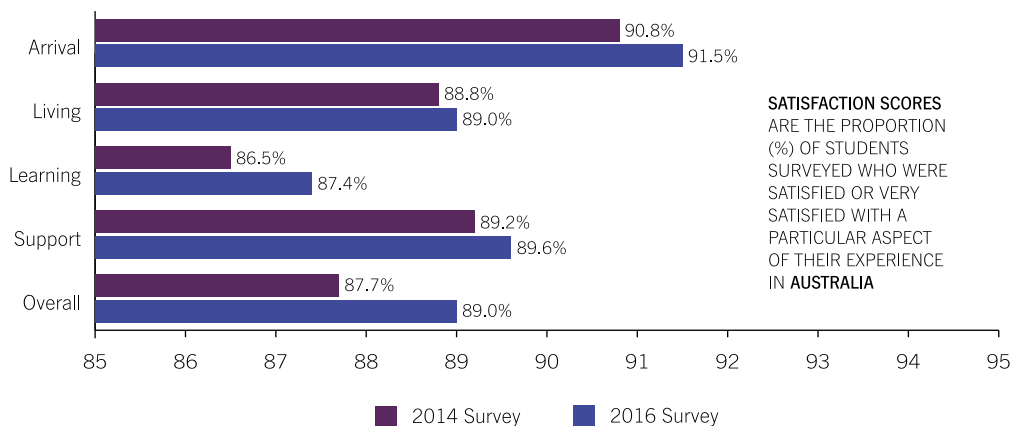
- additional capacity at the Australian Microscopy and Microanalysis Research Facility
- expanded access to the Atlas of Living Australia database of more than eight million records.

Overall, the NCRIS network supports 35,000 domestic and international researchers and other end-users of research. It provides a career path for more than 1700 highly skilled technical and research specialists in a broad range of research disciplines.

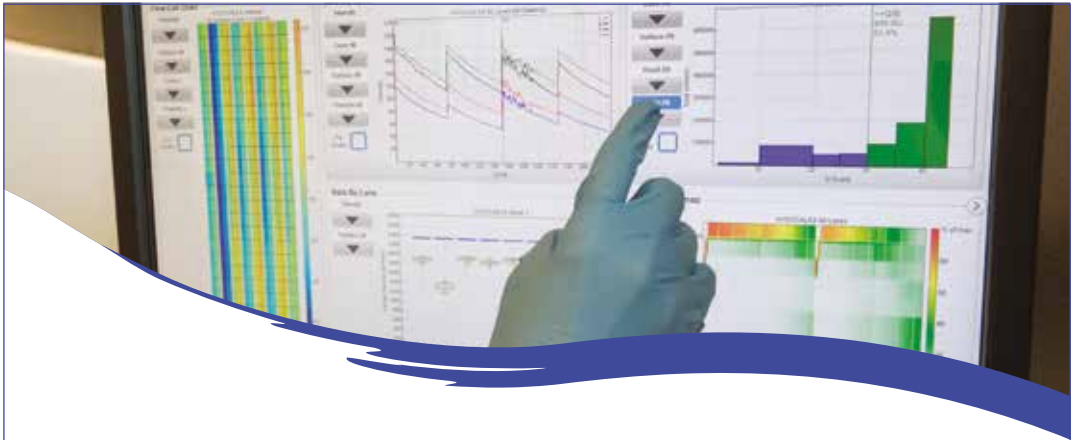
Increasing international student satisfaction with Australia as a study destination

International students are overwhelmingly satisfied with studying and living in Australia, according to a 2016 national survey of over 65,000 international students. The biennial survey captured the views of tertiary students undertaking higher education, VET and English language courses in Australia. It found 89 per cent of students were satisfied or very satisfied with their overall experience in Australia, and satisfaction has grown from 2014 levels. Students reported increased satisfaction with support for their learning in Australia, arrival arrangements and with living and general support to assist them to study and live in Australia.

Figure 2.12: International student satisfaction with arrival, living, learning and support in Australia, 2016



Source: 2016 International Student Survey (published by the department). 2014 International Student Survey (published by the department).



International collaboration advancing cancer research and care

On 27 July 2016, then Vice President of the United States, Joe Biden, announced the signing of a memorandum of understanding (MOU) between researchers in the USA and Australia, which will facilitate the sharing of international datasets to significantly advance cancer research and care.

Bioplatforms Australia (BPA)—established through Australian Government funding under NCRIS—is one of the partners to the MOU. BPA provides critical support to Australian and international researchers through access to world-class research infrastructure in the fields of genomics, proteomics, metabolomics and bioinformatics. The other partners to the MOU are Macquarie University, the Garvan Institute of Medical Research and the Children’s Medical Research Institute in Australia, and the National Cancer Institute at the National Institutes of Health in the United States.

The MOU enables greater access to clinical research and other data, research infrastructure and research talent, to facilitate research collaborations leading to better cancer care. This framework for collaboration will strengthen the evidence base necessary for cancer prevention, treatment and management—leading to improved patient outcomes, including reducing deaths, improving quality of life and reducing the economic cost of the disease.

By aligning efforts in Australia and the USA, an unprecedented international dataset will be made available, with data contributed as soon as it is available for use by cancer researchers and physicians around the world—including supporting the cancer care of an expected minimum of 50,000 Australian patients by 2021.

Image: Genomic characterisation of cancer, such as that undertaken at the Garvan Institute enabled through NCRIS support, will be key to successful diagnosis and treatment (pictured - DNA sequencing technology).

Goal 3 analysis and priorities

This section provides an **analysis** of the factors or developments that have, or may have had, an impact on performance under Goal 3, with reference to key priorities that were identified in the *Department of Education and Training Corporate Plan 2016–2020*.

Improving the sustainability and effectiveness of Government funding to higher education

The demand driven system has substantially increased higher education opportunities, with the proportion of 25 to 34 year olds with a bachelor degree increasing to 37 per cent in 2016, up from 24 per cent in 2001. This underpins both individual and national prosperity by providing flexibility to adjust course offerings in light of student and employer demand for different skills. The employment prospects for graduates continue to be better than for those without post-secondary qualifications, with a persistent two to three percentage point advantage in employment rates over non-graduates.

The Government supports the continuation of the demand driven system but recognises that its operation and sustainability can be improved. The Government announced a reform package for higher education in the 2017–18 Budget, which aims to deliver more choices for students and increase transparency, accountability and sustainability in the sector. The package is yet to be considered in Parliament.

The sustainability of HELP requires that all students who are able to repay their HELP debt do so. Compulsory repayment of the debt commences once an individual's HELP repayment income is at or above the minimum repayment threshold, which was \$54,869 in the 2016–17 income year. Voluntary repayments may also be made at any time. To manage growth and ensure the long-term sustainability of the HELP scheme, including reducing the overall rate of debt not expected to be repaid, the Government has recently passed changes to legislation. From 1 January 2017, the 10 per cent HECS-HELP upfront payment discount and the five per cent voluntary HELP repayment bonus were removed. From 1 June 2017, the HECS-HELP Benefit was discontinued.

In 2016–17 the department worked with the ATO and the AGA to create a database that contains de-identified information on HELP debtors, including demographic, educational, income and occupation-related information. This will enhance the department's ability to analyse HELP debt and debtors, including analysing differences between those who repay and those who are below the repayment threshold. In the future, the database will also be used to link employment outcomes and earnings to course selection data, to better inform students about employment prospects of their study options through the QILT website.

Aligning Australia's research effort with the national innovation system

The department undertook a range of activities to implement new program guidelines for research block grants, which replaced the previous six schemes with two new programs, the Research Support Program and the Research Training Program (RTP) from 1 January 2017. The new arrangements are designed to drive greater research-industry collaboration by increasing incentives for industry and other end-user engagement. The reforms also allow universities greater autonomy and flexibility to support scholarships and training pathways and provide increased funding recognition for Indigenous student completions. The department worked closely with the university sector to ensure a smooth transition to the new arrangements, including work to promote sector awareness of the changes, improve data reporting and implement new scholarship policies.



These policy innovations were in response to the *Review of Research Policy and Funding Arrangements*, led by Dr Ian Watt AC and the *Review of Australia's Research Training System* undertaken by the Australian Council of Learned Academies. The department established a cross-sectoral working group including university, industry and student representatives to develop implementation strategies to improve the research training system targeting five priority areas: pathways to training, industry engagement, Indigenous participation, quality and improving the evidence-base. Quantitative and qualitative measures for assessing the engagement and impact of university research were also developed and piloted in 2017, led by the Australian Research Council and supported by the department. A full national assessment is expected in 2018.

Identifying Australia's priority national research infrastructure needs

Under the National Innovation and Science Agenda (NISA), the Government commissioned the development of the *2016 National Research Infrastructure Roadmap* to identify Australia's long term research infrastructure needs and to ensure Australian researchers can continue to access cutting edge research infrastructure. The 2016 Roadmap, released by the Government on 12 May 2017, was developed through extensive consultation with the research community, universities, industry, federal, state and territory governments, publicly funded research agencies and operators of research infrastructure facilities. It assesses how to maximise the benefits of existing national research infrastructure built over the last ten years and identifies the next generation of research infrastructure needed to support national science and research effort.

The 2016 Roadmap is an important step towards ensuring that Australian and international researchers have access to cutting edge and world-class national facilities, to lift Australia's competitiveness and international reputation. In 2017–18 the department, in collaboration with the Department of Industry, Innovation and Science, will work with key stakeholders to develop a *Research Infrastructure Investment Plan*, to inform the Government response to the 2016 Roadmap.

Preserving and extending Australia's share of global education markets

The Government's *National Strategy for International Education 2025* acknowledges the importance of international education in driving Australia's future economic growth, global engagement and social advancement. Under the leadership of ministers and experts on the Council for International Education, the strategy guides the department's work in ensuring Australia's international education sector grows sustainably, is future focused, innovative and more globally engaged.

Australia's international education sector is our largest services export and third largest export industry overall. In 2016 the value of the industry was a record \$22.4 billion and enrolments increased by 11 per cent, with a further 15 per cent growth in the first quarter of 2017. International education has been identified as one of five sectors that can drive the next wave of Australia's economic growth and prosperity. It supports more than 130,000 jobs in Australia.

As discussed on **page 46**, international students are increasingly satisfied with their study and living experience in Australia and are continuing to tell a positive Australian education story when they returned home. The top three reasons international students chose to study in Australia are:

- the reputation of Australian qualifications
- the reputation of the Australian education system as a whole
- personal safety and security.

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In 2016–17 the department worked to build strategic education and research connections internationally, including driving cooperation for the benefit of all students. The department supported education missions to India and Indonesia led by portfolio Ministers, Senator the Hon Simon Birmingham and the Hon Karen Andrews MP. The department's government-to-government efforts build confidence in Australia as an education partner and saw the department lead education discussions in multilateral forums, including the Asia-Pacific Economic Cooperation forum, the G20 and the OECD, and hold discussions on strengthening cooperation with a range of nations including Indonesia, China, India, Japan, the Republic of Korea, Chile, the Philippines, Singapore, Vietnam, Malaysia and the United Kingdom.

Program performance

This section reports results for each program under Goal 3, against the performance criteria published in the *Education and Training Portfolio Budget Statements 2016–17*.

Table 2.10: Performance results for Program 2.1 Commonwealth Grant Scheme

Performance criteria	Results	
All domestic students accepted into a bachelor level course at a public university are provided with a Commonwealth supported place	This program provides funding to universities on a demand driven basis for all domestic students enrolled in a bachelor degree at a public university (excluding medicine). This funding reduces the direct cost to students in Commonwealth supported places. Limited funding is also provided for students enrolled in a medical degree, sub bachelor degree or postgraduate degree.	
Additional performance information	Estimate	Actual ^a
Number of Commonwealth supported domestic undergraduate places	581,300	575,897
Number of Commonwealth supported domestic postgraduate coursework places	40,700	39,353
Number of enabling places	9,700	9,686
Number of CGS medical places	13,100	13,205
Number of regional campuses under the CGS for which regional loading is applied	47	47
Number of domestic enrolments (full-time equivalent)	749,000	740,000
Number of domestic postgraduate enrolments (full-time equivalent)	129,000	126,000
Number of undergraduate completions	204,000	204,000
Number of postgraduate coursework completions	118,000	119,000

a Values apply to 2016 calendar year. Enrolments and completions rounded to the nearest thousand ('000).



Table 2.11: Performance results for Program 2.2 Higher Education Superannuation Program

Performance criteria	Results		
The department works with eligible universities to ensure accurate projections of future eligible superannuation expenses	<p>The program meets certain expenses for current and former university employees who are members of identified state government emerging cost superannuation schemes.</p> <p>The department has worked with eligible universities to ensure accurate projections of future eligible superannuation expenses.</p>		
Additional performance information	Estimate	Actual	
All instalments are paid on time to the 27 eligible Table A universities	27 providers paid on time	27 providers paid on time	

Table 2.12: Performance results for Program 2.3 Higher Education Support

Performance criteria	Results
Expand the IT architecture to collect and store future earnings data for the Quality Indicators for Learning and Teaching (QILT) project on a protected server. This includes qualitative coding and analysis of data	In 2016–17 the department worked with both the Australian Taxation Office and the Australian Government Actuary to create a database that links education courses with income and occupation information. In 2018, the QILT website will publish graduate income data sourced from this database, which will inform students of the earning potential in their study area.
The Higher Education Participation and Partnerships Program (HEPPP) will be evaluated	An evaluation of HEPPP was undertaken in 2016–17 and the report published on the department's website on 19 May 2017. More information on the evaluation is on page 42.
The Government will implement its response to the evaluation of the Higher Education Disability Support Program (DSP)	The DSP provides funding to eligible higher education providers to purchase equipment and provide educational support that assists domestic students with disability to access, participate and succeed in higher education. It also funds the Australian Disability Clearinghouse on Education and Training website. On 31 October 2016 the department released a discussion paper outlining a proposed response to the 2015 evaluation of the DSP, with submissions closing on 25 November 2016.

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Performance criteria	Results		
The Student Experience Survey, the Graduate Outcomes Survey and the Employer Satisfaction Survey are conducted	Each of the identified surveys was conducted in 2016. QILT surveys provide timely and reliable information on higher education performance. Results from the surveys are published on a purpose built website at www.qilt.edu.au		
Additional performance information	Estimate	Actual	
Number of learning and teaching citations and awards provided to higher education providers by the Promotion of Excellence in Learning and Teaching in Higher Education Program ^a	180	211	
Number of students participating in Australian Mathematical Sciences Institute activities ^b	320	314	
Higher education graduates in full-time employment within four months of completion of degree as a proportion of those available for work	68.4%	70.9%	
Graduate starting salaries as a proportion of male average weekly earnings ^b	75.8%	80.4%	
Number of domestic undergraduate low SES enrolments ^b	145,000	140,000	
Statistical Area Level 1 measure of the number of domestic undergraduates in low SES ^b	131,000	125,000	
Proportion of higher education undergraduate students from a low SES background ^b	18.5%	17.9%	
Number of Indigenous students enrolled at funded institutions ^b	15,600	16,980	
Number of Indigenous completions at funded institutions ^b	2,080	2,150	
Number of Indigenous student enrolments by selected higher education course level categories ^b	16,000	17,800	
Supporting STEM careers: Number of industry based PhD internships ^{c,d}	100	39	

a Higher numbers in team awards resulted in increased number of learning and teaching citations.

b Values apply to 2016 calendar year.

c Performance criteria first published in the *Education and Training Portfolio Additional Estimates Statements 2016–17*, as the result of a new measure in the Mid-Year Economic and Fiscal Outlook 2016–17.

d Program commenced in January 2017 and result relates to the 2017 calendar year, as at 10 July 2017.



Table 2.13: Performance results for Program 2.4 Higher Education Loan Program

Performance criteria	Results	
Growth in access to higher education and eligible VET courses for students who may have been otherwise deterred by upfront costs—as evidenced by growth in HELP loans to this cohort	The availability of HELP loans removes the up-front cost barriers to tertiary education. Since 2010 the number of higher education and VET students accessing a HELP loan, including HECS-HELP, FEE-HELP, VET FEE-HELP and VET Student loans, has grown by 66 per cent to nearly 795,000 EFTSL in 2016. ^a	
HELP debts are affordable for both students and the community	The sustainability of the scheme requires all students who are able to repay their HELP debt do so. Refer to the performance highlight on page 45 for more information.	
Additional performance information	Estimate	Actual
Number of Commonwealth supported places for which HECS-HELP loans paid ^b	533,000	601,054
Number of places for which FEE-HELP loans paid ^b	88,500	77,778
Number of OS-HELP loans to assist students to undertake some of their course overseas ^b	16,800	14,861
Number of SA-HELP loans to assist students to pay their services and amenities fees ^b	515,400	483,803
Average amount of HELP debt (\$) ^c	20,700	20,300
Average number of years to repay HELP debt ^c	8.9	8.9
Proportion of new debt not expected to be repaid ^c	23%	25%

a EFTSL: Equivalent Full Time Student Load.

b Values apply to 2016 calendar year.

c Estimate as modified in the *Education and Training Portfolio Additional Estimates Statements 2016–17*, as the result of revised actuarial assessment of the value of HELP debts.

Table 2.14: Performance results for Program 2.5 Investment in Higher Education Research

Performance criteria	Results	
New program guidelines for block grants to strengthen incentives for university-industry engagement will be developed in consultation with universities and other stakeholders. The new arrangements will be implemented by 1 January 2017	The Government introduced new program guidelines for research block grants, replacing the previous six schemes with two new programs, the Research Support Program and the Research Training Program. The new arrangements commenced on 1 January 2017.	
Develop quantitative and qualitative measures of engagement and impact for piloting in 2017 in consultation with universities, industry and other end-users	Quantitative and qualitative measures for assessing the engagement and impact of university research were developed jointly with the Australian Research Council. Consultation mechanisms included a Steering Committee, Technical Working Group and Performance and Incentives Working Group—comprising industry leaders, university leaders and experts in research performance evaluation. The measures were also informed by consultations with the university sector, industry and other end-users of research. A pilot, undertaken in mid-2017, tested the measures in preparation for a full national assessment in 2018.	
Additional performance information	Estimate	Actual ^a
Number of commencing Australian Postgraduate Awards allocated	up to 3,500	3,497
Number of commencing International Postgraduate Research Scholarships allocated	330	330
The Equivalent Full-time Student Load supported by Research Training funding	21,500	26,618
Number of higher degree by research student completions	9,500	10,494
Number of research only and teaching-and-research staff supported	50,000	49,431

a Values apply to 2016 calendar year.



Table 2.15: Performance results for Program 2.6 Research Capacity

Performance criteria	Results	
Finalisation of the National Research Infrastructure Roadmap in 2016 to guide future national research infrastructure investment, including NCRIS investments	The <i>2016 National Research Infrastructure Roadmap</i> was released by the Government on 12 May 2017. It assesses how to maximise the benefits of existing national research infrastructure built over the last ten years and identifies the next generation of research infrastructure needed to support the national science and research effort.	
NCRIS project agreements executed for funding commencing 1 July 2017	NCRIS supported a network of national facilities in 2016–17. Twenty-six projects have agreements in place, providing funding for two years from July 2017.	
Australia's learned academies provide the Government and the Australian community with access to quality, independent advice informed by the latest research and scientific evidence on national and international matters	In late 2016 the Australian Council of Learned Academies was commissioned by the Office of the Chief Scientist to partner with Government agencies to deliver 'Horizon Scanning' projects, to provide in-depth and cross-disciplinary analysis of emerging global issues in science and technology.	
Additional performance information	Estimate	Actual
Number of attendees participating in activities promoting research awareness ^a	54,000	76,554
Number of research infrastructure projects established under the National Collaborative Research Infrastructure Strategy (NCRIS) to offer services to the research sector	27	27
Number of participants in National Security College courses ^b	350	895

a Actuals as at 30 November 2016 as reported in the learned academies' 2016 annual reports.

b Actuals as at 31 December 2016 as reported in the National Security College 2016 Annual Report.

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Table 2.16: Performance results for Program 2.7 International Education Support

Performance criteria	Results	
Complete a national satisfaction survey of international students to determine if international students continue to be satisfied with their study and living experience in Australia	The International Student Survey was completed in 2016 and found students are increasingly satisfied with their study and living experience in Australia and were continuing to tell a positive Australian education story when they returned home. See also performance highlight on page 46 .	
National Strategy for International Education will provide targeted foci for a range of activities to enhance international education's contribution to Australia's economic prosperity and social well-being	Fourteen innovative projects have been funded under the National Strategy to help strengthen and grow Australia's international education sector. These projects focus on: enhancing the experience of international students studying in Australia; expanding the biennial international student survey to capture information about graduate employment outcomes and to reach students studying offshore and online; and supporting a range of activities relating to the ongoing development of Australian international education.	
Continue building the strategic connections which benefit both international and Australian students and lead to enduring relationships with other nations to support world-class education and research	The department has representatives in eleven overseas locations across Asia, Latin America, Europe and North America to build strategic education and research connections internationally. This is supported by the work of the department with international partners to drive cooperation for the benefit of all students.	
Additional performance information	Estimate	Actual
Number of international scholarships and fellowships supported (Endeavour Scholarships and Fellowships ^a)	590	273
Number of exchange opportunities supported (Endeavour Mobility Grants)	2,800	2,836
Proportion of international student survey respondents who are satisfied or very satisfied with studying in Australia	minimum 87%	87%
Proportion of international student survey respondents who are satisfied or very satisfied with living in Australia	minimum 89%	89%
Number of projects and/or activities delivered to support the National Strategy for International Education ^b	At least 40	14

a The lower number of new commencing scholars and fellows in 2016–17 is due to limits to available funding. A total of over 700 recipients were on an award as at 30 June 2017.

b Expected to be at least 40 projects and/or activities over the forward estimates from 2016–17.



GOAL 4: SKILLED WORKFORCE

Ensure that Australia’s workforce has the capability to respond to the needs of current and emerging industries thus contributing to their global competitiveness.

Performance highlights

This section reports on the results against the performance criteria for Goal 4 as published in the *Department of Education and Training Corporate Plan 2016–2020* (see Table 2.17).

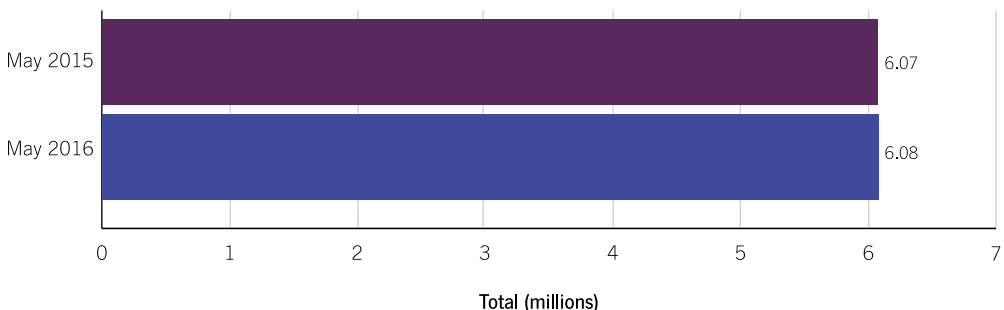
Table 2.17: Performance criteria for Goal 4 as published in the department’s Corporate Plan 2016–2020

Purpose	Performance criteria	Results
Goal 4: Skilled Workforce Ensure that Australia’s workforce has the capability to respond to the needs of current and emerging industries thus contributing to their global competitiveness.	Growth in the number and proportion of Australians with VET skills	Page 57
	VET student satisfaction, salaries and jobs (annual survey)	Page 58
	Growth in the apprenticeship commencements and completion rate	Page 59
	Change in indicators of quality of training, including regulatory actions and revisions to training packages	Page 63
	Progress towards National Partnership on Skills Reform outcomes	Page 65
	Evaluation of the Trade Support Loans program	Page 66

Growth in the number and proportion of Australians with VET skills

Between May 2015 and May 2016, the number of Australians aged 15–74 with vocational education and training (VET) skills as their highest qualification remained steady at 6.1 million (see Figure 2.13). The proportion of the Australian labour force with VET skills (37.7 per cent) was similar to 2015 (38.1 per cent).

Figure 2.13: Number of Australians aged 15–74 with VET skills, 2015–2016



Source: ABS, 2016, *Education and Work*, cat. No. 6227.0

Note: VET skills refers to people whose highest education attainment level is one of the following qualifications: Graduate Diploma, Graduate Certificate, Advanced Diploma, Diploma, Certificate I–IV, Certificate not further described.

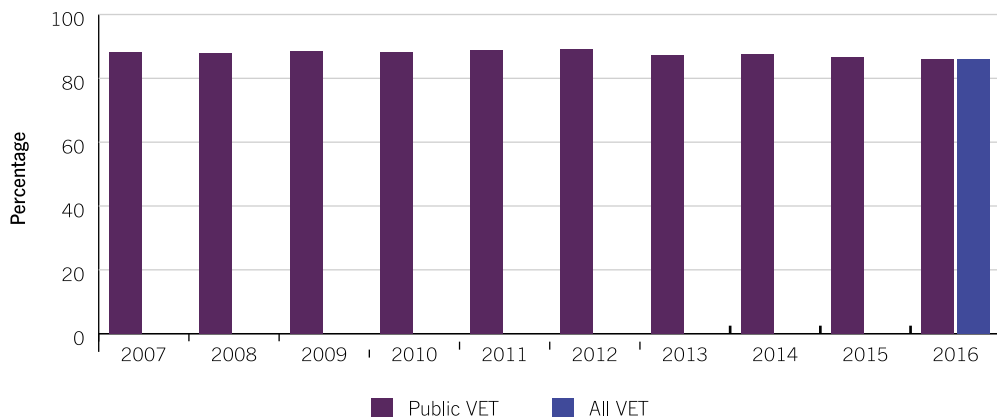
VET student satisfaction, salaries and jobs

Satisfaction rates and employment outcomes for 2015 VET students (surveyed in 2016 by the National Centre for Vocational Education and Research (NCVER)) remained high, with:

- 86.1 per cent of all VET graduates satisfied with the overall quality of their training
- 90.6 per cent who would recommend the training
- 88.0 per cent who would recommend their training provider.

The VET student outcomes survey was extended in 2016 to include VET graduates from fee-for-service registered training organisations (RTOs) for the first time. Previously, students were surveyed only if they received government funding or studied at a public provider. Figure 2.14 shows the proportion of VET graduates who were satisfied with the overall quality of their training, including showing that results in 2016 are consistent between public VET graduates and all VET graduates.

Figure 2.14: The proportion of VET graduates who were satisfied with the overall quality of their training, 2007–2016



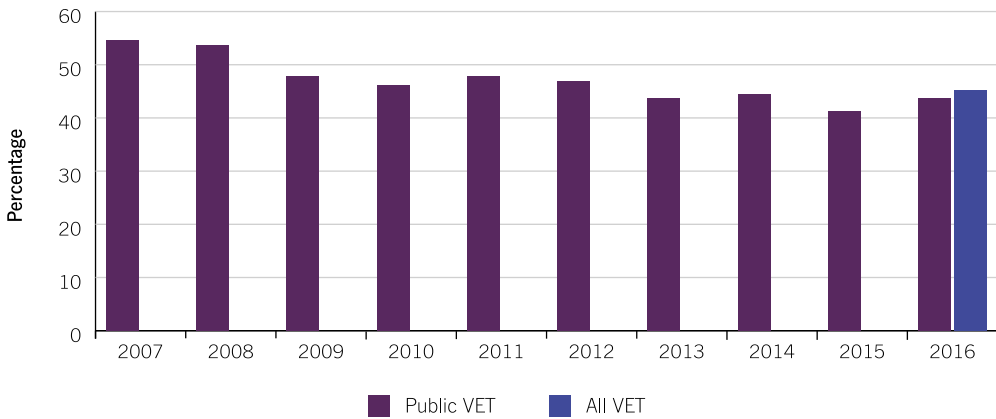
Source: NCVER, *Australian vocational education and training statistics: government-funded student outcomes 2016*.
NCVER, *Australian vocational education and training statistics: total VET graduate outcomes 2016*.

Of those VET students who were not employed before training and who graduated in 2015, 45.3 per cent were employed when surveyed in 2016 (see Figure 2.15).

Of those employed after training, 78.0 per cent of graduates found their training relevant to their current job. More than half (55.5 per cent) of all graduates reported an improved employment status after training and 15.3 per cent of already employed graduates said they were employed at a higher skill level. The median annual income for 2015 VET graduates, employed in their first full-time job started after training, was \$44,000 in 2016.⁷

⁷ NCVER, *Australian vocational education and training statistics: total VET graduate outcomes 2016*.

Figure 2.15: The proportion of VET graduates not employed before training who were employed after training, 2007–2016



Source: NCVER, *Australian vocational education and training statistics: government-funded student outcomes 2016*.
 NCVER, *Australian vocational education and training statistics: total VET graduate outcomes 2016*.

Apprenticeship commencements and completion rates

Overall Australian Apprenticeship commencements decreased by 2.9 per cent during 2016 compared with 2015. Non-trade commencements increased by 5.9 per cent and trade commencements decreased by 12.4 per cent. There are a range of factors that influence the commencement activity of apprentices and trainees, including:

- the overall strength of the economy
- employer confidence and wages
- the activities of training providers
- financial incentives and subsidies provided by both the state and federal governments.

Improving the rate at which Australian Apprentices complete their apprenticeships is a vital part of the Government’s commitment to building a stronger, more capable workforce that has the skills and flexibility to meet Australia’s changing needs, and which supports Australia’s international competitiveness as a trading nation.

It can take up to four years for apprentices to complete. The latest available data is for 2016 and includes completion rates for those who began their training in 2012. When the completion rates for apprentices and trainees that started training in 2012 are compared to those that started in 2011, there is a small increase in the individual completion rate at a national level, with individual completion rates growing across all jurisdictions. The greatest growth was in Victoria as shown in Table 2.18.

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Table 2.18: Apprentice and trainee completion rates by state or territory, for 2011 and 2012 commencing cohorts

	2011		2012		Growth	
	Contract completion rate (%)	Individual completion rate (%)	Contract completion rate (%)	Individual completion rate (%)	Contract completion rate change	Individual completion rate change
New South Wales	51.0	58.8	55.3	65.1	4.3	6.3
Victoria	53.1	57.6	55.3	65.1	2.2	7.5
Queensland	55.6	61.4	58.1	64.4	2.5	3.0
South Australia	57.0	57.0	56.9	57.2	-0.1	0.2
Western Australia	53.8	58.0	55.2	59.6	1.4	1.6
Tasmania	58.5	63.3	61.3	66.8	2.8	3.5
Northern Territory	42.2	48.1	43.3	49.0	1.1	0.9
Australian Capital Territory	47.9	54.5	50.1	55.1	2.2	0.6
Australia	53.3	58.8	55.2	61.4	1.9	2.6

Source: NCVER, *Completion and Attrition Rates for Apprentices and Trainees 2016*.

Note: Individual completion rate shows the proportion of apprentices and trainees who complete their apprenticeship or traineeship. Contract completion rate shows the number of apprentices who complete their apprenticeship or traineeship with the same employer they started their apprenticeship or traineeship with.

The Australian Apprenticeship Support Network (AASN) provides innovative, targeted services which have delivered tailored advice and support to Australian Apprentices and employers. The AASN has made it easier for employers to recruit, train and retain apprentices and trainees with the ultimate aim of improving Australian Apprenticeship commencements and completion rates.



Creating a nationally recognised training package for the pharmaceutical sector

Vocational education and training (VET) can benefit businesses in the pharmaceutical manufacturing sector, as Dr Paul MacLeman—Chief Executive Officer of IDT Australia—discovered. It started with a business problem: “How can we spend less time re-training people who move between companies in the industry?” Dr MacLeman realised nationally recognised training could benefit all businesses across the sector and set about getting his view heard.

Dr MacLeman was looking for a way to make skills portable and recognised across the industry. Meeting with other industry businesses with the same issue, Dr MacLeman investigated options that allowed staff to take their skills from one company to another and found there was no nationally recognised qualification to meet current employers’ needs.

In response to this issue, the Australian Industry and Skills Committee established a new, short-term Pharmaceutical Manufacturing Industry Reference Committees (IRC) to review and modernise the pharmaceutical training package and develop a nationally recognised qualification that will suit the needs of employers.

An IRC is a group of industry experts who provide advice on the skills needs of their industry.

“A nationally recognised qualification will cut down employee induction time by two to four weeks—saving money and time by not teaching people what they already know,” said Mr MacLeman.

“Our sector is rapidly evolving, and the establishment of this IRC is a way to tailor training quickly, know that our input will be fed back to Government, and nationally recognised training will be updated accordingly.”

Image: Image supplied by MTP.

Improving the quality of training, including regulatory actions and revisions to training packages

The Australian Industry and Skills Committee (AISC) continues to strengthen industry-led arrangements for VET training package development. The AISC has promoted a continuous improvement culture for the development of training packages. As at 30 June 2017 the AISC has completed 77 per cent of Industry Reference Committees (IRCs) reviews, broadening industry participation and strengthening membership of IRCs that inform the skills standards in VET training packages.

From 1 January 2017 all Skills Service Organisations (SSOs) were in place: Australian Industry Standards Limited; Artibus Innovation; Innovation and Business Skills Australia; PwC's Skills for Australia; Skills Impact; and Skills IQ. SSOs provide IRCs with professional enabling services ensuring the training system delivers the skills that employers need, including engagement with industry, development of training packages and secretariat support.

The AISC has commenced streamlining of processes for training package development to improve the responsiveness of the system to meet industry needs. AISC is also leading work implementing the COAG Industry and Skills Council (CISC) training package reforms. These reforms include greater use of skill sets to more quickly upskill workers and removal of obsolete and superfluous qualifications to make it easier for industry and students to use the national training system. A highlight illustrating the implementation of this objective in 2016 was the reduction in the number of VET training packages on the National Register from 77 to 67.

A number of national decisions were taken to improve the effectiveness and efficiency of the sector. The CISC agreed to progress the recommendations from the Training and Assessment Working Group's *Improving the Quality of Assessment in Vocational Education and Training* report. The CISC requested the AISC undertake further work on the Training and Education Training Package and agreed to progress consideration of assessment validation and professional development.

The CISC has strengthened the VET trainer and assessor credential requirements in the Standards for Registered Training Organisations 2015, in line with changes to the Training and Education Training Package. The changes ensure the VET workforce has the skills and knowledge to design and develop assessment tools and address the adult language, literacy and numeracy skills of their students. Trainers and assessors who do not hold the relevant units have until April 2019 to meet the new credential requirements.

In 2016, the department significantly strengthened its approach to compliance monitoring and actions for the VET FEE-HELP program and implemented a replacement program, VET Student Loans, to strengthen the integrity of the Australian VET system and the reputation of quality training providers.

The department also works closely with the Australian Skills Quality Authority (ASQA), the Australian Competition and Consumer Commission (ACCC), the Australian Taxation Office and tuition assurance scheme operators to share information (where appropriate) or conduct joint compliance activities.

Since the start of 2016, the department has conducted 32 audits of VET FEE-HELP providers. During 2015 and 2016, the ACCC initiated legal action against four VET FEE-HELP providers that are alleged to have breached various provisions of the Australian Consumer Law including by engaging in misleading or deceptive and unconscionable conduct. The department is joined as a party to the four court actions in order to seek relief for affected students and recover funds from the providers where appropriate.



Strengthening the quality of VET through compliance activities

Whilst most VET FEE-HELP and VET Student Loans providers deliver high quality training to students and comply with program requirements, some do not. The following case studies demonstrate the department's commitment to monitoring and enforcing compliance and the potential consequences of non-compliance for VET providers.

Case Study 1— Suspension of approval

The department suspended the approval of a VET FEE-HELP provider for poor performance, following a site audit of the provider's operations. The site audit involved an in-depth examination of the provider's books and records, and assessed the provider's compliance against a range of legislative and regulatory requirements.

The findings of this audit directly informed the suspension of the provider for poor performance. Under the terms of the suspension, the provider was suspended from the VET FEE-HELP scheme and required to implement a plan to rectify the performance issues uncovered by the audit. The suspension will remain in place until the Secretary of the department is satisfied the provider has rectified the issues. All suspensions are published on the myskills.gov.au website.

Case Study 2— Infringement notices

The department issued a VET FEE-HELP provider with 14 infringement notices for accepting requests for Commonwealth assistance where a student was not entitled to that assistance, amounting to separate contraventions of clause 39DH of Schedule 1 to the *Higher Education Support Act 2003*, which is a civil penalty provision.

The alleged failure to comply with this requirement was established through a provider audit by the department, where information was sought from the provider under the information request powers in Schedule 1 to the *Higher Education Support Act 2003*. Review of this information established that a number of students under the age of 18 had been enrolled without obtaining the signature of a responsible parent or guardian, and a number of students had been enrolled without obtaining the students' signature before the relevant census date.

The provider paid \$10,800 for each infringement notice, amounting to a total of \$151,200. Payment of the infringement notices was not an admission of guilt or liability by the provider. These notices were issued by the department as an alternative to pursuing legal proceedings to seek a civil penalty order from a court, after having considered the context and seriousness of the non-compliance.

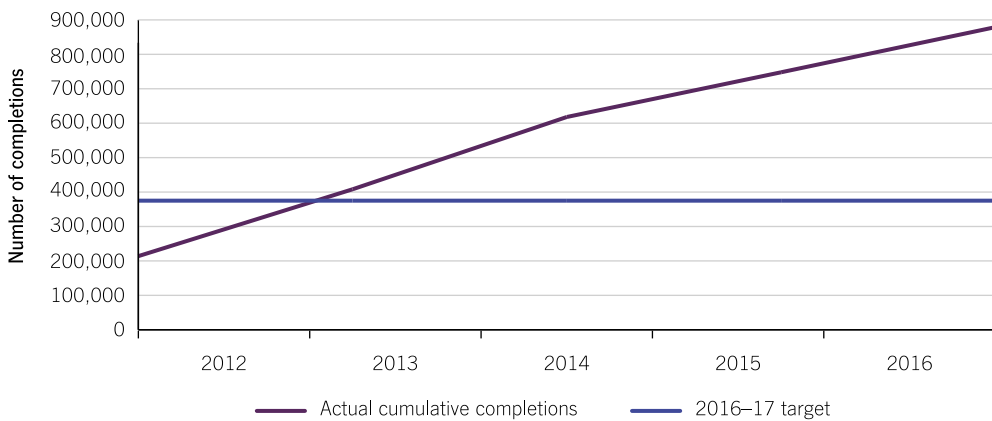
Progress towards National Partnership on Skills Reform outcomes

The National Partnership on Skills Reform concluded on 30 June 2017. All VET reform initiatives agreed to under the National Partnership were achieved by jurisdictions over the life of the agreement.

The structural reforms and targets under the National Partnership were directed to achieving reforms agreed between the Commonwealth and states and territories under the National Agreement on Skills and Workforce Development (NASWD). The NASWD seeks to deliver a VET system with improved quality and greater transparency for students, employers and governments, greater access to training opportunities, improved outcomes for disadvantaged students, and greater efficiency. In 2016, every jurisdiction met its outcome targets for achieving: a more accessible and equitable training system; a more transparent VET sector; a higher quality VET sector; and a more efficient and responsive VET sector.

The National Partnership set a target to increase aggregate qualification completions by 375,000 nationally between 2012 and 2016. This target was exceeded by over 400,000 completions by the end of 2016 (see Figure 2.16).

Figure 2.16: Cumulative VET qualifications completions above baseline, 2012–2016

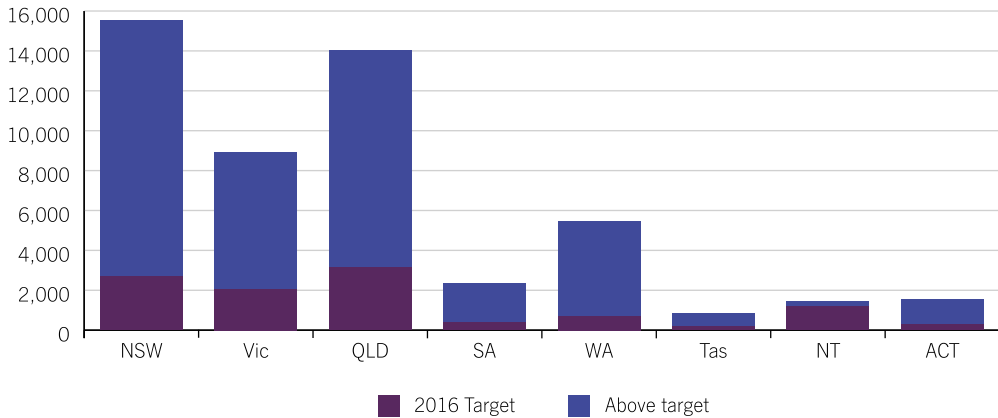


Source: NCVET, *Australian vocational education and training statistics: government-funded students and courses 2016*

The National Partnership included targets for Aboriginal and Torres Strait Islander training outcomes to deliver on the commitment made in the NASWD to respond to disadvantage. States and territories exceeded their targets for the Aboriginal and Torres Strait Islander training outcomes under the National Partnership (see Figure 2.17).



Figure 2.17: Number of Aboriginal and Torres Strait Islander training outcomes by state and territory, 2016



Source: NCVER, *Australian vocational education and training statistics: government-funded students and courses 2016*.

Note: Data for Victoria, the Northern Territory and the Australian Capital Territory relates to commencements. For all other states, data relates to completions.

Evaluation of the Trade Support Loans program

The Trade Support Loans (TSL) program, which commenced in July 2014, aims to increase completion rates among Australian Apprentices in priority areas by providing financial support to assist them with the costs of living and learning while undertaking an apprenticeship.

On 9 June 2017 the department engaged KPMG to undertake an evaluation of the TSL, which will conclude and report in 2017–18. The evaluation aims to gain a deeper understanding of the integration and performance of the program, assess whether the policy intent is being met and to make recommendations for future enhancements.

Goal 4 analysis and priorities

This section provides an **analysis** of the factors or developments that have, or may have had, an impact on performance under Goal 4, with reference to key priorities that were identified in the *Department of Education and Training Corporate Plan 2016–2020*.

Building a skilled workforce

Vocational education and skills development is crucial to Australia's social and economic prosperity and helps develop our national workforce, including addressing barriers to workforce participation. VET and apprenticeships deliver workplace-specific skills and knowledge for a wide range of occupations and industries.

Around four million Australians enrol in VET each year. This highlights the role of the department in supporting Australian businesses to train their workforce to ensure that they remain competitive, and in supporting job seekers to receive the training they need to fully participate in the economy.

A key challenge for the department is to work collaboratively, and negotiate with state and territory governments and industry, to ensure that national skilling priorities are met.

Implementing initiatives that better link to jobs and support businesses to remain competitive in global and domestic markets remained a priority of the department in 2016. In 2016–17 the department was responsible for administering over \$1 billion in VET funding.

One of the strengths of the Australian VET system is that it is industry-led. In addition to our funding role, the department plays a key role in improving the quality of training through the oversight of governance arrangements that facilitate an industry driven system.

Improving the quality of VET was a key priority for 2016. This was achieved through a range of initiatives including those that aimed to provide better consumer information and introducing regulatory reforms that will improve the quality and reputation of the VET sector, both domestically and overseas.

In 2016 the department significantly strengthened its approach to compliance monitoring and actions for the VET FEE-HELP program and introduced a replacement program, VET Student Loans, to strengthen the integrity of the Australian VET system and the reputation of quality training providers.

On 17 November 2016, at the annual Australian Training Awards, the Hon Karen Andrews MP, Assistant Minister for Vocational Education and Skills launched the VET Alumni program. The VET Alumni program aims to improve the status and appeal of VET and encourage participation in high quality training that meets the needs of industry and employers and gives all Australians the best opportunity to get a job.

The Australian Apprenticeships Ambassadors program, a sub-program of the VET Alumni has recently been recognised by the United Nations Educational, Scientific and Cultural Organization (UNESCO) by being added to a UN database which showcases initiatives that are improving VET practices. The program aims to raise the status of apprenticeships by recruiting prominent figures and high-performing former apprentices as ambassadors, and have them participate in events and business forums where they can showcase the apprenticeship system.



Facilitating training that enhances Australian businesses' competitiveness in global markets

The department acts to facilitate VET, rather than deliver training. In practice this means that the department contracts with third parties to provide services, including training to meet national priorities.

For example, through the Industry Skills Fund (ISF) businesses were provided with access to independent skills advice and training grant funding. Independent skills advice was delivered to 655 businesses in 2016–17. The service, which was fully funded by the Government, provided businesses with tailored training recommendations that aimed to assist each business to pursue a growth opportunity in domestic and international markets.

The ISF was launched in January 2015 and closed on 31 December 2016. A total of \$24.5 million in grants to businesses were approved. The ISF has funded over 45,926 training and support services, including 19,169 training and support services in 2016–17. The majority of training grants delivered by the fund in 2016–17 were to micro and small businesses (71 per cent).

The changing nature of work and the diverse VET sector require strong intergovernmental cooperation to meet emerging skills needs of businesses and students in the face of continued rapid changes in the labour market and in technology. The CISC develops and implements high-level policies that assist Australian industry to be competitive and motivated to create jobs and investment. The CISC focuses on major policy reforms that require collaboration between the Commonwealth and states and territories.

A major new Commonwealth initiative, the Skilling Australians Fund, was announced in the 2017–18 Budget. The initiative will support new apprenticeships, traineeships, pre-apprenticeships and higher level apprenticeships and will see matched funding from the states and territories. The Fund will be managed through a new agreement with the states and territories, and will have high levels of accountability and transparency.

Better consumer information and regulatory reforms

The VET sector needs to meet the needs of students and employers now and into the future. To ensure that policy settings are meeting these needs, the department has embarked on a data, information and regulatory reform agenda.

The My Skills website continues to provide information that allows training consumers to compare providers and courses, and make informed choices about training. My Skills now provides users with more timely information about state and territory subsidised courses and apprenticeship data. My Skills usage continues to grow. In 2016–17 the site had 1.8 million visits, an increase of 34 per cent from the previous year.

The department commissioned market research with consumers, influencers and employers to understand how they make decisions about which RTO and VET course to choose, which will inform further development of My Skills and future development of VET outcome surveys.

Performance Information for VET (PIVET) was endorsed by CISC in November 2016. PIVET, which involves nine projects over three years, will result in a RTO performance dashboard for consumers and an integrated virtual data platform for sharing information between governments and regulators. PIVET is a joint Commonwealth-state initiative and individual jurisdictions are leading work to increase the availability of outcome data, refine the measurement of completions and review the effectiveness of survey instruments.

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The national register for VET—training.gov.au—provides the VET sector with authoritative information on training packages, accredited courses and registered training organisations. The national register continues to be relied upon by the sector, as evidenced by the 7.8 million visits this year. In 2016–17 the new training package development arrangements were fully integrated into the online system.

Public consultation with a wide range of VET stakeholders on reforms to the National VET Provider Collection Data Requirements Policy (VET Data Policy) was conducted in 2016–17. The VET Data Policy provides the framework for collecting and accessing data that improves understanding of Australia's VET system. Comprehensive data enables students to obtain a transcript of all their training since 2015, consumers to make informed training choices, governments to develop training policies, regulators to undertake risk-based regulation, and peak bodies and RTOs to promote best practice. Skills ministers are expected to consider a revised VET Data Policy in 2017.

The regulatory reform agenda was a key priority in 2016–17. The Government commissioned Professor Valerie Braithwaite to undertake a review of the *National Vocational Education and Training Regulator Act 2011* (NVETR Act) that underpins the regulation of the VET sector. The review aims to better support ASQA to act efficiently and effectively to protect students, employers and the public against training providers that fail to meet quality standards. The objectives of the review include:

- shifting the regulatory framework towards outcomes-based regulation
- identifying any legislative changes needed to support a more efficient and risk-based approach to compliance
- enabling swift enforcement of sanctions when poor quality training is detected
- ensuring adequate information is available to support VET consumers' choices
- administrative improvements to the NVETR Act.

Reforming student loans to better protect students and the reputation of the VET sector

The new VET Student Loans program was announced on 5 October 2016 and commenced on 1 January 2017. The VET Student Loans program is designed to be affordable, fiscally sustainable and student-centred. It will protect the reputation of the education and training sector by enabling eligible students to access quality higher level VET qualifications that meet industry needs, creating better opportunities for employment. The transitional period began 1 January 2017, with the full program commencing on 1 July 2017.

As part of the reforms made to the arrangements for student loans the Government has put in place new measures to strengthen the way that complaints are handled. On 1 July 2017 a new VET Student Loans Ombudsman (VSLO) commenced operation to deal with complaints about loans made under the previous VET FEE-HELP loans scheme and the new VET Student Loans program.

The VSLO is part of the broader Commonwealth Ombudsman's office. The Ombudsman is separate from the department and has its own legal powers to investigate and deal with complaints. The VSLO will also work with VET student loan scheme providers to improve the way that providers deal with student complaints.



Trialling alternative approaches for apprenticeships

In 2016, the Government announced five industry-led pilots that will test innovative apprenticeship training models across the country to contribute to an evidence base that informs future policy development and funding settings. Three of the pilots focus on traditional trades and represent industries vital to the national economy, including electrical, building and construction. Two pilots are trialling new higher apprenticeship arrangements leading to careers in advanced manufacturing and professional and business services. All five pilots have commenced training and will conclude in 2019 and 2020.

Program performance

This section reports results for each program under Goal 4, against the performance criteria published in the *Education and Training Portfolio Budget Statements 2016–17*.

Table 2.19: Performance results for Program 2.8 Building Skills and Capability ⁸

Performance criteria	Results
Training grants are prioritised to micro and small businesses (through the Industry Skills Fund)	Over 71 per cent of grants under the Industry Skills Fund were awarded to micro and small business.
Increase completion rates of Australian Apprentices	Completion rates of Australian Apprentices increased 2.6 per cent between 2015 and 2016. ^a More information is available in performance highlights on page 60
Scholarships improve students' skills and employment opportunities to support priority industries in South Australia ^b	Results are not available. The first round of scholarships will be offered in 2017–18.
Eligible job seekers are assisted to improve their Language, Literacy and Numeracy (LLN) skills in order to participate effectively in further training or in the labour force	The Skills for Education and Employment (SEE) Program assists eligible job seekers to improve their language literacy and numeracy skills with the expectation that such improvements will enable them to participate more effectively in training or in the labour force.

⁸ Refer also to Table 2.13: Performance results for Program 2.4 Higher Education Loan Program for information on the performance of the VET FEE-HELP program in 2016–17.

Part 2

Performance criteria	Results	
Eligible migrants and humanitarian entrants are assisted in acquisition of English language enabling better workforce participation and settlement in the broader Australian community	The Adult Migrant English Program (AMEP) assists eligible migrants and humanitarian entrants to transition to work and settlement in the broader Australian community through English language training.	
Ongoing operation of programs and systems, including data collections, continue to support the national training system. Further reforms implemented as needed.	<p>AISC continued leading the work on building national industry skills capability through strengthening and improving the responsiveness of training packages. This work included transitioning training packages to the updated standards for nationally accredited, industry-focused training. Out of 67 training packages 51 have now successfully fully transitioned to the updated standards as at 30 June 2017.</p> <p>Training.gov.au was maintained as the authoritative source for regulatory decisions and other relevant information on RTOs, training packages and accredited courses.</p> <p>The My Skills website continues to provide information that allows training consumers to compare providers and courses, and make informed choices about training.</p> <p>Data on fee-for-service and government supported training activity was collected and published by the National Centre for Vocational Education Research to inform broader market activity and management of the system by the Australian Government and states and territories.</p> <p>More information is available from page 67.</p>	
Additional performance information	Estimate	Actual
Sub-program 2.8.1: Industry Competitiveness		
Number of participants supported to undertake training and/or support services through the Industry Skills Fund (ISF) ^{c,d}	7,000	19,169
Sub-program 2.8.2: Skills Development		
Number of organisations contracted to provide services as Australian Apprenticeship Support Network providers	11	11
Total number of employers who have received a payment under the Australian Apprenticeships Incentives Program (AAIP) ^e	79,000	58,810
Total number of Australian apprentices receiving a personal benefit through the AAIP ^f	3,000	1,549
Trade Support Loans - Number of Australian Apprentices in receipt of Trade Support Loan payments ^{g,h}	45,000	45,971



Additional performance information	Estimate	Actual
Sub-program 2.8.3: Access to Training		
Number of eligible job seekers assisted through the SEE program ⁱ	24,440	21,846
Number of eligible migrants and humanitarian entrants assisted through the AMEP	63,665	64,140
Sub-program 2.8.4: Support for the National Training System		
The National Partnership Agreement on Skills Reform set a target of an increase in qualification completions of 375,000 nationally over the life of the agreement (2012–13 to 2016–17)	375,000	785,005

- a Individual completion rate shows the proportion of apprentices and trainees who complete their apprenticeship or traineeship, but who may have changed employers during their training.
- b Performance criteria first published in the *Education and Training Portfolio Additional Estimates Statements 2016–17*, as the result of a new measure in the Mid-Year Economic and Fiscal Outlook 2016–17.
- c Estimate modified in the *Education and Training Portfolio Additional Estimates Statements 2016–17* to reflect material changes to this program. The Industry Skills Fund closed to new applications on 31 December 2016.
- d Date Source: Strategic Grant Management System (SGMS). Data extracted on 30 June 2017. Following MYEFO more grant applications than anticipated were received. Skills advice services continued to 31 January 2017.
- e Data source: The Training Youth Internet Management System (TYIMS). Data extracted on 2 July 2017. AAIP is a demand driven program linked to Australian Apprenticeship commencements. The actual results reflect current demand in the system.
- f Data source: The Training Youth Internet Management System (TYIMS). Data extracted on 2 July 2017. AAIP is a demand driven program linked to Australian Apprenticeship commencements. The actual results reflect current demand in the system.
- g Estimate modified in the *Education and Training Portfolio Additional Estimates Statements 2016–17* to reflect revised projections.
- h Data source: The Training Youth Internet Management System (TYIMS). Data extracted on 2 July 2017.
- i There were 36,563 people assisted including 21,846 new commencements.



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Management and accountability

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CORPORATE GOVERNANCE

Governance framework

The Department of Education and Training introduced a new committee structure in early 2017, following a review of governance arrangements that was completed in December 2016. The revised governance framework aims to continue to support the delivery of education and training policy outcomes in a manner consistent with applicable legal, accountability and policy obligations.

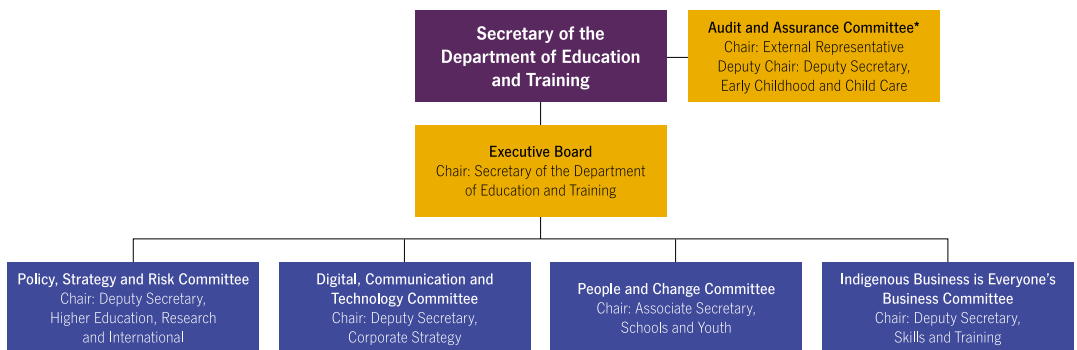
The Executive Board is the decision-making body for the department. Membership consists of the Secretary and Associate and Deputy Secretaries. The Executive Board is responsible for setting long-term strategy for the department, and for ensuring the delivery of the Australian Government’s objectives and compliance with the department’s obligations under the *Public Governance, Performance and Accountability Act 2013* (PGPA Act).

As at 30 June 2017 there were five advisory committees in place:

- Audit and Assurance
- Digital, Communication and Technology
- Indigenous Business is Everyone’s Business
- People and Change
- Policy, Strategy and Risk.

These advisory committees report to the Executive Board, or to the Secretary (see Figure 3.1), and support the department to achieve its priorities and objectives.

Figure 3.1: The department’s governance structure



*Required under legislation or part of whole-of-government agenda

Audit and Assurance Committee

The department’s Audit and Assurance Committee, established in compliance with section 45 of the PGPA Act, is responsible for providing independent assurance and assistance to the Secretary on the department’s financial and performance reporting responsibilities, risk oversight and management, and systems of internal control. As at 30 June 2017 the Audit and Assurance Committee consisted of three internal and four independent members and is chaired by an external member.



Corporate reform

In late 2016, a new Deputy Secretary for Corporate Strategy was appointed to focus on organisational reforms to better manage our resources and achieve efficient and effective outcomes. The first step in this reform agenda has been to ensure the department's corporate services areas are efficient, enabling business partners to the department's policy and program areas. This has included projects to develop a new hub and spoke corporate operating model, a Technology Strategy, Digital Communication and Engagement Strategy, and improvements to the department's corporate capability.

The new corporate operating model is well underway with the centralisation of finance, human resources and parliamentary resources ahead of a co-design process to develop the hub and spoke model, a standardised service offer and principles to guide the development of service level agreements and governance arrangements. These changes will be supported by people capability plans to give staff access to improved career paths and to ensure quality service delivery.

Shared services arrangements

The Shared Services Centre (SSC) was established jointly by the Department of Education and Training and the Department of Employment to provide shared corporate services for both departments. On 12 September 2016 it was announced that some of services previously provided by the SSC were to be transferred to the Department of Finance, some services would remain shared and some other services returned to each department.

Under new shared services arrangements, which came into effect on 1 December 2016.

- The Department of Finance's Service Delivery Office supplies the department with core transactional services, including accounts payable and receivable, credit card management, payroll and payroll system administration, and transactional travel management.
- The Department of Employment provides some corporate and technology services to the department, including records management, procurement and grants support, financial viability assessments, network access and client computing.
- The department provides library and theatre (including audio-visual) services to the Department of Employment and other customers.

The department has entered into memorandums of understanding (MOU) with the Departments of Employment and Finance, respectively, for the provision of relevant services.

Corporate and business planning

The *Department of Education and Training Corporate Plan 2016–2020* was published on the department's website on 31 August 2016. The plan sets out our vision—*opportunity through learning*—and describes how our goals support lifelong learning for everyone—from early childhood, through schooling, vocational education and training, and university. The plan also outlines our priorities and performance criteria over the next four years.

In early 2017 the department commenced consultation and development of its new Corporate Plan for 2017–18, including addressing the key findings of the Australian National Audit Office Report No. 54 2016–17. This included engaging more effectively with both internal and external stakeholders in the

Part 3

development of the plan and developing a new purpose statement: *maximising opportunity and prosperity through national leadership on education and training*.

Business plans are developed annually for business areas and outline a formal statement of priorities and how they will be achieved. Business plans play an important role in ensuring alignment of work priorities and work deliverables. The 2016–17 business plans provide a clear line of sight between our vision and the work we do collectively and individually to achieve our goals.

Risk management

The department encourages staff to engage with risk and use risk management as a tool to make sound business decisions. In 2016–17 the department focused on ensuring that our Risk Management Framework, and supporting documentation remained relevant to guide the department's work. These tools continue to support staff with their understanding of how the department encourages a culture that shares information across the department.

The Executive Board's management of risk is supported by the department's planning and decision making processes. Accurately identifying, treating and monitoring departmental risks and opportunities at all levels enhances the department's resilience and capacity to respond in complex environments. In 2016–17 the department's Executive Board identified our enterprise-level risks and defined the department's risk appetite and tolerance for risk. This work was supported by the new Chief Risk Officer, appointed in February 2017.

Comcover's Risk Management Benchmarking Program assessed the department's risk maturity in 2016 as 'advanced'. Our risk maturity ranked in the top 30 per cent of participating government entities and is consistent with the department's size, complexity and operating environment.

The department's risk management framework aligns with broader requirements such as the *Commonwealth Risk Management Policy* and the *Australian/New Zealand Standard on Risk Management (AS ISO 31000:2009)* and meets the requirements of section 16 of the PGPA Act.

Fraud control

In December 2016 the fraud prevention and fraud investigation functions, previously performed by the SSC, were returned to the department.

The department continues to operate under the *Fraud Control Plan 2015–2018*, which details processes for managing fraud risks at all levels. The plan includes a high level summary of fraud risks, which is reviewed annually to ensure relevancy. The plan works in conjunction with the department's *Risk Management Framework and Policy* to ensure fraud risks are considered as part of every risk assessment (with fraud consideration being mandatory for certain risk plan types). All relevant risk plans are registered in the department's enterprise risk management application, *RiskActive*, and must be reviewed on a regular basis.

The department continually explores innovative solutions to managing fraud risk and incidents. Solutions include improving legislative frameworks, refining analytical capability and strengthening controls. In 2016–17 the department supported government reforms that:

- further reduced fraudulent activity by operators of family day care services through the introduction of disallowable instruments in October 2016 and March 2017



- ceased the VET FEE-HELP program and introduced the VET Student Loans program, which tightened marketing and recruitment practices and changed provider application arrangements. While the VET FEE-HELP program has closed, under grandfathering arrangements there were 72,468 unique students completing their studies at 30 June 2017.

Further information on both these reforms is available in Part 2 of this report.

Fraud prevention and investigation services managed within the department include:

- ongoing implementation and monitoring of the Fraud Control Plan
- providing advice on how to report potential fraud and commence the investigation process
- support for general fraud queries, including dealing with fraud issues
- reporting requirements under the *Commonwealth Fraud Control Framework 2014*
- advising on any other fraud-related matters.
- conducting fraud investigations on behalf of the department's activities.

Strategic Policy and Data Analytics Branch

The department's Strategic Policy and Data Analytics (SPADA) Branch was established in 2016–17 to enhance the use of data and evidence in policy development and decision making. SPADA is working across the department to improve the accessibility and usability of the department's data and information, provide professional development to build staff capability to use data and evidence, and take part in whole-of-government data initiatives.

A high priority for the new branch has been to draw together the department's data assets so they can be used more easily. The data held by the department offers great opportunities for analysis and better targeted advice. A number of steps have been taken to achieve this goal.

In 2016–17 SPADA published an Evidence Directory on the department's intranet site, pulling together in one place links to internally-held, and publicly available, education

data, in curated themes. It has made it easier for staff to find and use the existing data. SPADA has also commenced work on an enterprise-wide Data Management Strategy. Implementation will occur in 2017–18 and enable the department to manage its data assets holistically and get the most value from them, while maintaining effective safeguards for the privacy of individuals.

In 2016–17 the department secured \$14.3 million over three years to establish a National Education Evidence Base (NEEB) from the Public Service Modernisation Fund. NEEB will draw together data on all aspects of education—early childhood education and care, schools, vocational education and training and higher education. When complete, it will be a resource available to staff to provide easy access to the data and analysis needed to inform policy and decision making. Work on NEEB will commence in 2017–18.

PEOPLE MANAGEMENT

Our people

As at 30 June 2017 the department had 1937 employees. Machinery of government changes announced on 12 September 2016 resulted in a reduction of employee numbers due to the transfer of SSC employees to the Departments of Finance and Employment on 1 December 2016. Summary tables of workforce statistics start on **page 80**.

The department's People and Change Committee is responsible for incorporating current and emerging business priorities into the development of the department's People Strategy, workforce planning, and learning and development strategies. The committee also provides oversight of the development and implementation of the department's *Workplace Diversity and Inclusion Strategy 2017–2019* and associated action plans, ensures that the department has a well developed and deployed change management approach for managing major change, and monitors the department's implementation of Australian Public Service (APS) reform initiatives. A focus on improved workforce metrics and data analysis provides an evidence base for decisions.

Developing a capable workforce

In 2016–17 the department undertook a review of its policy and program capability needs, and associated approach to learning and development, to ensure the department continues to provide high quality policy advice to government and effective and efficient program administration. Consultation with employees was undertaken in 2016–17 to develop a new Policy and Program Skills Framework, which will support future workforce planning and capability development.

In 2016–17 the department also continued to provide all employees with:

- easy access to eLearning across a variety of technical and management areas through online training portals *Lynda.com*, *Skillsoft* and *Good Practice*
- a certified eLearning Indigenous cultural awareness training program
- a suite of training programs to build policy and writing capability.

The department also delivered training to staff with supervisory responsibilities to improve the quality of performance conversations, grow and develop staff, and to facilitate behaviour change.

Building data literacy

In 2016–17 the department put in place a program of learning and development opportunities to build data literacy across the organisation. Data literacy has been identified by the Australian Public Service Commission (APSC) and the Department of the Prime Minister and Cabinet as an area of growing need in the APS. The program covers the APSC's five data literacy capabilities—undertaking research; using statistics; visualising the information; telling the story; and providing evidence for decision-makers—and reminds employees of data security and privacy obligations.



The program also draws on the Policy and Program Skills Framework by identifying three levels of proficiency—developing, practising and leading. In 2016–17 the department targeted staff at the introductory ‘developing’ level of proficiency. Commencing with the national office, a one day Data Literacy course and a half-day Data Visualisation course were offered between April and July 2017, involving approximately 13 per cent of national office employees.

The department also worked with the APSC to develop questions about the data capability of APS employees for the 2017 APS Employee Census. The results, along with internal surveys and consultations, will allow us to better understand the capabilities and needs of our staff and to build appropriate professional development offerings for 2017–18 and beyond.

Entry level programs build future capability

The department continues to provide entry level program opportunities to build capability and succession planning.

In 2016–17 the department offered graduate positions and participated in the Indigenous Australian Government Development Program (IAGDP). The department employed 39 graduates on its 2017 graduate program and ten participants were engaged for the 2016–17 IAGDP program. Graduates complete a 10 month program consisting of two work placements, on-the-job training and structured learning and development. IAGDP participants undertake a Diploma of Government while working full-time over a 15 month period. Fifty-four participants completed entry level programs in 2016–17: 40 graduates, 13 IAGDP participants and one Indigenous cadet.

Remuneration

Remuneration and conditions for SES employees

Remuneration and conditions for Senior Executive Service (SES) employees are covered by Section 24(1) determinations made by the Secretary under the *Public Service Act 1999*. These determinations provide for a total remuneration approach to SES remuneration and conditions. SES arrangements do not provide for performance pay. Table 3.1 shows the number of SES covered by Section 24(1) determinations and Table 3.2 shows the salary ranges for SES employees.

Remuneration and conditions for non-SES employees

The *Department of Education and Training Enterprise Agreement 2016–2019* sets out the terms and conditions for non-SES employees. Table 3.1 shows the number of non-SES employees and Table 3.3 details the salary ranges under the enterprise agreement. The department also uses individual arrangements to secure specific expertise or specialist skills that are critical to business needs. As at 30 June 2017, 20 employees had individual arrangements in place.

Workforce statistics

Table 3.1: Employment agreement statistics status at 30 June 2017

Classification	Section 24(1) determinations	Enterprise Agreement	Total
SES	66	0	66
Non-SES	0	1,870	1,870
Total	66	1,870	1,936

Note: The Secretary is not included in these figures as remuneration arrangements for departmental secretaries are set out under a separate instrument.

Table 3.2: Salary ranges at 30 June 2017—Senior Executive Employees

Classification	Salary range (\$)
SES Band 1	164,220 – 246,116
SES Band 2	230,010 – 278,845

Note: SES Band 3 figures not provided as figures would identify individual's salaries. Additional information on 2016–17 executive remuneration is published at www.education.gov.au/about-department

Table 3.3: Salary ranges at 30 June 2017—Department of Education and Training Enterprise Agreement 2016–2019

Classification	Salary range (\$)
APS Level 1	28,408 – 51,769
APS Level 2	55,610 – 59,259
APS Level 3	62,103 – 64,685
APS Level 4	67,555 – 72,247
APS Level 5	74,588 – 79,741
APS Level 6	83,853 – 92,210
Executive Level 1	103,111 – 113,961
Executive Level 1 (IT Specialist)	119,659 – 125,356
Executive Level 2	121,337 – 145,650
Government Lawyer	64,685 – 92,210
Senior Government Lawyer	103,111 – 126,311
Principal Government Lawyer	138,424 – 149,291



Table 3.4: Employees by classification at 30 June 2017

Classification	Female		Male		Total	
	2016	2017	2016	2017	2016	2017
Cadets/Trainees	1	0	0	0	1	0
Indigenous Australian Government Development Program Trainees	13	7	2	3	15	10
Graduates	24	23	17	14	41	37
APS Level 1	0	0	0	0	0	0
APS Level 2	2	3	1	1	3	4
APS Level 3	20	22	12	13	32	35
APS Level 4	78	109	43	51	121	160
APS Level 5	207	202	86	66	293	268
APS Level 6	390	393	172	148	562	541
Executive Level 1	378	366	262	217	640	583
Executive Level 2	152	125	105	73	257	198
Government Lawyer	4	6	3	2	7	8
Senior Government Lawyer	13	15	3	4	16	19
Principal Government Lawyer	2	2	5	5	7	7
SES Band 1	40	28	27	20	67	48
SES Band 2	9	7	10	6	19	13
SES Band 3	3	2	2	3	5	5
Secretary	1	1	0	0	1	1
Total	1,337	1,311	750	626	2,087	1,937

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Table 3.5: Employees by employment status at 30 June 2017

Classification	Female		Male		Total	
	2016	2017	2016	2017	2016	2017
Ongoing						
Full-time	1,005	972	702	573	1,707	1,545
Part-time	311	318	29	35	340	353
Subtotal	1,316	1,290	731	608	2,047	1,898
Non-ongoing						
Full-time	17	16	15	17	32	33
Part-time	4	5	4	1	8	6
Subtotal	21	21	19	18	40	39
Total	1,337	1,311	750	626	2,087	1,937

Table 3.6: Employees self-identifying as Indigenous and non-Indigenous at 30 June 2017

Identification	Ongoing full-time		Ongoing part-time		Non-ongoing full-time		Non-ongoing part-time		Total	
	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017
Indigenous	68	65	6	8	0	0	0	0	74	73
Non-Indigenous	1,639	1,480	334	345	32	33	8	6	2,013	1,864
Total	1,707	1,544	340	353	32	33	8	6	2,087	1,937

Table 3.7: Employees by location at 30 June 2017

Location	Female		Male		Total	
	2016	2017	2016	2017	2016	2017
New South Wales	36	30	28	23	64	53
Victoria	37	38	19	19	56	57
Queensland	31	27	9	9	40	36
Western Australia	30	24	6	7	36	31
South Australia	25	26	8	6	33	32
Tasmania	7	9	4	5	11	14
Australian Capital Territory	1,152	1,139	669	554	1,821	1,693



Location	Female		Male		Total	
	2016	2017	2016	2017	2016	2017
Northern Territory	14	15	2	1	16	16
Overseas	5	3	5	2	10	5
Total	1,337	1,311	750	626	2,087	1,937

Table 3.8: Employee separations, 2016–17

Classification	Total
Cadets/Trainees	0
Indigenous Australian Government Development Program Trainees	2
Graduates	3
APS Level 1	0
APS Level 2	13
APS Level 3	18
APS Level 4	68
APS Level 5	57
APS Level 6	129
Executive Level 1	116
Executive Level 2	35
Government Lawyer	2
Senior Government Lawyer	3
Principal Government Lawyer	0
SES Band 1	11
SES Band 2	4
SES Band 3	1
Total	462

Note: A total of 208 separations in 2016–17 were the result of machinery of government transfers of employees to the Department of Finance and the Department of Employment on 1 December 2016.

Diversity and inclusion

The department is committed to building a diverse and inclusive workplace that enables people of all abilities and walks of life to build a rewarding career and achieve their full potential in the workplace. In 2016–17 the department reviewed its Diversity Strategy to ensure it continues to build a workplace culture that fosters inclusiveness, promotes diversity and embraces the unique skills and qualities of all our employees.

The revised *Workplace Diversity and Inclusion Strategy 2017–2019* frames the department's commitment to achieving a diverse and inclusive workforce and to be an employer of choice by embedding diversity and inclusion principles and actions in all that we do. This includes all our corporate, business and strategic workforce planning processes. The strategy is focused on five key areas: unconscious bias; flexible work arrangements; manager confidence; recruitment and retention; and leadership. Action plans commit to action and support the strategy to build on our inclusive workplace culture, retain our diverse workforce and support our employees to have a productive working career.

The department's employee networks play a key role in promoting diversity and inclusion initiatives. These networks include: the Ability Network; the Pride Network; the Aboriginal and Torres Strait Islander Employee Network; and the Women's Network. The department encourages all employees to join a network.

The department's champions raise awareness and promote initiatives that support our people to develop and implement inclusive practices for people from diversity groups as well as ensuring the department builds a workforce that reflects the community. The People, Culture and Capability Branch continues to work with managers, employees and service providers to ensure an inclusive work environment and career opportunities for employees who have a caring role, disability or cultural differences.

The department has established a number of external partnerships to demonstrate our commitment to diversity and inclusion. These organisations offer a range of sponsorships involving research, major events and other activities that can assist the department.

Indigenous business is everyone's business

The department supports the Government's priority to work with Aboriginal and Torres Strait Islander peoples, communities and business to build a better future and improve opportunities. The department develops and delivers education policies and programs by working with Aboriginal and Torres Strait Islander peoples, respecting their cultures and building our own cultural capability. We proudly support the Government's Indigenous Procurement Policy so we can foster Aboriginal and Torres Strait Islander business, create jobs and employ more Indigenous Australians. Our employees are encouraged to embrace and value the important contribution Aboriginal and Torres Strait Islander peoples make to our department and wider Australian society.

The department's Indigenous Business is Everyone's Business Committee is driving efforts to embed the department's philosophy of Indigenous business is everyone's business across all aspects of our work. The committee's responsibilities in 2016–17 included:

- consulting on and developing the department's new Reconciliation Action Plan (RAP)
- facilitating consultations with departmental staff to inform the development of the new RAP
- implementing the Indigenous Procurement Policy
- ensuring planning processes, including business plans and performance plans, embed the Indigenous Business is Everyone's Business philosophy.



Aboriginal and Torres Strait Islander Employee Workshop

In September 2016 the department held its annual Aboriginal and Torres Strait Islander Employee Workshop. This workshop, accompanied by a job shadowing opportunity, is a commitment under the department's *Aboriginal and Torres Strait Islander Employment Strategy Implementation Plan*.

The workshop's theme, 'My future – Our future', covered a range of topics intended to support the career development of our Aboriginal and Torres Strait Islander employees and assist the department to retain them. There were a total of 44 attendees at the workshop, representing 59 per cent of our Aboriginal and Torres Strait Islander employees.

Prior to the workshop, participants had the opportunity to take part in a Senior Executive Service (SES) shadowing day. The shadowing day provided a development opportunity to gain comprehensive knowledge and observe the role the SES undertake on a day to day basis.

The day gave both the Indigenous employee and the SES officer the opportunity to learn and exchange ideas, and assisted in networking and collaboration.

An evaluation of the workshop was overwhelmingly positive and showed that there was strong engagement by all. The participants appreciated the opportunity to meet face-to-face with other Indigenous employees from across the country and at all levels.

"This workshop was informative, well-organised, challenging and uplifting. The activities were outcome-driven and left me with a stronger sense of belonging and value and as a whole provided clarity and a clear direction for the network in the future. With this in mind I feel that this workshop performs a critical function in the continuation of the department's 'Indigenous Business is Everyone's Business' commitment." Feedback from participant, Toby Rylance, State Network, Tasmania.

Image: 2016 Aboriginal and Torres Strait Islander Employee Workshop

Reconciliation Action Plan

The department's 2014–2017 *Reconciliation Action Plan* provides the framework through which the department commits to practical actions that build respectful relationships and create opportunities for Aboriginal and Torres Strait Islander peoples. Our current RAP is in the Stretch category of Reconciliation Australia's Reflect, Innovate, Stretch, Elevate framework. It supports our people to deepen their cultural understanding through building an environment based on respect, trust, positive relationships, equality and opportunities for all people.

The department is committed to remaining an employer of choice for Aboriginal and Torres Strait Islander peoples. Through our RAP we aim to increase our representation of Aboriginal and Torres Strait Islander people to 4.5 per cent by December 2017. As at 30 June 2017, 3.8 per cent of the department identified as being Aboriginal or Torres Strait Islander.

The consultation process to develop the department's new RAP for 2017–2020 has commenced. The department aspires to be in the Elevate category for its proposed new RAP, which will be an overarching, strategic document listing high level measures under which will sit a number of strategies and plans around Indigenous business and reconciliation.

Workplace health and safety

The department is committed to providing a safe and healthy workplace for all employees, and takes a proactive approach to health and safety management through effective communication and consultation, systematic identification, assessment and control of risks.

The department's Work Health and Safety Committee is the primary consultative mechanism to ensure the department has effective measures in place to support workers' work health and safety. The committee is established in accordance with Division 4 (Sections 75-79) of the *Work Health and Safety Act 2011*. The department also has a national network of health and safety representatives and a national Employee Support Officer (ESO) network.

All employees have access to online resources, including a Health and Wellbeing Hub that provides comprehensive information on workplace mental health and a Domestic and Family Violence Resource Kit for individuals, managers, and colleagues. In 2016–17 workplace health and safety was supported through activities that included:

- National Health and Wellbeing Week
- R U Ok Day activities
- employee health check through Oz Help
- Stroke Check Program to promote early detection for employees at risk of a stroke
- national influenza vaccination program.

Table 3.9 outlines the type of workplace health and safety incidents in 2016–17. Falls (slips and trips) and unspecified mechanism of injury account for almost half of all incidents in 2016–17. The table also provides a comparison to 2015–16.

In 2016–17 there were no notifiable incidents under section 38 of the *Work Health and Safety Act 2011* and there were no investigations or actions taken under Part 10 of the Act. This is consistent with the department's results for 2015–16.



Table 3.9: Workplace health and safety incidents, 2016–17

Mechanism of incident ^a	2015–16 incidents	2016–17 incidents
Falls on the same level (including trips and slips)	15	25
Unspecified mechanisms of injury	15	12
None	14	10
Other	2	9
Other muscular stress	4	6
Being hit by moving objects	6	5
Repetitive movement with low muscle loading	3	5
Hitting objects with a part of the body	3	3
Exposure to mental stress factors	0	0
Total	62	75

^a These figures are sourced from the department’s online incident reporting system, which uses the Type of Occurrence Classification System (TOOCS) to identify the overall action, exposure or event that best describes the circumstances of the incident (mechanism of incident). The TOOCS classification coding system is endorsed by Safework Australia and is typically used by most workers’ compensation jurisdictions across Australia, including Comcare.

Reduced Comcare premium

The department’s early intervention approach to people management matters has seen the department achieve a 50 per cent reduction in our Comcare premium for 2017–18, which amounts to a saving in excess of \$1 million.

By investing appropriate resources early in people management matters, the department is able to reduce claim incidence rates and overall long term costs associated with Comcare claims, while also increasing the return to work rates of any claims accepted by Comcare.

In addition to this, the department launched an enhanced Employee Support Officer (ESO) network to promote a workplace that is inclusive, supportive, safe and fair. ESOs play a key role in supporting the department’s approach to the prevention and elimination of workplace bullying and harassment.

INFORMATION AND COMMUNICATIONS TECHNOLOGY

The department supports a range of websites and applications across all aspects of education and training. In 2016–17 the department’s information and communications technology (ICT) systems facilitated 103 programs for 170,000 users and supported the Australian public through monetary transactions in excess of \$34 billion.

The department commenced development of a new Technology Strategy in 2017 to respond to the challenges of the changing environment. This strategy will support a planned transformation of the department’s systems and set a direction for providing technology solutions that are modular, less complex, easier to maintain, and more responsive in addressing business needs. The strategy will support major business transformation projects for the department as well as set a new course for the department’s technology services.

Government eCAF solution

The electronic Commonwealth Assistance Form (eCAF) was successfully released on 1 January 2017. The eCAF system supports approximately 220 providers, including universities, private higher education and VET Student Loans providers. Since 1 January 2017, over 121,121 eCAFs have been submitted by students.

The form provides a modern online solution to the management and administration of Commonwealth Assistance Forms in a secure

and easily accessible environment for students applying for Government assistance.

The system was developed using an agile methodology, which ensured continued development and refinement of the system. Fortnightly ‘sprints’ were held with business areas and several user research sessions were held with students and providers to obtain their feedback on the system. The collaborative approach to development with stakeholders was an essential part of the system’s success.

Accessing national training records online

The Unique Student Identifier (USI) unlocks a range of new ways to use the national VET data collections to support individuals' access to their training records.

The USI Registry System is a major ICT system supported by the department. With over seven million USIs created, the system provides support for over 200,000 online transactions for students and training providers each week. The department's ICT development team has implemented a range of system enhancements to improve service for training providers and students.

With the introduction of the USI Transcript Service on 22 May 2017, an online backup of training records, in the form of a transcript, is now available for individuals to access anytime for free through their USI account.

In the past if a student misplaced the paper credentials issued by their training provider the only option was to request a replacement copy, sometimes incurring a cost. Similarly, if the training provider closed there was often no way for the student to provide evidence of their skills.

FINANCIAL PERFORMANCE

In 2016–17 the department administered approximately \$41.5 billion in payments, of which \$26.9 million represented grants which were delivered within 1.3 per cent of the original budget. The department reported a small operating surplus of \$2.0 million after adjusting for depreciation and amortisation expense and the revaluation of assets. This represents less than a one per cent variance to budget and compares to a \$2.1 million surplus in 2015–16. Further information on the department's financial performance in 2016–17 is available in Part 4 of this report.

PURCHASING AND CONSULTANTS

Purchasing

The department's procurement policies and practices are consistent with all relevant Commonwealth laws, the Commonwealth financial framework (including the Commonwealth Procurement Rules) and other relevant policies.

The department publishes its procurement activities over \$10,000 (GST inclusive) and tender opportunities of \$80,000 and above (GST inclusive) on the AusTender website. The department's procurement activities are therefore readily communicated and accessible to all business enterprises. There were no contracts exempt from reporting on AusTender in 2016–17.

Procurement initiatives to support small business

The department supports small business participation in the Commonwealth procurement market. Small and medium enterprises (SME) statistics are available on the Department of Finance's website: www.finance.gov.au.

Consistent with the Commonwealth Procurement Rules, the department's procurement practices provide appropriate opportunities for SMEs to compete and ensure they are not unfairly discriminated against. For example, the department uses the Commonwealth Contracting Suite for low-risk procurements valued under \$200,000. Many small businesses do not have sufficient scale, skills or resources to prepare complex tender documents. Using this suite, which has simple and consistent contract terms and insurance requirements, simplifies the process and makes it easier for SMEs to bid for work with the department.

The department also recognises the importance of ensuring small businesses are paid on time. The results of the Survey of Australian Government Payments to Small and Medium Enterprises are available on the Treasury's website: www.treasury.gov.au.

Consultancies

The department engages consultants to provide independent and expert advice or services, taking into account the skills and resources required for the task, the skills available internally and the cost-effectiveness of those options. The decision to engage a consultant is made in accordance with the PGPA Act and related regulations.

The methods of selection used for consultancies are open tender, limited tender and panel arrangements (initially selected through either an open tender or prequalified tender process). Consultants are typically engaged to: investigate or diagnose a defined issue or problem; carry out defined research, reviews or evaluations; or provide independent advice, information or creative solutions to assist the department in decision making.

In 2016–17 the department entered into 57 new consultancies, involving total actual expenditure of \$9,618,015. In addition, 55 ongoing consultancy contracts were active during 2016–17, involving total actual expenditure of \$5,950,715.

Annual reports contain information about actual expenditure on contracts for consultancy services. Information on the value of contracts and consultancies is available on the AusTender at: www.tender.gov.au.



Grant programs

Information on grants awarded by department during 2016–17 is available at www.education.gov.au.



Indigenous procurement—meet the suppliers and the experts event

The department is focused on improving outcomes for Aboriginal and Torres Strait Islander people. The Indigenous Procurement Policy (IPP) places Indigenous businesses at the front and centre of the way the Government does business. A strong Indigenous business sector will help drive financial independence and create wealth and opportunities for Indigenous Australians. By purchasing goods and services from Indigenous businesses, the department is contributing to achieving real change for Indigenous Australians.

On 30 May 2017 the department held an Indigenous Procurement—Meet the suppliers and experts event. The event was hosted by the department’s Indigenous Champion and Deputy Secretary, Dr Subho Banerjee.

The event included a panel discussion on Indigenous procurement followed by a supplier expo with morning tea provided by a local Indigenous business. The forum was a great opportunity for employees to ask questions about the value and process for engaging with Indigenous businesses. Employees had the opportunity to meet 10 Indigenous businesses that had set up stalls directly outside and were ready to chat about the goods and services they offer.

In 2016–17 the department awarded 94 eligible new contracts to Indigenous businesses under the IPP, with a total value of \$1.845 million. The department also had two multi-year contracts with Indigenous businesses, which continued in 2016–17 and were valued at a total of more than \$5 million over two years (2015–16 and 2016–17).

Image: Department employees learning about the range of services offered by Indigenous businesses

Part 3

Advertising and marketing

In 2016–17 the department conducted the following advertising campaigns: VET Student Loans and Overseas HELP, and commenced research and development work for the Child Care Campaign.

Further information on those advertising campaigns is available at www.education.gov.au and in the reports on Australian Government advertising prepared by the Department of Finance. Those reports are available on the Department of Finance's website at www.finance.gov.au.

Details of payments made by the department in 2016–17 to advertising, market research, polling, media advertising and direct mail organisations are provided in Table 3.10 to Table 3.12. Where the total paid is less than \$13,000 (GST inclusive) details have not been included. This is consistent with section 311A of the *Commonwealth Electoral Act 1918*.

Table 3.10: Market research and polling organisations

Organisation	Service provided	Total \$ paid in 2016–17
Ernst and Young	Provision of information to enable consumer comparison of training options	\$216,819.90
Hall and partners Open Mind Pty Ltd	VET Information Strategy market research—developmental research for the vocational sector	\$70,780.50
Orima	Developmental research and refinement testing for the Child care campaign	\$87,470.20

Table 3.11: Media advertising organisations

Organisation	Service provided	Total \$ paid in 2016–17
Dentsu Mitchell Media Australia	Endeavour program advertising radio and print	\$18,688.46
Dentsu Mitchell Media Australia	Promotion of Learning Potential 2.0	\$32,890.41
Dentsu Mitchell Media Australia	Advertising for Chief Commissioner of ASQA	\$23,453.00
Dentsu Mitchell Media Australia	VET Student Loans digital media campaign	\$212,995.98
Dentsu Mitchell Media Australia	Overseas HELP debt recovery digital advertising	\$150,071.50

Table 3.12: Advertising agencies

Organisation	Service provided	Total \$ paid in 2016–17
Cre8ive	Production of digital products for the VET Information Strategy	\$170,000.00

Note: Creative, public relation agencies



ENVIRONMENTAL PERFORMANCE

The Department of Education and Training is committed to ecologically sustainable development, and reports on its activities under section 516A of the *Environment Protection and Biodiversity Conservation Act 1999*. Environmental management in the department is focused on reducing negative impacts from energy consumption, waste, water consumption, vehicle fleet, air travel, paper consumption and procurement policies and practices. The department's main impacts are summarised in the Table 3.13 below.

Table 3.13 Summary of environmental performance

Indicator	2015–16	2016–17	Change
Office/building energy use			
Office tenant light and power energy use per full-time equivalent (MJ/FTE)	5,219.14	4,723.64	-9.49%
Office tenant light and power energy use per square metre (MJ/m2)	217.34	229.72	+5.70%
Greenhouse emissions attributed to office tenant light and power energy use (tonnes/CO2-e)	2,013.07	1,667.13	-17.18%
Green power purchased as a percentage of total electricity consumption	11.53%	8.75%	-24.11%
Vehicle fleet			
Total number of fleet vehicles	17	10	-41.2%
Average green vehicle rating of fleet	13.3	12.2	-1.1
Average fuel consumption of vehicle fleet (litres/100 km)	10.15	8.68	-14.4%
Total direct greenhouse emissions of fleet (tonnes CO2-e)	15.42	8.15	-47.1%
Air travel			
Total number of flights	8,434	6,140	-27.20%
Total distance of flights (km)	10,664,461	7,378,120	-30.82%
Resource efficiency and waste ^a			
Office paper purchased by FTE (A4 reams/FTE)	7.83	7.78	-0.64%
Percentage of paper purchased with recycled content	93.68%	88.40%	-5.28%
Office paper recycled (kilograms per FTE)	47.73	63.94	+33.96%
Total landfill waste produced (kilograms per FTE)	38.78	32.26	-16.81%
Total comingled recycling (kilograms per FTE)	16.79	13.47	-20.62%
Total organic recycling (kilograms per FTE)	9.53	8.27	-13.22%

Part 3

Indicator	2015–16	2016–17	Change
ICT sustainability			
Desktop devices per end user	1.88	1.27	-32.45%
Desktop computers to printer ratio	18:1	16:1	-11.12%

Note: CO2-e = carbon dioxide equivalent; kWh = kilowatt hour; MJ = megajoule; FTE = Full time equivalent (the most accurate measure of total staff numbers)

a Waste and recycling data is only available for the 50 Marcus Clarke Street tenancy in Canberra.

Office and building energy use

The department's headquarters building at 50 Marcus Clarke Street Canberra retains some of the highest environmental ratings in Australia, despite the Tenancy Energy rating falling by half a star to 5 Stars. The subleasing of vacant space to the Australian Electoral Commission and the Digital Transformation Agency and the reconfiguration of some other areas to allow denser occupancy has ensured that building occupancy is maximised in order to reduce costs and energy use.

The department's overall energy intensity level of 4,723 megajoules per person in 2016–17 is a 9.49 per cent improvement from 2015–16, largely arising from a full separation from shared tenancies with the Department of Employment. This result is significantly lower than the Energy Efficiency in Government Operations (EEGO) Policy target of 7,500 megajoules per person.

Vehicle fleet and air travel

The average Green Vehicle Guide rating of the department's reduced fleet of ten vehicles, though lower than the 13.3 average rating achieved in 2015–16, remains acceptable at 12.2. Greenhouse emissions from the vehicle fleet have reduced proportionally to the reduced size of the fleet.

Efforts to minimise air travel through alternatives such as video conferencing have achieved reductions in flight numbers and distances in 2016–17.

Resource efficiency and waste

Paper usage 2016–17 remained low at 7.78 reams per person and represents a slight improvement on 2015–16 usage.

The department established separate contractual arrangements on 26 April 2017 to only purchase 100 per cent post-consumer recycled white A4 paper from a Supply Nation registered company. This arrangement will ensure that all white A4 paper used is 100 per cent recycled and provided by an Indigenous supplier.

Overall in 2016–17, 88.40 per cent of all paper purchased had significant recycled content, with 29.49 per cent being 100 per cent post-consumer recycled and 2.51 per cent being carbon neutral or having other certification, such as Forest Stewardship Council certification. Only 9.09 per cent was from virgin stock with no environmental credentials.



The efficient deployment of information and communication technology equipment to staff has improved by 32.45 per cent.

The waste system at 50 Marcus Clarke Street was formerly certified at 4.5 Stars NABERS Waste and will be recertified when the new NABERS Waste protocol is available in 2017–18.

More than 16 tonnes of organic material was diverted from landfill to vermiculture, thereby reducing emissions, and producing beneficial worm castings and compost.

EXTERNAL SCRUTINY

Reports by the Auditor-General

In 2016–17 the Auditor-General produced the following reports of relevance to the department:

- *Audit Report No. 22 2016–17 Government Advertising: March 2013 to June 2015*
- *Audit Report No. 25 2016–17 The Shared Services Centre*
- *Audit Report No. 31 2016–17 Administration of the VET FEE-HELP Scheme*
- *Audit Report No. 33 2016–17 Audits of the Financial Statements of Australian Government Entities for the Period Ended 30 June 2016*
- *Audit Report No. 49 2016–17 Apprenticeship Training – Alternative Delivery Pilots*
- *Audit Report No. 54 2016–17 Corporate Planning in the Australian Public Sector*

Details of these reports can be found on the Australian National Audit Office (ANAO) website: www.anao.gov.au.

Joint Committee of Public Accounts and Audit

The department attended the public hearing for the Commonwealth Performance Framework—Inquiry, based on Auditor-General’s reports 31 (2015–16), 6 (2016–17) and 58 (2016–17), in relation to the ANAO *Audit Report No. 31 2015–16 Administration of Higher Education Loan Program Debt and Repayments*. Details on this inquiry can be found on the Parliament of Australia website: www.aph.gov.au.

Parliamentary committee inquiries reports

In 2016–17 the following inquiries produced reports of relevance to the department.

Education and Employment Legislation Committee:

- Family Assistance Legislation Amendment (Jobs for Families Child Care Package) Bill 2016, and the Social Services Legislation Amendment (Family Payments Structural Reform and Participation Measures) Bill 2016 (10 October 2016)
- VET Student Loans package (7 November 2016)
- Australian Education Amendment Bill 2017 (23 June 2017)

Part 3

Community Affairs Legislation Committee:

- Social Services Legislation Amendment (Omnibus Savings and Child Care Reform) Bill 2017 (21 March 2017)

Details on these inquiries can be found on the Parliament of Australia website: www.aph.gov.au.

Judicial decisions

There were no decisions of any court in 2016–17 that have had, or may have, a significant impact on the operations of the department.

Decisions of administrative tribunals

There were no decisions of administrative tribunals in 2016–17 that have had, or may have, a significant impact on the operations of the department.

Reports on the operations of the entity given by the Commonwealth Ombudsman

In December 2016 the Commonwealth Ombudsman published its report *Accessibility of Indigenous Language Interpreters—Talking In Language Follow Up Investigation*. The report considered the performance of over 45 agencies—including the department—against the recommendations made in its *Talking in Language: Indigenous language interpreters and government communication 05/2011 report*. The Ombudsman made five recommendations to increase the use of Indigenous language interpreters.

Information Publication Scheme

Agencies subject to the *Freedom of Information Act 1982* are required to publish information as part of the Information Publication Scheme. This requirement is in Part II of the Act and has replaced the former requirement to publish a section 8 statement in an annual report. Each agency must display on its website a plan showing what information it publishes in accordance with the Information Publication Scheme requirements. The department's plan is available at docs.education.gov.au.

Disability reporting

The *National Disability Strategy 2010–2020* sets out a ten-year national policy framework to improve the lives of people with disability, promote participation and create a more inclusive society. A high level biennial report will track progress against each of the six outcome areas of the Strategy and present a picture of how people with disability are faring. The 2014 Progress Report was published by the Department of Social Services at www.dss.gov.au.



PART 4

Financial statements

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Image (from left to right): The Chief Financial Officer, Marcus Markovic, Secretary, Dr Michele Bruniges AM, and the Auditor-General of Australia, Grant Hehir, signing the financial statements and independent auditor's report for the department.



Auditor-General for Australia



INDEPENDENT AUDITOR'S REPORT

To the Minister for Education and Training

Opinion

In my opinion, the financial statements of the Department of Education and Training for the year ended 30 June 2017:

- (a) comply with Australian Accounting Standards and the *Public Governance, Performance and Accountability (Financial Reporting) Rule 2015*; and
- (b) present fairly the financial position of the Department of Education and Training as at 30 June 2017 and its financial performance and cash flows for the year then ended.

The financial statements of the Department of Education and Training, which I have audited, comprise the following statements as at 30 June 2017 and for the year then ended:

- Statement by the Accountable Authority and Chief Financial Officer;
- Statement of Comprehensive Income;
- Statement of Financial Position;
- Statement of Changes in Equity;
- Statement of Cash Flows;
- Administered Schedule of Comprehensive Income;
- Administered Schedule of Assets and Liabilities;
- Administered Reconciliation Schedule;
- Administered Cash Flow Statement; and
- Notes to and forming part of the financial statements, comprising a summary of significant accounting policies and other explanatory information.

Basis for Opinion

I conducted my audit in accordance with the Australian National Audit Office Auditing Standards, which incorporate the Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of the Department of Education and Training in accordance with the relevant ethical requirements for financial statement audits conducted by the Auditor-General and his delegates. These include the relevant independence requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* to the extent that they are not in conflict with the *Auditor-General Act 1997* (the Code). I have also fulfilled my other responsibilities in accordance with the Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Key Audit Matters

Key audit matters are those matters that, in my professional judgement, were of most significance in my audit of the financial statements of the current period. These matters were addressed in the context of my audit of the financial statements as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters.

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Key audit matter**Valuation of HELP receivable and related fair value losses**

Refer to Note B5.2 Receivables, Higher Education Loan Program; and Note A3.6 Fair value losses – Higher education loan program

I focussed on the department's Higher Education Loan Program (HELP) receivable which represents the estimated future economic benefits arising from the repayment of student loans. The department makes assumptions that contain a degree of uncertainty, such as discount factors, trends and payment information to estimate the fair value of the receivable (\$35 916.3 million at year-end).

I also focussed on the fair value losses totalling \$6 050.3 million relating to HELP which the department considered unlikely to be recovered.

Changes were made to the compliance program with the introduction of new legislation from 1 January 2017.

How the audit addressed the matter

The audit procedures I applied to address the matter included:

- testing the completeness and accuracy of information used by the department to estimate the receivable balance at year-end, including data provided to the department's external actuary;
- assessing the valuation of the receivable balance performed by the department's external actuary, including an assessment of the methodology and assumptions used by the actuary in estimating the HELP receivable balance;
- evaluating the methodology supporting the department's student loans compliance program and re-performing a sample of the compliance checks performed by the department; and
- testing a sample of repayments from students and the department's assessment of the collectability of the remaining outstanding debts.

Key audit matter**Accuracy and completeness of child care personal benefits and valuation of child care receivables**

Refer to Note A3 Assistance to families with children; and Note B5.2 Receivables, Personal benefits

The administered child care personal benefits and subsidies expenses of the department totalled \$7 408.1 million and the child care personal benefit receivable balance was \$434.2 million.

I focused on the receivable because it is based on information supplied by benefit recipients and service providers, and includes complex estimates and assumptions as part of the calculation of the balance.

I also focussed on personal benefit and subsidy expenses, including the department's compliance program which was the subject of a significant audit finding reported in ANAO Report No. 33 of 2016-2017 *Audits of the Financial Statements of Australian Government Entities for the Period Ended 30 June 2016*, and the department's assessment of incorrect payments made to child care service providers.

How the audit addressed the matter

The audit procedures I applied to address the matter included:

- testing controls relating to the eligibility and registration of child care benefit claims, and the calculation of child care payments;
- evaluating the department's child care compliance framework, re-performing a sample of the department's quality assurance and payment accuracy checks and examining the integrity of data provided by third parties; and
- evaluating the methodology and assumptions used by the department in estimating the year-end child care personal benefits accrual and benefits receivable balances, including the appropriateness of key assumptions adopted by the department in assessing the quality of the data underpinning the estimates.

Key audit matter	How the audit addressed the matter
<p>Valuation of Higher Education Superannuation Program provision</p> <p><i>Refer to Note B7 Administered Provisions – Higher Education Loan Superannuation Program</i></p> <p>I focussed on the Higher Education Superannuation Program (HESP) liability which totalled \$6 467.0 million at year-end as the valuation of the provision is complex and subject to an actuarial estimation, involving movements in discount rates and other factors. The valuation is also reliant on the veracity of source data provided by universities and other external parties.</p>	<p>The audit procedures I applied to address the matter included:</p> <ul style="list-style-type: none"> • considering the work performed by the department’s actuary in estimating the fair value of the liability at year-end, including evaluating the estimation methodology and key assumptions used by the actuary; and • evaluating the department’s processes for assessing the accuracy and completeness of the liability data provided by universities and other sources for use by the department’s actuary.

Accountable Authority’s Responsibility for the Financial Statements

As the Accountable Authority of the Department of Education and Training, the Secretary of the Department of Education and Training is responsible under the *Public Governance, Performance and Accountability Act 2013* for the preparation and fair presentation of annual financial statements that comply with Australian Accounting Standards and the rules made under that Act. The Secretary is also responsible for such internal control as the Secretary determines is necessary to enable the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Secretary of the Department of Education and Training is responsible for assessing the Department of Education and Training’s ability to continue as a going concern, taking into account whether the entity’s operations will cease as a result of an administrative restructure or for any other reason. The Secretary is also responsible for disclosing matters related to going concern as applicable and using the going concern basis of accounting unless the assessment indicates that it is not appropriate.

Auditor’s Responsibilities for the Audit of the Financial Statements

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian National Audit Office Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with the Australian National Audit Office Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Accountable Authority;

- conclude on the appropriateness of the Accountable Authority's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern; and
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

From the matters communicated with those charged with governance, I determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. I describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Australian National Audit Office



Grant Hehir

Auditor-General

Canberra

12 September 2017

Department of Education and Training
STATEMENT BY THE ACCOUNTABLE AUTHORITY AND CHIEF FINANCIAL OFFICER

In our opinion, the attached financial statements for the year ended 30 June 2017 comply with subsection 42(2) of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act), and are based on properly maintained financial records as per subsection 41(2) of the PGPA Act.

In preparing the financial statements, the department has applied an exemption from subsection 18(3) of the *Public Governance, Performance and Accountability (Financial Reporting) Rule 2015* which has been provided by the Minister for Finance. The effect of this exemption is to allow the department to apply tier 2 rather than tier 1, reporting requirements to departmental disclosures in respect of AASB 7 *Financial Instruments: Disclosure* and AASB 13 *Fair Value Measurement*.

In our opinion, at the date of this statement, there are reasonable grounds to believe that the Department of Education and Training will be able to pay its debts as and when they fall due.

Signed Michele Bruniges

Dr Michele Bruniges AM

Secretary

12 September 2017

Signed Marcus Markovic

Marcus Markovic

Chief Financial Officer

12 September 2017

Department of Education and Training
STATEMENT OF COMPREHENSIVE INCOME
for the period ended 30 June 2017

	Notes	2017 \$'000	2016 \$'000	2017 Original Budget ¹ \$'000
NET COST OF SERVICES EXPENSES				
Employee benefits	A1.1	229,309	217,807	226,254
Supplier	A1.2	138,985	127,923	119,758
Grants		131	629	-
Depreciation and amortisation	B2.1	23,979	25,168	35,127
Write-down and impairment of assets	A1.3	492	3,959	-
Losses from asset sales	A1.4	2	234	-
Total expenses		392,898	375,720	381,139
OWN-SOURCE INCOME				
Own-source revenue				
Sale of goods and rendering of services	A2.1	14,666	19,819	21,294
Rental income	A2.2	6,778	9,917	-
Total own-source revenue		21,444	29,736	21,294
Gains				
Resources received free of charge	A2.3	9,335	6,446	6,743
Reversal of previous asset write-downs	A2.4	976	-	-
Other gains	A2.5	343	2,194	-
Total gains		10,654	8,640	6,743
Total own-source income		32,098	38,376	28,037
Net cost of services		360,800	337,344	353,102
Revenue from Government	A2.6	339,789	313,127	317,975
Deficit on continuing operations		(21,011)	(24,217)	(35,127)
OTHER COMPREHENSIVE INCOME				
Change in asset revaluation reserves		-	806	-
Total other comprehensive income		-	806	-
Total comprehensive loss	C4	(21,011)	(23,411)	(35,127)

¹Budget reported in the 2016-17 Portfolio Budget Statements published on 3 May 2016.

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

Department of Education and Training
STATEMENT OF FINANCIAL POSITION
as at 30 June 2017

	Notes	2017 \$'000	2016 \$'000	2017 Original Budget ¹ \$'000
ASSETS				
Financial assets				
Cash and cash equivalents	B1.1	5,831	6,132	6,631
Trade and other receivables	B1.2	66,266	84,081	56,721
Accrued revenue		4,183	1,996	3,276
Total financial assets		76,280	92,209	66,628
Non-financial assets				
Land and buildings	B2.1	35,784	37,137	34,000
Infrastructure, plant and equipment	B2.1	1,105	12,659	14,675
Computer software	B2.1	60,531	75,589	88,236
Prepayments		2,765	10,126	10,728
Total non-financial assets		100,185	135,511	147,639
Total assets		176,465	227,720	214,267
LIABILITIES				
Payables				
Supplier	B3.1	29,677	31,663	25,741
Other payables	B3.2	18,237	20,329	26,589
Total payables		47,914	51,992	52,330
Provisions				
Employee provisions	B4.1	66,531	73,150	67,573
Other provisions	B4.2	532	1,739	3,106
Total provisions		67,063	74,889	70,679
Total liabilities		114,977	126,881	123,009
Net assets		61,488	100,839	91,258
EQUITY				
Contributed equity		152,273	170,610	137,702
Reserves		1,244	1,244	438
Accumulated deficit		(92,029)	(71,015)	(46,882)
Total equity		61,488	100,839	91,258

¹Budget reported in the 2016-17 Portfolio Budget Statements published on 3 May 2016.

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

Department of Education and Training
STATEMENT OF CHANGES IN EQUITY
for the period ended 30 June 2017

	Notes	2017 \$'000	2016 \$'000	2017 Original Budget ¹ \$'000
CONTRIBUTED EQUITY				
Opening balance				
Balance carried forward from previous period		170,610	134,848	110,348
Adjustment for rounding		(2)	(1)	-
Adjusted opening balance		170,608	134,847	110,348
Transactions with owners				
Contributions by owners				
Equity injection - appropriation		5,985	10,438	2,993
Departmental capital budget		23,281	21,677	24,361
Restructuring	D2.1	(47,601)	3,648	-
Total transactions with owners		(18,335)	35,763	27,354
Closing balance as at 30 June		152,273	170,610	137,702
ACCUMULATED DEFICIT				
Opening balance				
Balance carried forward from previous period		(71,015)	(46,130)	(11,755)
Prior year adjustment	B1.2	-	(668)	-
Adjustment for rounding		(3)	-	-
Adjusted opening balance		(71,018)	(46,798)	(11,755)
Comprehensive income				
Deficit on continuing operations		(21,011)	(24,217)	(35,127)
Closing balance as at 30 June		(92,029)	(71,015)	(46,882)
ASSET REVALUATION RESERVES				
Opening balance				
Balance carried forward from previous period		1,244	438	438
Adjusted opening balance		1,244	438	438
Comprehensive income				
Other comprehensive income - changes in reserves		-	806	-
Closing balance as at 30 June		1,244	1,244	438
Total equity as at 30 June		61,488	100,839	91,258

¹Budget reported in the 2016-17 Portfolio Budget Statements published on 3 May 2016.

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

Department of Education and Training
STATEMENT OF CASH FLOWS
for the period ended 30 June 2017

	Notes	2017 \$'000	2016 \$'000	2017 Original Budget ¹ \$'000
OPERATING ACTIVITIES				
Cash received				
Appropriations		345,457	336,174	318,272
Sale of goods and rendering of services		9,700	17,340	19,574
Net GST received		9,407	7,017	-
Other		7,701	12,839	1,720
Total cash received		372,265	373,370	339,566
Cash used				
Employee benefits		222,892	211,878	226,552
Supplier		135,005	133,176	113,014
Grants		131	629	-
Section 74 receipts transferred to the Official Public Account (OPA)		17,241	30,665	-
Total cash used		375,269	376,348	339,566
Net cash used by operating activities		(3,004)	(2,978)	-
INVESTING ACTIVITIES				
Cash received				
Proceeds from sale of infrastructure, plant and equipment		4	23	-
Total cash received		4	23	-
Cash used				
Purchase / development of computer software		16,080	23,386	27,354
Purchase of land and buildings		3,158	1,387	-
Purchase of infrastructure, plant and equipment		291	3,427	-
Total cash used		19,529	28,200	27,354
Net cash used by investing activities		(19,525)	(28,177)	(27,354)
FINANCING ACTIVITIES				
Cash received				
Contributed equity - capital injections		9,135	8,023	-
Contributed equity - departmental capital budget		13,093	19,447	27,354
Total cash received		22,228	27,470	27,354
Net cash from financing activities		22,228	27,470	27,354
Net decrease in cash held		(301)	(3,685)	-
Cash and cash equivalents at the beginning of the reporting period		6,132	9,817	6,631
Cash and cash equivalents at the end of the reporting period	B1.1	5,831	6,132	6,631

¹Budget reported in the 2016-17 Portfolio Budget Statements published on 3 May 2016.

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

Department of Education and Training
ADMINISTERED SCHEDULE OF COMPREHENSIVE INCOME
for the period ended 30 June 2017

	Notes	2017 \$'000	2016 \$'000	2017 Original Budget ¹ \$'000
NET COST OF SERVICES EXPENSES				
Supplier	A3.1	675,657	598,827	689,762
Subsidies	A3.2	416,764	327,810	398,504
Personal benefits	A3.3	7,342,692	5,092,274	8,311,026
Grants	A3.4	26,892,895	25,725,320	27,242,178
Concessional loan discount		-	636,237	1,040,956
Write-down and impairment of assets	A3.5	73,881	18,595	149
Payments to corporate Commonwealth entities		19,891	15,009	25,057
Fair value losses	A3.6	6,060,445	1,058,199	1,679,203
Act of grace payments		2,091	147	-
Total expenses		41,484,316	33,472,418	39,386,835
INCOME				
Revenue				
Taxation revenue				
Levies		9,774	10,144	8,689
Total taxation revenue		9,774	10,144	8,689
Non-taxation revenue				
Interest	A4.1	503,048	529,337	1,377,000
Other revenue	A4.2	399,397	813,177	796,535
Total non-taxation revenue		902,445	1,342,514	2,173,535
Total revenue		912,219	1,352,658	2,182,224
Gains				
Fair value gains	A4.3	402,418	-	-
Reversal of previous asset write-downs and impairment	A4.4	675	-	-
Total gains		403,093	-	-
Total income		1,315,312	1,352,658	2,182,224
Net cost of services		40,169,004	32,119,760	37,204,611
Deficit		(40,169,004)	(32,119,760)	(37,204,611)
OTHER COMPREHENSIVE INCOME				
Change in asset revaluation surplus	B5.3	220,047	(31,593)	-
Total other comprehensive surplus (loss)		220,047	(31,593)	-
Total comprehensive loss		(39,948,957)	(32,151,353)	(37,204,611)

¹Budget reported in the 2016-17 Portfolio Budget Statements published on 3 May 2016.

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

Department of Education and Training
ADMINISTERED SCHEDULE OF ASSETS AND LIABILITIES
as at 30 June 2017

	Notes	2017 \$'000	2016 \$'000	2017 Original Budget ¹ \$'000
ASSETS				
Financial assets				
Cash and cash equivalents	B5.1	85,478	72,092	-
Receivables	B5.2	37,122,775	37,870,400	45,698,517
Investments	B5.3	2,338,384	2,118,337	2,150,529
Total financial assets		39,546,637	40,060,829	47,849,046
Non-financial assets				
Prepayments		-	240	-
Total non-financial assets		-	240	-
Total assets administered on behalf of Government		39,546,637	40,061,069	47,849,046
LIABILITIES				
Payables				
Trade creditors and accruals	B6.1	95,137	57,624	54,345
Personal benefits		117,778	149,271	190,130
Grants	B6.2	13,744	3,318	36,133
Statutory payable		15,195	37,081	17,701
Total payables		241,854	247,294	298,309
Provisions				
Personal benefits	B7.1	979,439	872,819	1,307,785
Higher education superannuation program	B7.1	6,467,000	6,959,011	5,973,915
Total provisions		7,446,439	7,831,830	7,281,700
Total liabilities administered on behalf of Government		7,688,293	8,079,124	7,580,009
Net assets		31,858,344	31,981,945	40,269,037

¹Budget reported in the 2016-17 Portfolio Budget Statements published on 3 May 2016.

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

Department of Education and Training
ADMINISTERED RECONCILIATION SCHEDULE
for the period ended 30 June 2017

	2017 \$'000	2016 \$'000
Opening assets less liabilities as at 1 July	31,981,945	26,928,237
Net (cost of) contribution by services		
Income	1,315,312	1,352,658
Expenses		
Other than corporate Commonwealth entities	(41,464,425)	(33,457,409)
Corporate Commonwealth entities	(19,891)	(15,009)
Other comprehensive income		
Revaluations transferred to (from) reserves	220,047	(31,593)
Transfers (to) from the Australian Government		
Appropriation transfers from the OPA		
Annual appropriations		
Payments to entities other than corporate Commonwealth entities	1,640,366	1,451,762
Payments to corporate Commonwealth entities	19,891	15,009
Special appropriations (unlimited)		
Payments to entities other than corporate Commonwealth entities	40,935,029	38,466,432
Appropriation transfers to the OPA		
Transfers to the OPA	(2,736,866)	(2,279,438)
Transfers to the OPA (withholdings)	(30,318)	(14,374)
Restructuring	-	(434,327)
Other movements	(2,746)	(3)
Closing assets less liabilities as at 30 June	31,858,344	31,981,945

Revenue collected by the department for use by the Government rather than the department is administered revenue. Collections are transferred to the OPA, maintained by the Department of Finance. Conversely, cash is drawn from the OPA to make payments under appropriation on behalf of Government. These transfers to and from the OPA are adjustments to the administered cash held by the department on behalf of the Government and reported as such in the administered cash flow statement and in the administered reconciliation schedule.

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

Department of Education and Training
ADMINISTERED CASH FLOW STATEMENT
for the period ended 30 June 2017

	Notes	2017 \$'000	2016 \$'000
OPERATING ACTIVITIES			
Cash received			
Interest		44	7
Net GST received		1,176,776	1,103,762
Levies		9,774	10,144
Other revenue		149,116	137,654
Total cash received		1,335,710	1,251,567
Cash used			
Suppliers		779,784	1,680,588
Subsidies		416,764	327,810
Personal benefits		7,266,842	5,044,934
Grants		28,132,663	25,735,881
Payments to corporate Commonwealth entities		19,891	15,009
Total cash used		36,615,944	32,804,222
Net cash used by operating activities		(35,280,234)	(31,552,655)
INVESTING ACTIVITIES			
Cash received			
Repayments of loans		2,388,159	2,165,832
Total cash received		2,388,159	2,165,832
Cash used			
Loans provided		6,995,987	8,295,624
Total cash used		6,995,987	8,295,624
Net cash used by investing activities		(4,607,828)	(6,129,792)
Net decrease in cash held		(39,888,062)	(37,682,447)
Cash from the Official Public Account			
Appropriations		42,595,286	39,933,192
GST appropriations		1,169,788	89,706
Special accounts		36,536	73,494
Total cash from the Official Public Account		43,801,610	40,096,392
Cash to the Official Public Account			
Appropriations		(2,657,925)	(2,279,420)
Return of GST appropriations		(1,192,314)	(71,577)
Special accounts		(49,923)	(16,988)
Total cash to the Official Public Account		(3,900,162)	(2,367,985)
Cash and cash equivalents at the beginning of the reporting period		72,092	26,132
Cash and cash equivalents at the end of the reporting period	B5.1	85,478	72,092

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



Department of Education and Training
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

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Department of Education and Training NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Overview

Objectives of the Department of Education and Training

The Department of Education and Training (the department) is an Australian Government controlled not-for-profit entity.

The department provides advice to the Government and administers programs to achieve the Government's objectives for education and training. The department works in partnership with the states and territories, non-government authorities, providers and industry.

For the financial period ended 30 June 2017, the department was structured to meet the following outcomes:

Outcome 1: Improved early learning, schooling, student educational outcomes and transitions to and from school through access to quality child care, support, parent engagement, quality teaching and learning environments.

Outcome 2: Promote growth in economic productivity and social wellbeing through access to quality higher education, international education, and international quality research, skills and training.

The continued existence of the department in its present form and with its present programs is dependent on Government policy and on continuing funding by the Parliament for the department's administration and programs.

The department's activities contributing toward these outcomes are classified as either departmental or administered. Departmental activities involve the use of assets, liabilities, income and expenses controlled or incurred by the department in its own right. Administered activities involve the management or oversight by the department, on behalf of the Government, of items controlled or incurred by the Government.

The Basis of Preparation

The financial statements are general purpose financial statements and are required by section 42 of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act).

The financial statements have been prepared in accordance with the *Public Governance, Performance and Accountability (Financial Reporting Rule) 2015* (FRR) and the Australian Accounting Standards and Interpretations.

In accordance with the FRR and AASB 1053 *Application of Tiers of Australian Accounting Standards and other reporting requirements*, the department has applied tier 2 reporting requirements (as a minimum).

The financial statements have been prepared on an accrual basis and in accordance with the historical cost convention, except for certain assets and liabilities at fair value. Except where stated, no allowance is made for the effect of changing prices on the results or the financial position.

The financial statements are presented in Australian dollars and values are rounded to the nearest thousand dollars unless otherwise specified.

Reporting of Administered Activities

Administered revenues, expenses, assets, liabilities and cash flows are disclosed in the administered schedules and related notes.

Unless otherwise stated, administered items are accounted for on the same basis and using the same policies as for departmental items, including the application of Australian Accounting Standards.

Tier 1 reporting requirements have been applied to administered disclosures in respect of AASB 7 *Financial instrument: Disclosure* and AASB 13 *Fair Value Measurement*.

Significant Accounting Judgements and Estimates

In the process of applying the accounting policies listed in this note, the department has not identified any accounting assumptions or estimates that have a significant risk of causing a material adjustment to carrying amounts of assets and liabilities within the next reporting period.

During the 2016-17 financial year the department made the following judgements that had an impact on the amounts recorded in the financial statements.

The recreation and long service leave provisions are measured at the present value of the estimated future cash flows. In 2016-17 the Australian Government Actuary undertook an assessment of leave provisions taking into account the likely tenure of existing staff, patterns of leave claims and payouts, future salary movements and discount rates.

Australian Valuation Solutions undertook a valuation of non-financial assets as at 30 June 2017. This has resulted in a \$1.0 million increase to the fair value of leasehold improvements.

Non-financial assets are assessed annually for impairment and where appropriate, the assets' carrying value is written down.

Personal benefits – child care fee assistance

The child care fee assistance program is aimed at assisting families with the cost of child care. Recipients receive an estimated entitlement fortnightly, either as a fee reduction via the child care provider or in some instances directly. Recipients may also receive certain benefits quarterly or annually. The benefits are paid on the basis of an estimate of taxable income, and the subsequent lodgement of their tax return establishes actual income and an adjustment to the recipient's entitlement.

Department of Education and Training

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

At any point in time there are recipients entitled to receive benefits who have not received their full entitlement. The department estimates a provision for these benefits. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation as at the reporting date, taking into account the risk and uncertainties that surround the events and circumstances that affect the provision. The provision calculates the current year and earlier years' liability for claims that have yet to be realised. The methodology considers the likely lodgement profiles with reconciliation top-ups, lump sum claims, and quarterly and fortnightly payments.

Conversely, there are also a number of eligible recipients who have received in excess of their entitlements and owe money to the Commonwealth. The department estimates a receivable for overpaid benefits.

In 2016-17 the child care estimation model was updated to use a single data source and undertake time series modelling based upon historic data over a statistically valid time period. An independent review confirmed that the estimation model provides a reliable and robust method to estimate the administered child care provision and receivable.

The child care impairment provision relies upon a profile of past customer behaviour and was last assessed by the Australian Government Actuary in 2016. The actuary is of the view that annual analysis is not justified given that changes in experience will typically emerge relatively slowly and an additional year of data is unlikely to be sufficient to unequivocally justify a change in assumptions. The next review will be undertaken in 2018.

As at 30 June 2017 the fair value of the personal benefits receivable is \$0.4 billion (2016: \$0.5 billion) and the provision \$1.0 billion (2016: \$0.9 billion). Notes B5.2 and B7.1 refers.

Higher education loan program

The higher education loan program (HELP) is an income contingent loan program that assists eligible tertiary education students with the cost of their fees. It is administered under the *Higher Education Support Act 2003* and the *VET Student Loans Act 2016*. The HELP debt, recognised as an administered receivable, comprises: HECS-HELP, FEE-HELP, OS-HELP, VET FEE-HELP and the VET student loans program. The Australian Taxation Office collects repayment of these debts through the tax system.

The Australian Government Actuary has developed a microsimulation model to provide estimates of a number of financial measures related to the HELP receivables, including an estimate of the debt that is not expected to be repaid. Significant judgements, estimates and assumptions are re-evaluated for each reporting

period in the light of historical experience, new loan schemes and changes to reasonable expectations of future events. Consideration is given to: projections of future income of debtors, pattern and timing of repayments, changes in legislation, the recoverability of concessional debt and yield curve for discounting future cash flows. Only measures that have been legislated are incorporated into the estimates for financial statement reporting purposes.

The new VET student loans (VSL) program commenced on 1 January 2017, replacing the VET FEE-HELP scheme. The VSL program provides income contingent loans to eligible students undertaking vocational education and training in eligible courses. The contribution of VSL debt to total debt incurred in 2016-17 is relatively minor and any difference in repayment behaviour is considered immaterial in the context of the overall HELP receivable.

As at 30 June 2017 the Australian Government Actuary estimated the present value of the HELP debt to be \$35.9 billion (2016: \$36.8 billion) based upon the 45 year yield curve of Commonwealth bond rates and expected repayment patterns. This resulted in an administered fair value loss of \$6.1 billion in 2016-17 (2015-16: \$0.2 billion). Further information is provided at notes A3.6 and B5.2.

Trade support loans scheme

The trade support loans (TSL) scheme is an income contingent loan scheme that came into effect during 2014-15 to assist apprentices with costs of living while training toward their qualification. There are three elements of subsidy that need to be taken into account when considering the TSL receivable: debt not expected to be repaid due to the compulsory repayment threshold not being met; the deferral adjustment, that is the gap between the Commonwealth's borrowing costs and the movement in the consumer price index (CPI); and the discount arising upon successful completion of the apprenticeship. Only measures that have been legislated are incorporated into the estimates for financial statement reporting purposes.

Having reference to advice from the Australian Government Actuary and noting the short period of time over which the scheme has been in operation and the uncertainty around: loan take up, income distribution, repayment prospects and prevailing discount rates, the present value of the TSL scheme as at 30 June 2017 is estimated at \$282.5 million (2016: \$145.7 million). A fair value loss of \$10.2 million has been recorded in 2016-17 (2015-16: \$17.2 million) reflecting a reduction in the deferral rate to reflect current government bond and indexation rates. Notes B5.2 and A3.6 refers.

Higher education superannuation program

The higher education superannuation program (HESP) provides supplementary funding to eligible

**Department of Education and Training
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

higher education providers to cover certain superannuation expenses incurred for staff who are members of identified State government emerging cost superannuation schemes. A portion of the funding is recovered from the relevant States under cost-sharing arrangements.

As at 30 June 2017 the Australian Government Actuary estimated the present value of the superannuation liability to be \$8.5 billion (2016: \$7.0 billion) using the 2033 Government bond rate of 3.0 per cent (2016: 2.7 per cent). The Australian Government Actuary estimated the State's share of the total liability to be \$0.4 billion (2016: \$0.4 billion). Note B5.2 refers. A fair value gain of \$0.4 billion has been recognised in 2016-17 (2015-16: fair value loss of \$0.8 billion). Note A4.3 refers. Further information on the provision is provided at note B7.1.

New Australian Accounting Standards

Adoption of new Australian Accounting Standard requirements

All new, revised, amending standards and interpretations that were issued prior to the sign-off date and are applicable to the current reporting period did not have a material effect on the department's financial statements.

AASB 2015-6 *Amendments to Australian Accounting Standards – Extending Related Party Disclosures to Not-for-Profit Public Sector Entities* extends the scope of AASB 124 *Related Party Disclosures* to not-for-profit public sector entities and applies from 2016-17. The department has reported related party transactions in the notes to the financial statements, including key management personnel and related entity transactions.

Future Australian Accounting Standard Requirements

The following new standards, revised standards, interpretations and amending standards were issued by the Australian Accounting Standards Board prior to the sign-off date. They are expected to have a financial impact on the department for future reporting periods:

Changes to AASB 9 *Financial Instruments* are effective for reporting periods commencing after 1 January 2018. A detailed assessment is yet to be undertaken, however, based on a preliminary assessment, the standard is not expected to have a material impact on the transactions and balances recognised in the financial statements.

The department will apply AASB 15 *Revenue from Contracts with Customers* from 2019-20. The standard requires revenue from such contracts to be recognised as the entity transfers goods and services to the customer. A detailed assessment is yet to be undertaken, however, based on a preliminary assessment, the standard is not expected to have a material impact on the transactions and balances recognised in the financial statements.

The department will apply AASB 16 *Leases* from 2019-20. The standard will require the net present value of payments under most operating leases to be recognised as assets and liabilities. An initial assessment indicates that the implementation of the standard will have an impact on the financial statements; however, the department is yet to undertake a detailed review.

Taxation

Revenues, expenses and assets are recognised net of GST except where the amount of GST incurred is not recoverable from the Australian Taxation Office and for receivables and payables.

Changes in Accounting Policy

There have been no changes to accounting policy that impact on the 2016-17 financial results or position.

Section 83 of the Constitution

Section 83 of the Constitution provides that no amount may be paid out of the Consolidated Revenue Fund except under appropriation made by law. Payments made which are not supported by an appropriation contravene section 83 of the Constitution.

The department has not identified any instances of non-compliance resulting from serious mismanagement. The identified non-compliance represents a very small proportion of the total payments made, both by value and by volume, and represents an administrative error.

In 2016-17 nine payments for the VSL program totalling \$329,142 were incorrectly paid from the *Higher Education Support Act 2003* appropriation instead of the *VET Student Loans Act 2016* appropriation. This error has been rectified and controls put in place to prevent similar breaches occurring.

No breaches of section 83 of the Constitution were reported in 2015-16.

Comparatives and Prior Year Errors

Where necessary, comparative figures have been reclassified to conform with changes in presentation in the current year and any prior year errors.

During 2016-17 some prior year accounting errors were identified. In accordance with AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors* these errors have been corrected in the comparative figures and disclosed in the department's 2016-17 financial statements. The total impact of these errors was to reduce the 2015-16 departmental operating result by \$2.0 million and equity by \$3.1 million. Further information is provided in notes A1.3, B1.2 and B4.1.

Accounting errors were also identified in the 2015-16 administered unspent annual appropriation amounts disclosed in the notes to the accounts. These have been restated to include \$378.3 million of quarantined funds that were still



Department of Education and Training NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

legally available at 30 June 2016. Further information is provided in note C1.2.

The 2015-16 comparative figures in the regulatory charging note have also been corrected. These disclosure errors did not have an impact on the departmental or administered financial results or position. Further information is provided at note C3.1.

Shared Service Arrangements

The department and the Department of Employment (Employment) established a Shared Services Centre (SSC) that provided operational, transactional, advisory, and support functions for information technology and a range of corporate services from 1 July 2014 to 30 November 2016.

The SSC was classed as a joint operating arrangement under AASB 11 – *Joint Arrangements*, whereby the department and Employment had joint control of the arrangement with rights to the revenue, expenses, assets and obligations for the liabilities relating to the SSC. The rights and obligations, as well as the contributions by the partner departments were underpinned by a heads of agreement between the two partner departments.

The financial statements of both departments recognised their interest in the SSC with approximately 50 per cent recognised in both departments' accounts up until 30 November 2016.

On 1 December 2016, following a machinery of government announcement, functions previously supported by the SSC transitioned to new arrangements with: core transactional services transferring to the Department of Finance; information and communications technology and other corporate services such as records management, mailroom, facilities, and financial viability assessments transferring to Employment; and library, and audio visual services returning to the department. The department has established memorandums of understanding with Employment and the Department of Finance for the provision of services that were transferred to their respective departments.

Events after the Reporting Period

There were no subsequent events that had the potential to significantly affect the ongoing structure or financial activities of the department.

Following the repeal of *Appropriation Acts 2014-15* (No. 1 and No 3) on 1 July 2017, \$283.2 million of administered funds is no longer available. Note C1.2 refers.

Department of Education and Training
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

A: Financial Performance

A1: Expenses

	2017	2016
	\$'000	\$'000
Note A1.1: Employee benefits		
Salaries and entitlements	188,629	181,348
Superannuation:		
Defined contribution plans	13,099	11,798
Defined benefit plans	20,359	19,308
Separations and redundancies	4,476	2,171
Other employee expenses	2,746	3,244
Total employee benefits	229,309	217,807

The accounting policies for employee benefits are described in note B4.1.

Note A1.2: Supplier

Goods and services supplied or rendered		
Consultants and contractors	38,021	34,934
Travel	3,163	4,298
IT services	30,575	23,090
Property	6,161	4,296
Resources received free of charge	9,335	6,446
Other	20,409	18,534
Total goods and services supplied or rendered	107,664	91,598
Goods supplied	3,025	1,398
Services rendered	104,639	90,200
Total goods and services supplied or rendered	107,664	91,598
Other supplier expenses		
Operating lease rentals	29,105	34,158
Workers compensation expenses	2,216	2,167
Total other supplier expenses	31,321	36,325
Total supplier expenses	138,985	127,923

Leasing commitments

The following significant leasing arrangements, representing 98 per cent of the department's lease commitments are as follows:

(a) The department in its capacity as lessee for 50 Marcus Clarke Street, Canberra is subject to a 3.35 per cent fixed annual increase except for market reviews in May 2018 and May 2025. The current term for the office accommodation expires on 23 May 2025 with one five year option.

(b) The department in its capacity as lessee for 226 Adelaide Terrace, Perth is subject to a 5 per cent fixed annual increases except for a market review in July 2017. The current term for the office accommodation expires on 5 July 2020 with one three year option.

Commitments for minimum lease payments in relation to non-cancellable operating leases (including GST)

Within 1 year	30,982	35,037
Between 1 to 5 years	115,797	129,457
More than 5 years	86,304	126,672
Total operating lease commitments	233,083	291,166

The above commitments include lease arrangements with the Department of Employment.

Department of Education and Training
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

	2017 \$'000	2016 \$'000
<u>Note A1.3: Write-down and impairment of assets</u>		
Impairment of receivables - goods and services	316	98
Impairment of computer software	163	2,502
Impairment of land and buildings	-	80
Write-down of infrastructure, plant and equipment ¹	3	1,187
Write-down of land and buildings	-	92
Write-down of leasehold improvements	10	-
Total write-down and impairment of assets	492	3,959

¹ Australian Valuation Solutions undertook a fair value revaluation in 2015-16 for all non-financial assets except for computer software. Leasehold improvement assets were revalued downwards and a decrement of \$1.2 million was incorrectly recognised against the asset revaluation reserve rather than expense. This has been adjusted in the comparative figures to recognise \$1.2 million as a write-down of assets expense and reinstate the asset revaluation reserve.

Note A1.4: Losses from asset sales

Infrastructure, plant and equipment		
Carrying value of assets sold	1	257
Cost of disposal	5	-
Less: proceeds from sale	(4)	(23)
Net loss from infrastructure, plant and equipment	2	234
Total losses from asset sales	2	234

A2: Income

OWN-SOURCE REVENUE

Note A2.1: Sale of goods and rendering of services

Provision of goods	470	456
Rendering of services	14,196	19,363
Total sale of goods and rendering of services	14,666	19,819

Own source revenue mainly relates to the provision of services to other government entities.

Note A2.2: Rental income

Sublease rent	6,778	9,917
Total rental income	6,778	9,917

Department of Education and Training
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Sublease rental income commitments

The department in its capacity as lessor of 50 Marcus Clarke Street Canberra subleases spaces to various public and private entities with the latest option period ending in May 2025. Leasing arrangements include a 3.35 per cent fixed annual increase in all years other than a market review in 2018.

The department in its capacity as lessor of 1 William Street Perth subleases space to a private entity with the lease end date being March 2018. Leasing arrangements are based on a fixed rate for the term of the lease.

The department in its capacity as lessor of 226 Adelaide Terrace Perth subleases spaces to various public entities with the latest lease end date being July 2020, with option periods to July 2023. Leasing arrangements include a fixed annual increase of between 4 and 5 per cent with market reviews occurring in 2017 and at commencement of the option period.

	2017	2016
	\$'000	\$'000
Commitments for sublease rental income receivable (including GST)		
Within 1 year	7,226	6,174
Between 1 to 5 years	10,424	8,144
Total sublease rental income commitment receivable	17,650	14,318

Note A2.3: Resources received free of charge

Australian Taxation Office collection of revenues on behalf of the department	8,085	4,461
Australian National Audit Office financial statement audit fee	1,250	1,400
Australian National Audit Office performance audit fee	-	585
Total resources received free of charge	9,335	6,446

Note A2.4: Reversal of previous asset write-downs

Increase to the fair value of leasehold improvement assets	976	-
Total reversal of previous asset write-downs	976	-

Note A2.5: Other gains

Other gains include incidental transactions and events outside of ordinary operations such as: contributions of assets at no cost or for nominal consideration recognised at their fair value when the asset qualifies for recognition and reversals of provisions.

Note A2.6: Revenue from Government

Amounts appropriated for departmental outputs for the year (adjusted to reflect formal additions, reductions and restructures) are recognised as revenue from government when the department gains control of the appropriation.

Amounts appropriated which are designated as equity injections (less any formal reductions) and the departmental capital budget are recognised directly in contributed equity in that year.

Department of Education and Training
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Income and Expenses Administered on Behalf of Government

A3: Administered – Expenses

	2017	2016
<u>Note A3.1: Supplier</u>	\$'000	\$'000
Services rendered		
Assistance to families with children ¹	56,232	8,461
General research	226	104
Higher education	9,747	18,499
School education - specific funding	47,229	36,280
Vocational and industry training	562,142	535,402
Total services rendered	675,576	598,746
Other supplier expenses		
Operating lease rentals	81	81
Total other supplier expenses	81	81
Total supplier expenses	675,657	598,827
Leasing commitments		
Commitments for minimum lease payments in relation to non-cancellable operating leases (including GST)		
Within 1 year	89	46
Between 1 to 5 years	454	184
More than 5 years	799	523
Total operating lease commitments	1,342	753
Note A3.2: Subsidies		
Subsidies in connection with external parties		
Vocational and industry training	361,766	327,118
Assistance to families with children ¹	54,998	692
Total subsidies	416,764	327,810
Note A3.3: Personal benefits		
Assistance to families with children ¹	7,296,879	5,028,007
Trade support loan discount	22,571	19,511
Student assistance	20,524	39,213
Vocational and industry training	2,718	5,543
Total personal benefits	7,342,692	5,092,274

¹ Responsibility for the administration of assistance to families with children transferred from the Department of Social Services on 21 September 2015.

Department of Education and Training
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

	2017	2016
Note A3.4: Grants	\$'000	\$'000
Public sector		
Australian Government entities (related parties)	44,156	37,944
State and Territory Governments	17,090,700	15,703,816
Private sector		
Non-profit organisations	143,896	81,826
Multi-jurisdictional sector	9,402,019	9,570,689
Other	212,124	331,045
Total grants	26,892,895	25,725,320

The department administers a number of grant and subsidy schemes on behalf of the Australian Government. Grant and subsidy liabilities are recognised to the extent that the services required to be performed by the grantee have been performed or the grant eligibility criteria have been satisfied, but payments due have not been made.

Under the Federal Financial Framework, the Department of the Treasury is accountable for the payment of grants under the National Partnership Agreements to the States and Territories. Payments made to and through State and Territory governments are reported as grants to State and Territory governments.

Note A3.5: Write-down and impairment of assets

Impairment of goods and services receivable	70,646	789
Impairment of personal benefits receivable	3,235	17,806
Total write-down and impairment of assets	73,881	18,595

Note A3.6: Fair value losses

Higher education superannuation provision	-	836,512
Higher education loans	6,050,278	204,445
Trade support loans	10,167	17,242
Total fair value losses	6,060,445	1,058,199

Changes in the fair value of the higher education superannuation provision, the higher education loans and the trade support loans are brought to account through the administered schedule of comprehensive income. Fair value gains are disclosed at note A4.3. Further information regarding fair value estimation of these balances is provided in the overview.

As at 30 June 2017, the Australian Government Actuary estimated the fair value of the higher education loans to be \$35.9 billion. This balance takes into account new loans and repayments made during 2016-17, unwinding of discount and a fair value loss totalling \$6.1 billion. The three main factors contributing to this loss are: modelling the VET FEE-HELP cohort (using this cohort's future incomes and payment patterns) as a separate group within the total higher education loan program for existing debt, \$2.0 billion; the estimated debt not expected to be recovered on new loans entered into during the year, \$1.9 billion; applying the current indexation rate and yield curve to the actuarial model, \$1.9 billion.

Department of Education and Training
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

A4: Administered – Income

	2017	2016
<u>Note A4.1: Interest</u>	\$'000	\$'000
Higher education loans	499,036	528,483
Trade support loans	3,968	847
Other sources	44	7
Total interest	503,048	529,337

Note A4.2: Other revenue

Loan fee revenue	276,131	675,522
Refunds of prior year payments	51,623	40,797
Education investment fund special account	22,593	55,754
Other special accounts	18,370	4,591
Cost recovery	11,552	9,452
Other	19,128	27,061
Total other revenue	399,397	813,177

All administered revenues relate to ordinary activities performed by the department on behalf of the Australian Government. Administered appropriations are not revenues of the individual entity that oversees distribution or expenditure of funds as directed.

Administered fee revenue is recognised when the service is provided. Collectability of the debt is reviewed at balance date. Impairment allowances are made when collectability of the debt is judged to be less, rather than more likely.

Note A4.3: Fair value gains

Higher education superannuation provision	402,418	-
Total fair value gains	402,418	-

Changes in the fair value of the higher education superannuation provision, the higher education loans and the trade support loans are brought to account through the administered schedule of comprehensive income. Fair value losses are disclosed at note A3.6. Further information regarding fair value estimation of these balances is provided in the overview.

Note A4.4: Reversal of previous asset write-downs and impairment

Reversal of impairment losses for goods and services receivable	675	-
Total reversal of previous asset write-downs and impairment	675	-

Department of Education and Training
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

B: Financial Position

B1: Financial Assets

	2017	2016
	\$'000	\$'000
Note B1.1: Cash and cash equivalents		
Cash on hand or on deposit	1,742	2,596
Cash held in the OPA - special accounts	4,089	3,536
Total cash and cash equivalents	5,831	6,132
Note B1.2: Trade and other receivables		
Goods and services receivable		
Goods and services	1,893	7,697
Total goods and services receivable	1,893	7,697
Appropriations receivable		
Operating annual appropriations ¹	53,060	56,132
Operating annual appropriations - departmental capital budget ²	3,552	6,836
Equity injections	6,716	9,867
Total appropriations receivable	63,328	72,835
Other receivables		
GST receivable from the Australian Taxation Office	1,361	3,647
Total other receivables	1,361	3,647
Total trade and other receivables (gross)	66,582	84,179
Less impairment allowance		
Goods and services receivable	(316)	(98)
Total impairment allowance	(316)	(98)
Total trade and other receivables (net)	66,266	84,081

Credit terms for goods and services receivable are net 30 days (2016: 30 days).

Financial assets are assessed for impairment at the end of each reporting period.

¹A transaction for services from another government agency was incorrectly recorded in 2014-15 and supplier expense of \$0.7 million was not brought to account, rather an offsetting appropriation payable and appropriation receivable was reported. This resulted in an overstatement of the 2016 appropriation receivable and equity balances by \$0.7 million. The prior year figures have been restated accordingly.

²In 2015-16 the department recognised \$22.2 million of departmental capital budget funding. The actual funding provided in *Appropriation Act (No. 3) 2015-16* was \$21.7 million. The \$0.5 million difference reflects the appropriation of funds directly to the Department of Employment rather than via the Department of Education and Training. Accordingly, the 2016 appropriation receivable (operating annual appropriations – departmental capital budget) and contributed equity figures have been reduced by \$0.5 million.

Movements in impairment allowance

	Goods and services	Goods and services
	2017	2016
	\$'000	\$'000
Opening balance as at 1 July	(98)	-
Amounts written off against the provision	98	-
Amounts recovered and reversed	-	-
Increase recognised in operating result	(316)	(98)
Closing balance as at 30 June	(316)	(98)

Department of Education and Training
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

B2: Non-Financial Assets

Note B2.1: Reconciliation of the opening and closing balances of property, infrastructure, plant and equipment and computer software

	<u>Land and buildings</u>		Infrastructure, plant and equipment \$'000	Computer software \$'000	Total \$'000
	Land and buildings \$'000	Leasehold improvements \$'000			
As at 1 July 2016					
Gross book value	400	36,749	12,743	112,840	162,732
Accumulated depreciation, impairment and amortisation	-	(12)	(84)	(37,251)	(37,347)
Total as at 1 July 2016	400	36,737	12,659	75,589	125,385
Additions					
By purchase	-	2,779	245	-	3,024
By development	-	-	-	16,004	16,004
Revaluations in other comprehensive income	-	976	-	-	976
Impairment recognised in net cost of services	-	-	-	(163)	(163)
Depreciation and amortisation	(9)	(4,565)	(1,606)	(17,799)	(23,979)
Restructuring	-	(524)	(10,184)	(13,100)	(23,808)
Disposals	-	-	(6)	-	(6)
Write-down	-	(10)	(3)	-	(13)
Total as at 30 June 2017	391	35,393	1,105	60,531	97,420
Total as at 30 June 2017 represented by					
Gross book value	400	35,393	1,426	104,546	141,765
Accumulated depreciation, impairment and amortisation	(9)	-	(321)	(44,015)	(44,345)
Total as at 30 June 2017	391	35,393	1,105	60,531	97,420

Purchases of non-financial assets are recognised initially at cost in the statement of financial position, except for purchases costing less than \$2,000 (or \$50,000 for leasehold improvements or \$200,000 for computer software) which are expensed in the year of acquisition other than where they form part of a group of similar items which are significant in total.

Assets acquired at no cost or for nominal consideration are initially recognised as assets and income at their fair value at the date of acquisition unless acquired as a consequence of restructuring of administrative arrangements. In the latter case, assets are initially recognised as contributions by owners at the amounts at which they were recognised in the transferor's accounts immediately prior to the restructuring.

The asset thresholds and useful lives for each asset class remain unchanged from 2016.

Asset class	2017 Useful life	2017 Threshold
Buildings on freehold land	37-51 years	nil
Buildings - leasehold improvements	Lease term	\$50,000
Infrastructure, plant and equipment	3-25 years	\$2,000
Computer software	2-15 years	\$200,000

Unless otherwise stated, depreciation and amortisation rates are applied on a straight-line basis and rates are reviewed annually, as are useful lives and residual values. Any necessary adjustments are recognised in the current, or current and future reporting periods, as appropriate.

All non-financial assets are assessed annually for indications of impairment and, where appropriate, the asset's carrying value is adjusted to fair value.

**Department of Education and Training
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

Land, buildings and leasehold improvements

There are no (2016: three) leased properties that the department manages which are due to expire within the next 12 months that have leasehold improvement assets. No indicators of impairment were found for land, buildings and leasehold improvements.

Infrastructure, plant and equipment

No material amounts of infrastructure, plant and equipment are expected to be sold or disposed of within the next 12 months. No indicators of impairment were found for infrastructure, plant and equipment assets.

Computer software

The department's computer software comprises purchased and internally developed software for internal use. No material amounts of computer software are expected to be sold or disposed of within the next 12 months.

All computer software assets are assessed for indications of impairment at the end of each reporting period. An impairment loss of \$0.2 million was recognised for computer software in 2017 (2016: \$2.5 million).

Revaluations of non-financial assets

Valuations are conducted with sufficient frequency to ensure that the carrying amounts of assets do not differ materially from the assets' fair values as at the reporting date. Revaluations are conducted by an independent valuer. The regularity of independent valuations depends upon the volatility of movements in market values for the relevant assets.

Revaluation adjustments are made on a class basis. Any revaluation increment is credited to equity under the heading of asset revaluation reserve except to the extent that it reverses a previous revaluation decrement of the same asset class that was previously recognised in the surplus/deficit. Revaluation decrements for a class of assets are recognised directly in the surplus/deficit except to the extent that they reverse a previous revaluation increment for that class.

Australian Valuation Solutions undertook a fair value revaluation in 2015-16 for all non-financial assets except for computer software. Leasehold improvement assets were revalued downwards and a decrement of \$1.2 million was incorrectly recognised against the asset revaluation reserve rather than expense. This has been adjusted in the comparative figures to recognise \$1.2 million as a write-down of assets expense and reinstate the asset revaluation reserve. Note A1.3 refers.

In 2016-17 Australian Valuation Solutions undertook a valuation of non-financial assets except for computer software. This resulted in a revaluation increment to leasehold improvement assets of \$1.0 million (2016: \$1.2 million decrement). Note A2.4 refers. No material differences were identified between the carrying amounts and fair values for infrastructure, plant and equipment assets.

Capital commitments payable (including GST)

	<1 year 2017 \$'000	Between 1-5 years 2017 \$'000	Total 2017 \$'000	<1 year 2016 \$'000	Between 1-5 years 2016 \$'000	Total 2016 \$'000
Leasehold improvements	111	-	111	371	-	371
Computer software	-	-	-	6,539	-	6,539
Total	111	-	111	6,910	-	6,910

Department of Education and Training
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

B3: Payables

	2017	2016
<u>Note B3.1: Supplier</u>	\$'000	\$'000
Trade creditors and accruals	27,440	27,100
Operating lease rentals	2,237	4,563
Total suppliers	29,677	31,663

Settlement is usually due within 30 days. All suppliers are expected to be settled within 12 months.

Note B3.2: Other payables

Lease incentives	11,062	12,565
Separations and redundancies	3,796	385
Wages and salaries	1,993	1,340
Unearned income	834	5,366
Superannuation	246	131
Other employee benefits	306	542
Total other payables	18,237	20,329

Liabilities are recognised to the extent that the goods or services have been received (and irrespective of having been invoiced).

Lease incentives taking the form of 'free' leasehold improvements and rent free holidays are recognised as liabilities. These liabilities are reduced by allocating lease payments between rental expense and reduction of the liability over the term of the lease.

Department of Education and Training
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

B4: Provisions

	2017	2016
	\$'000	\$'000
Note B4.1: Employee provisions		
Annual and long service leave provisions ¹	66,531	73,150
Total employee provisions	66,531	73,150

The liability for employee benefits includes provision for annual leave and long service leave. No provision has been made for sick leave as all sick leave is non-vesting and the average sick leave taken in future years by employees of the department is estimated to be less than the annual entitlement for sick leave.

The liability for annual and long service leave has been determined by reference to work conducted by the Australian Government Actuary as at 30 June 2017. As required by AASB 119 *Employee Benefits*, the estimate of future cash outflows takes into account estimated attrition, probability factors, future salary rates and ancillary costs. Liabilities for short-term employee benefits expected to be paid within 12 months of the end of reporting period are measured at the one year Commonwealth government bond rate of 1.5 per cent (2016: 1.5 per cent). Liabilities for long term employee benefits are discounted using the 10 year Commonwealth government bond rate of 2.5 per cent (2016: 2.0 per cent).

Provision is made for separation and redundancy benefits when the department has developed a detailed formal plan for the terminations and has informed those employees affected that it will carry out the terminations.

Staff of the department are members of the Commonwealth Superannuation Scheme (CSS), the Public Sector Superannuation Scheme (PSS), the PSS accumulation plan (PSSap) or other elected defined contribution schemes.

The CSS and PSS are defined benefit schemes for the Australian Government. The PSSap is a defined contribution scheme.

The liability for defined benefits is recognised in the financial statements of the Australian Government and is settled by the Australian Government in due course. This liability is reported in the Department of Finance's administered financial statements.

The department makes employer contributions to defined benefit superannuation schemes at rates determined by an actuary to be sufficient to meet the current cost to the Government. The department accounts for the contributions as if they were contributions to defined contribution plans.

The payable for superannuation recognised at 30 June represents outstanding contributions owed by the department to the superannuation schemes. Note B3.2 refers.

¹The long service liability recognised at 30 June 2016 did not take into account probability or ancillary rates when estimating future cash outflows. Accordingly the comparative employee expense and 2016 employee provision have been increased by \$2.0 million.

Note B4.2: Other provisions

	Provision for legal obligations	Provision for restoration obligations	Provision for surplus lease space	Provision for onerous contract	Total other provisions
	\$'000	\$'000	\$'000	\$'000	\$'000
As at 1 July 2016	541	500	202	496	1,739
Additional provisions made	-	-	-	-	-
Amounts reversed	(241)	(260)	-	-	(501)
Amounts used	(300)	(240)	(84)	(429)	(1,053)
Other movements	-	-	(118)	465	347
Total as at 30 June 2017	-	-	-	532	532

The department currently has one (2016: one) onerous contract for office accommodation with an expiry date of 31 March 2018. Sublease arrangements were put in place in April 2016.

Department of Education and Training
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

B5: Administered – Financial Assets

	2017	2016
	\$'000	\$'000
Note B5.1: Cash and cash equivalents		
Cash held in the OPA - special accounts	85,478	72,092
Total cash and cash equivalents	85,478	72,092
Note B5.2: Receivables		
Goods and services receivable		
Goods and services receivable	198,618	48,482
Total goods and services receivable	198,618	48,482
Advances and loans		
Higher education loans	35,916,286	36,807,652
Trade support loans	282,520	145,680
Child care loans	145	591
Total advances and loans	36,198,951	36,953,923
Other receivables		
GST receivable from the Australian Taxation Office	18,435	39,821
Higher education superannuation receivable	372,000	392,000
Personal benefits receivable	434,206	465,440
Total other receivables	824,641	897,261
Total receivables (gross)	37,222,210	37,899,686
Less impairment allowance		
Goods and services receivable	(78,491)	(11,557)
Personal benefits receivable	(20,944)	(17,709)
Total impairment allowance	(99,435)	(29,266)
Total receivables (net)	37,122,775	37,870,400
Goods and services receivable are with entities external to the Australian Government. Credit terms are payment within 30 days (2016: 30 days).		
Movements in impairment allowance		
	Receivables	Receivables
	2017	2016
	\$'000	\$'000
Opening balance as at 1 July	(29,266)	(7,523)
Amounts written off against the provision	2,964	-
Amounts recovered and reversed	563	-
Reversal of previous impairment	112	-
Amounts transferred through restructuring	-	(19,790)
Increase recognised in net cost of services	(73,808)	(1,953)
Closing balance as at 30 June	(99,435)	(29,266)

Department of Education and Training
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

	2017	2016
	\$'000	\$'000
Concessional loans		
Higher education loans		
Nominal value	55,424,526	50,432,490
Unexpired discount	(1,019,462)	874,555
Impairment	(18,488,778)	(14,499,393)
Carrying amount	<u>35,916,286</u>	<u>36,807,652</u>
Trade support loans		
Nominal value	363,052	196,037
Unexpired discount and discount on completion (new loans)	(38,386)	(33,117)
Impairment	(42,146)	(17,242)
Principal repayment	-	2
Carrying amount	<u>282,520</u>	<u>145,680</u>
Child care loans		
Nominal value	145	252
Restructure	-	339
Carrying amount	<u>145</u>	<u>591</u>
Total concessional loans	<u>36,198,951</u>	<u>36,953,923</u>

The Australian Government Actuary assesses the fair value of the higher education loans and trade support loans at the end of each reporting period. Further information is provided in the overview.

Note B5.3: Investments

Australian Institute for Teaching and School Leadership	4,695	4,693
Australian Curriculum, Assessment and Reporting Authority	1,792	643
Australian National University	2,295,141	2,076,100
Australian Institute of Aboriginal and Torres Strait Islander Studies	36,756	36,901
Total other investments	<u>2,338,384</u>	<u>2,118,337</u>

The department retains 100 per cent ownership in each of the investments.

Administered investments are measured at their fair value as at 30 June. Fair value has been taken to be the Australian Government's proportional interest in the net assets of the entities.

Movements between years are recognised at fair value through other comprehensive income. In 2016-17 the increase was \$220.1 million (2015-16: decrease \$31.6 million).



Department of Education and Training
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

B6: Administered – Payables

Note B6.1: Trade creditors and accruals

Settlement is usually due within 30 days. All suppliers are expected to be settled within 12 months.

	2017	2016
	\$'000	\$'000
Note B6.2: Grants		
Public sector		
State and Territory Governments	4,936	-
Private sector		
Non-profit organisations	251	481
Other	8,557	2,837
Total grants	13,744	3,318

Settlement is usually within 30 days of performance or eligibility according to the conditions of each grant.

Department of Education and Training
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

B7: Administered – Provisions

Note B7.1: Personal benefits and higher education superannuation provisions

	Provisions for HESP 2017 \$'000	Provisions for HESP 2016 \$'000	Provisions for personal benefits 2017 \$'000	Provisions for personal benefits 2016 \$'000
Opening balance as at 1 July	6,959,011	6,068,013	872,819	-
Additional provisions made	-	-	-	126,042
Amounts used	(289,443)	(211,363)	(757,075)	-
Increase (decrease) recognised in net cost of services	(202,568)	1,102,361	863,695	-
Restructuring	-	-	-	746,777
Total as at 30 June	6,467,000	6,959,011	979,439	872,819

Higher education superannuation program

As at 30 June 2017, the Australian Government Actuary estimated the present value of the Commonwealth's total superannuation liability in respect of current and former university employees who are members of State superannuation schemes. The present value of the liability was estimated using an interest rate of 3.0 per cent (2016: 2.7 per cent) based upon the 2033 Government bond rate. The actuary estimated that approximately \$0.4 billion (2016: \$0.4 billion) is recoverable from the States. Note B5.2 refers. A fair value gain of \$0.4 billion is reported at note A4.3 (2015-16: \$0.8 billion fair value loss). Note A3.6 refers.

Prior to the establishment of the Superannuation Scheme for Australian Universities in 1983, university employees belonged to various unfunded or partly funded institution and/or State based superannuation schemes. The State based schemes have been closed to new members, but university employees have been able to continue as members.

Historically, the responsibility for funding universities' superannuation liabilities has been shared between the Commonwealth and the States, apart from the period between 1974 and 1982, when the Commonwealth bore the full cost of benefits. The current cost share arrangements are based on allocating the emerging cost of benefits between the States and the Commonwealth based on the split of responsibility at the time the benefits accrued.

The HESP provision is based upon: the total value of the superannuation liabilities for universities in Victoria, South Australia, Western Australia and Tasmania; and 78 per cent of the total value of the superannuation liabilities for universities in NSW (reflecting the partially funded nature of the NSW schemes).

Personal benefits

The department administers a number of personal benefit programs on behalf of the government that provide entitlements to individuals. Payments are determined in accordance with provisions under social security law and other legislation.

The department made payments in accordance with family assistance law (comprising the *A New Tax System (Family Assistance) Act 1999* and *A New Tax System (Family Assistance) (Administration) Act 1999* as well as associated legislation and other subordinate legislation. Responsibility for these payments transferred from the Department of Social Services to the Department of Education and Training as a result of the Administrative Arrangement Order of 21 September 2015. These payments are assessed and determined by officers of the Department of Human Services under delegation from the department.

The *A New Tax System (Family Assistance) (Administration) Act 1999* imposes an obligation on recipients and customers to disclose information about financial and personal circumstances that affect entitlement to payment.

Unreported changes in circumstances can lead to incorrect payment, even if no deliberate fraud is intended. The compliance framework does not rely solely on information provided by recipients and customers to determine their entitlement. A comprehensive risk management strategy minimises the potential for incorrect payment by subjecting recipients and customers to a variety of review processes. While the risk management strategy is principally directed at minimising debts, the detection of underpayments will also result in an adjustment.

The child care payments compliance program takes a risk and evidence-based, whole-of-government approach focused on disrupting the business practices of services at highest risk of non-compliance and fraud. Compliance operations have been strengthened through greater investment in compliance resources, improved data interrogation and analysis capacity to better target compliance activities, and stronger collaboration with other Australian Government entities. To further tighten existing family assistance law a range of legislative instruments has been introduced in advance of the commencement of the *Family Assistance Legislation Amendment (Jobs for Families Child Care Package) Act 2017* on 2 July 2018.

Department of Education and Training
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

C: Funding

C1: Appropriations

Note C1.1: Annual appropriations ('recoverable GST exclusive')

	2017	2016
	\$'000	\$'000
Departmental ordinary annual services		
Annual appropriation		
Operating ¹	333,539	254,837
Departmental capital budget ²	23,281	21,677
PGPA Act section 74 receipts	17,241	30,665
PGPA Act section 75 transfers	(14,390)	44,904
Total appropriation	359,671	352,083
Appropriation applied (current and prior years)	361,586	368,283
Variance³	(1,915)	(16,180)
Departmental other services		
Annual appropriation		
Equity injection	5,985	10,438
PGPA Act section 75 transfers	-	3,248
Total appropriation	5,985	13,686
Appropriation applied (current and prior years)	9,135	8,023
Variance⁴	(3,150)	5,663
Administered ordinary annual services		
Annual appropriation		
Operating	1,879,988	1,548,526
Payments to corporate Commonwealth entities	19,817	14,935
PGPA Act section 75 transfers	-	303,735
Total appropriation	1,899,805	1,867,196
Appropriation applied (current and prior years)	1,603,460	1,422,280
Variance	296,345	444,936
Administered other services		
Annual appropriation		
States, ACT, NT and local government	42,686	43,645
Payments to corporate Commonwealth entities	74	74
Total appropriation	42,760	43,719
Appropriation applied (current and prior years)	41,241	44,511
Variance	1,519	(792)

¹ No amounts have been quarantined in 2016-17.

² Departmental capital budgets are appropriated through *Appropriation Acts (No. 1, 3, 5)*. They form part of ordinary annual services and are not separately identified in the *Appropriation Acts*. The departmental capital budget for 2016 has been adjusted to reflect the legally available appropriation of \$21.7 million. Note B1.2 refers.

³ The variance reflects the movement in cash at bank, appropriations receivable, GST receivable, and \$7.5 million in section 75 transfers of prior year appropriation.

⁴ The variance reflects the movements in the appropriation receivable - equity injection.

Department of Education and Training
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note C1.2: Unspent annual appropriations ('recoverable GST exclusive')

	2017	2016
	\$'000	\$'000
Departmental		
<i>Appropriation Act (No.1) 2016-17</i>	35,886	-
<i>Appropriation Act (No.2) 2016-17</i>	2,365	-
<i>Appropriation Act (No.3) 2016-17</i>	14,484	-
<i>Appropriation Act (No.4) 2016-17</i>	2,992	-
<i>Appropriation Act (No. 1) 2016-17 Capital Budget - Non Operating</i>	2,538	-
<i>Supply Act (No. 1) 2016-17 Capital Budget - Non Operating</i>	1,014	-
<i>Supply Act (No.2) 2016-17</i>	468	-
<i>Appropriation Act (No.1) 2015-16</i>	2,622	35,506
<i>Appropriation Act (No.2) 2015-16</i>	-	7,109
<i>Appropriation Act (No.3) 2015-16</i>	-	4,567
<i>Appropriation Act (No.4) 2015-16</i>	891	1,973
<i>Appropriation Act (No.1) 2014-15</i>	-	22,827
<i>Appropriation Act (No.2) 2013-14</i>	-	784
<i>Appropriation Act (No.1) 2013-14</i>	68	-
Cash at bank	1,742	2,596
Total departmental¹	65,070	75,362
Administered		
<i>Appropriation Act (No. 1) 2016-17²</i>	374,894	-
<i>Appropriation Act (No. 2) Specific Purpose Payments 2016-17</i>	1,519	-
<i>Appropriation Act (No.1) 2015-16³</i>	543,924	622,470
<i>Appropriation Act (No.2) Specific Purpose Payments 2015-16⁴</i>	3,243	3,243
<i>Appropriation Act (No.1) 2014-15⁵</i>	268,354	268,354
<i>Appropriation Act (No.3) 2014-15⁶</i>	14,836	14,836
<i>Appropriation Act (No.2) Specific Purpose Payments 2014-15⁷</i>	2,257	2,257
<i>Appropriation Act (No.1) 2013-14⁸</i>	110	110
<i>Appropriation Act (No.3) 2013-14⁹</i>	8,144	8,144
Total administered	1,217,281	919,414

¹ As at 30 June 2017, total departmental unspent annual appropriation comprises: cash at bank (excluding special account) \$1.7 million and appropriation receivable \$63.3 million.

² Includes \$10.8 million of permanent quarantines that are still legally available.

³ The balance represents permanent quarantines that are still legally available. The 2015-16 amount has increased from \$262.4 million to \$622.5 million to include quarantined funds that were still legally available at 30 June 2016.

⁴ The balance includes \$3.2 million of permanent quarantines that are legally available.

⁵ The balance is legally available until the date of repeal, 1 July 2017. The 2015-16 amount has increased from \$259.2 million to \$268.4 million to include quarantined funds that were still legally available at 30 June 2016.

⁶ The funds are legally available until the date of repeal, 1 July 2017.

⁷ The balance includes \$0.8 million of quarantine funds that are still legally available. The 2015-16 amount has increased from \$1.4 million to \$2.3 million to include quarantined funds that were still legally available at 30 June 2016.

⁸ The balance has been quarantined but is still available until the date of repeal. The 2015-16 amount has increased from nil to \$0.1 million to include quarantined funds that were still legally available at 30 June 2016.

⁹ The balance has been quarantined but is still available until the date of repeal. The 2015-16 amount has increased from nil to \$8.1 million to include quarantined funds that were still legally available at 30 June 2016.

Department of Education and Training
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note C1.3: Special appropriations ('recoverable GST exclusive')

Authority	Appropriation applied	
	2017	2016
	\$'000	\$'000
<i>A New Tax System (Family Assistance) (Administration) Act 1999</i>	7,201,756	5,023,245
<i>Australian Education Act 2013</i>	17,039,994	15,669,315
<i>Higher Education Support Act 2003, section 238-12</i>	16,324,974	17,629,196
<i>Trade Support Loans Act 2014, section 104</i>	173,175	144,676
<i>VET Student Loans Act 2016, section 11</i>	40,688	-
Total special appropriations applied	40,780,587	38,466,432

Note C1.4: Disclosure by agent in relation to annual and special appropriations ('recoverable GST exclusive')

	Department of Foreign Affairs and Trade¹	
Total receipts	26,472	24,988
Total payments	26,472	24,988

¹ The department had drawing rights for the Department of Foreign Affairs and Trade annual appropriation for the New Colombo Plan program.

**Department of Education and Training
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

C2: Special Accounts

Note C2.1: Special accounts ('recoverable GST exclusive')				
	Education Investment Fund - Research Portfolio Special Account ¹		Education Investment Fund - Education Portfolio Special Account ²	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
Balance brought forward from previous period	-	-	-	-
Increases				
Appropriation credited to special account	-	-	22,593	55,754
Total increases	-	-	22,593	55,754
Available for payments	-	-	22,593	55,754
Decreases				
Payments made	-	-	(22,593)	(55,754)
Total decreases	-	-	(22,593)	(55,754)
Balance carried forward to the next period	-	-	-	-
Balance represented by				
Cash held in the OPA	-	-	-	-
Balance carried forward to the next period	-	-	-	-

¹ Education Investment Fund - Research Portfolio Special Account
 Appropriation: *Public Governance, Performance and Accountability Act 2013*, section 80.
 Establishing Instrument: *Nation-building Funds Act 2008* No. 154 of 2008.
 Purpose: To make grants of financial assistance in relation to the creation and development of research infrastructure.
 There have been no transactions through this special account in 2016-17 or the prior year.

² Education Investment Fund - Education Portfolio Special Account
 Appropriation: *Public Governance, Performance and Accountability Act 2013*, section 80.
 Establishing Instrument: *Nation-building Funds Act 2008* No. 154 of 2008.
 Purpose: To make grants of financial assistance to eligible higher education institutions in relation to capital expenditure and research facilities.

Department of Education and Training
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

	National Youth Affairs Research Scheme Special Account ³		Growth Fund Skills and Training Special Account ⁴	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
Balance brought forward from previous period	-	171	4,757	-
Increases				
Appropriation credited to special account	-	-	2,091	147
Receipts	-	-	15,150	4,757
Total increases	-	-	17,241	4,904
Available for payments	-	171	21,998	4,904
Decreases				
Payments made	-	(171)	(5,985)	(147)
Total decreases	-	(171)	(5,985)	(147)
Balance carried forward to the next period	-	-	16,013	4,757
Balance represented by				
Cash held in the OPA	-	-	16,013	4,757
Balance carried forward to the next period	-	-	16,013	4,757

³ National Youth Affairs Scheme Special Account

Appropriation: *Public Governance, Performance and Accountability Act 2013*, section 78.

Establishing Instrument: Financial Management and Accountability Determination 2006/45 dated 17 August 2006.

Purpose: For the receipt of monies from State Governments to meet expenditure in respect of the National Youth Affairs Research Scheme. This special account was repealed on 1 October 2016.

⁴ Growth Fund Skills and Training Special Account

Appropriation: *Public Governance, Performance and Accountability Act 20*, section 78.

Establishing Instrument: Growth Fund Skills and Training Special Account 2015 - Establishment Determination 2015/04 dated 15 July 2015.

Purpose: For paying amounts to enable Australian workers and former workers in the Australian automotive industry to obtain career advice, education, training and re-skilling support to exit the industry and obtain new forms of employment.

Department of Education and Training
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

	Early Years Quality Fund Special Account ⁵		Overseas Student Tuition Fund Special Account ⁶	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Balance brought forward from previous period	34,039	-	28,167	19,869
Increases				
Receipts	854	598	9,756	10,126
Total increases	854	598	9,756	10,126
Available for payments	34,893	598	37,923	29,995
Decreases				
Payments made	(2,269)	(68,607)	(3,344)	(1,828)
Transfer through restructuring	-	102,048	-	-
Total decreases	(2,269)	33,441	(3,344)	(1,828)
Balance carried forward to the next period	32,624	34,039	34,579	28,167
Balance represented by				
Cash held in the OPA	32,624	34,039	34,579	28,167
Balance carried forward to the next period	32,624	34,039	34,579	28,167

⁵ Early Years Quality Fund Special Account
 Appropriation: *Public Governance, Performance and Accountability Act 2013*, section 80.
 Establishing Instrument: *Early Years Quality Fund Special Account Act 2013*.
 Purpose: To provide funding to approved centre based long day care services to be used exclusively for paying remuneration and other employment-related costs and expenses in relation to employees in the early childhood education and care sector.

⁶ Overseas Student Tuition Fund Special Account
 Appropriation: *Public Governance, Performance and Accountability Act 2013*, section 80.
 Establishing Instrument: *Education Services for Overseas Students Act 2000* Act No. 164 of 2000, taking into account amendments to *Education Services for Overseas Students Legislation Amendment (Tuition Protection Services and Other Measures) Act 2012*, section 52A.
 Purpose: For expenditure in connection with assisting international students whose education providers are unable to deliver their course of study in full.

Department of Education and Training
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

	Services for Other Entities and Trust Moneys ⁷		Unique Student Identifier ⁸	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Balance brought forward from previous period	5,125	6,476	3,536	2,286
Increases				
Appropriations credited to special account	-	-	6,250	9,696
Receipts	1,570	1,154	-	-
Total increases	1,570	1,154	6,250	9,696
Available for payments	6,695	7,630	9,786	11,982
Decreases				
Payments made	(4,435)	(2,527)	(5,697)	(8,446)
Transfer through restructuring	-	22	-	-
Total decreases	(4,435)	(2,505)	(5,697)	(8,446)
Balance carried forward to the next period	2,260	5,125	4,089	3,536
Balance represented by				
Cash held in the OPA	2,260	5,125	4,089	3,536
Balance carried forward to the next period	2,260	5,125	4,089	3,536

⁷ Services for Other Entities and Trust Moneys Special Account
 Appropriation: *Public Governance, Performance and Accountability Act 2013*, section 78.
 Establishing Instrument: Financial Management and Accountability Determination 2008/14 dated 3 June 2008.
 Purpose: To disburse amounts held on trust or otherwise for the benefit of a person other than the Commonwealth; in connection with services performed on behalf of other governments and bodies that are not non-corporate Commonwealth entities; and to repay amounts where an Act or other law requires or permits the repayment of an amount received.

⁸ Unique Student Identifier Special Account
 Appropriation: *Public Governance, Performance and Accountability Act 2013*, section 80.
 Establishing Instrument: *Student Identifiers Act 2014*; section 48.
 Purpose: For paying or discharging the costs, expenses and other obligations incurred by the Commonwealth in the performance of the Registrar's functions, paying any remuneration and allowances payable to any person under the Act and meeting the expenses of administering the account.

Department of Education and Training NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

C3: Regulatory Charging

	2017	2016
Note C3.1: Regulatory charging summary	\$'000	\$'000
Amounts applied		
Departmental - annual appropriation	5,307	5,766
Total amounts applied¹	5,307	5,766
Expenses		
Departmental	6,938	7,102
Administered	1,327	996
Total expenses¹	8,265	8,098
External revenue		
Departmental	1,631	1,336
Administered	11,552	9,457
Total revenue¹	13,183	10,793

The Commonwealth recovers the costs of administering its functions under the *Education Services for Overseas Students Act 2000* (the ESOS Act) and the National Code of Practice for Providers of Education and Training to Overseas Students (National Code) through compulsory registration fees charged to providers wishing to be registered on the Commonwealth Register of Institutions and Courses for Overseas Students (CRICOS), which allows them to offer courses to overseas students. The Commonwealth also recovers the cost of administering the functions of the Overseas Students Ombudsman under the *Ombudsman Act 1976*.

The following entities are involved in the delivery of these activities: Department of Education and Training, Australian Skills Quality Authority and the Tertiary Education Quality and Standards Agency.

Further information on CRICOS is available at <https://internationaleducation.gov.au>.

The Commonwealth also recovers the costs for administering certain programs through Trades Recognition Australia (TRA). TRA is the only authorised assessing authority for trade occupations under the *Migration Act 1958* and manages skills assessment services for people with trade skills who are Australian citizens, residents (both temporary and permanent) and potential migrants to Australia. A person who requires a skills assessment for migration purposes in a trade occupation is required to use TRA's services. The Australian Recognised Trade Certificate Program, the Job Ready Program, the Migration Skills Assessment Program and the Migration Points Advice Program operate on a cost recovery basis through charging of assessment fees.

Further information on TRA is available at www.tradesrecognitionaustralia.gov.au.

¹The 2015-16 comparatives have been amended to include the Trades Recognition Australia program that was inadvertently omitted from the 2015-16 financial statements and exclude the CRICOS expenses incurred by the Overseas Student Ombudsman as these are not expenses of the department. The net impact of these adjustments on the 2015-16 amounts is to: increase departmental appropriation by \$1.2 million; increase departmental expenses by \$2.6 million; increase administered expenses by \$1.0 million; increase departmental external revenue by \$1.3 million and external administered revenue by \$1.5 million.

C4: Net Cash Appropriation Arrangements

Total comprehensive surplus less depreciation and amortisation expenses previously funded through revenue appropriations	2,968	1,757
Less: depreciation and amortisation expense	(23,979)	(25,168)
Total comprehensive loss as per the statement of comprehensive income	(21,011)	(23,411)



Department of Education and Training
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

D: Other Items

D1: Contingent Assets and Liabilities

Note D1.1: Departmental contingent assets and liabilities

Contingent liabilities and contingent assets are not recognised in the statement of financial position. They may arise from uncertainty as to the existence of a liability or asset or represent an asset or liability in respect of which the amount cannot be reliably measured. Contingent assets are disclosed when settlement is probable but not virtually certain and contingent liabilities are disclosed when settlement is greater than remote.

Quantifiable contingencies

The department had no quantifiable contingent assets or liabilities as at 30 June 2017 (2016: two).

Unquantifiable contingencies

As at 30 June 2017, the department had contingent assets and liabilities likely to be paid in respect of damages and claims that are not quantifiable. There were three open matters (2016: three) in the hands of the department's legal representatives. These open matters relate to a range of legal issues with varying probabilities of success. It is not possible to estimate the amounts of any eventual receipts or payments that may be received or made in relation to these claims.

Note D1.2: Administered contingent assets and liabilities

Quantifiable contingencies

There were no administered quantifiable contingent assets or liabilities as at 30 June 2017 (2016: nil).

Unquantifiable contingencies

The Government is undertaking compliance action to recover VET FEE-HELP payments from VET providers where loans were inappropriately issued to students by providers. There is a potential financial risk to the Commonwealth in the event that compliance action results in student loan debts being remitted but the Commonwealth is unable to recover the payments from providers.

Department of Education and Training
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

D2: Restructuring

Note D2.1: Departmental restructuring

Function	2017		2016
	Shared Services	Shared Services	Early Childhood and Child Care Department of Social Services ²
Entity	Department of Employment ¹	Department of Finance ¹	Department of Social Services ²
	\$'000	\$'000	\$'000
FUNCTIONS ASSUMED			
Assets recognised			
Trade and other receivables	751	-	16,060
Land and buildings	246	-	646
Infrastructure, plant and equipment	445	-	40
Computer software	418	-	949
Prepayments	125	-	-
Total assets recognised	1,985	-	17,695
Liabilities recognised			
Supplier	1	-	-
Other payables	6	-	192
Employee provisions	525	-	13,855
Other provisions	466	-	-
Total liabilities recognised	998	-	14,047
Net assets recognised	987	-	3,648
Income			
Recognised by the receiving entity	4,539	-	-
Recognised by the losing entity	1,293	-	62
Total income	5,832	-	62
Expenses			
Recognised by the receiving entity	7,820	-	30,508
Recognised by the losing entity	3,810	-	14,801
Total expenses	11,630	-	45,309
FUNCTIONS RELINQUISHED			
Assets relinquished			
Trade and other receivables	(20,226)	(3,175)	-
Accrued revenue	(3,202)	-	-
Land and buildings	(753)	(64)	-
Infrastructure, plant and equipment	(10,565)	(17)	-
Computer software	(4,074)	(9,444)	-
Prepayments	(6,714)	(649)	-
Total assets relinquished	(45,534)	(13,349)	-
Liabilities relinquished			
Supplier	(815)	-	-
Other payables	(1,746)	(668)	-
Employee provisions	(5,372)	(1,576)	-
Other provisions	(118)	-	-
Total liabilities relinquished	(8,051)	(2,244)	-
Net assets relinquished	(37,483)	(11,105)	-

¹ Functions previously supported by the Shared Services Centre, a joint venture between the Departments of Education and Training and Employment, were transferred to new arrangements on 1 December 2016. Transactional services were transferred to the Department of Finance, information and communications technology and some corporate services to the Department of Employment, and library and audio-visual services to the department. The net assets relinquished were \$48.6 million and net assets recognised were \$1.0 million.

² The early childhood and child care functions were assumed from the Department of Social Services following the Administrative Arrangement Orders of 21 September 2015. The net book value of the assets and liabilities were transferred for no consideration. The net assets assumed total \$3.6 million.

Department of Education and Training
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note D2.1: Administered restructuring

	2016
Function	Early Childhood and Child Care
Entity	Department of Social Services ¹
	\$'000
FUNCTIONS ASSUMED	
Assets recognised	
Cash and cash equivalents	102,070
Trade and other receivables	406,541
Advances and loans	339
Other non-financial assets	4,169
Total assets recognised	513,119
Liabilities recognised	
Suppliers	95
Personal benefits payable	197,991
Grants payable	2,583
Provision for personal benefits	746,777
Total liabilities recognised	947,446
Net liabilities recognised	(434,327)
Income assumed	
Recognised by the receiving entity	5,226
Recognised by the losing entity	408
Total income assumed	5,634
Expenses assumed	
Recognised by the receiving entity	4,670,116
Recognised by losing entity	2,098,320
Total expenses assumed	6,768,436

The Early Childhood Education and Care functions transferred from the Department of Social Services following the Administrative Arrangement Orders of 21 September 2015.

The net liabilities assumed total \$434.3 million with no consideration.

There was no administered restructuring during 2016-17.

Department of Education and Training
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

D3: Key Management Personnel Remuneration

	2017	2016
Note D3.1: Key management personnel remuneration	\$'000	\$'000
Short-term employee benefits	2,236	1,764
Post-employment benefits	365	267
Other long-term employee benefits	379	264
Total key management personnel remuneration	2,980	2,295

Key management personnel (KMP) are those persons having authority and responsibility for planning, directing and controlling the activities of the department. The department has determined the KMP to be the Portfolio Minister, the Secretary, the Associate Secretary and the Deputy Secretaries. Other senior executives may at times act in one of these positions for a short period of time during the year. These officers are not reported as KMP unless they have acted in the position for more than three consecutive months.

The above table includes the remuneration for seven officers occupying KMP positions during the year (2015-16: six). The remuneration and benefits for the Portfolio Minister are excluded from the table as they are set by the Remuneration Tribunal and are not paid by the department.

The amounts in the table are prepared on an accrual basis and include: salary, superannuation, annual and long service expense (including revaluations of leave provisions), allowances and changes in ancillary costs and probability rates on leave provisions.

D4: Related Party Disclosures

The department is an Australian Government controlled entity. Related parties to the department are key management personnel as described in note D3.1.

Given the breadth of Government activities, related parties may transact with the government sector in the same capacity as ordinary citizens. Such transactions include the payment or refund of child care benefits or higher education loans. These transactions have not been separately disclosed in this note.

Transactions with entities where key management personnel have an interest

Several of the department's key management personnel are members of the board of directors for a number of educational institutions and councils. During 2016-17 the department purchased services from, and awarded grants to, these entities in relation to the:

- Support of quality teaching and school leadership
- Support of the national quality framework for early childhood education and care
- Collection of data, development and delivery of research studies, questionnaires and assessments
- Hosting and maintaining the Foundation Skills Assessment Tool.

	Transaction value	Balance outstanding
	2017	2017
Related party transactions	\$'000	\$'000
Departmental		
Supplier expenses	1,666	-
Administered		
Supplier expenses	1,143	216
Grants	35,213	-

All purchases were conducted under normal terms and conditions and grants were awarded in accordance with the Commonwealth Grants Policy Framework.



Department of Education and Training NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

D5: Budgetary Reporting

Statement of comprehensive income

In 2016-17 the department reported an operating deficit on continuing operations of \$21.0 million against a budgeted deficit of \$35.1 million as reported in the 2016-17 Portfolio Budget Statements¹.

The department's total expenses of \$392.9 million were \$11.8 million more than originally budgeted principally reflecting the establishment of the new VET student loans program, which commenced on 1 January 2017, replacing the VET FEE-HELP scheme. The VET student loans program provides income contingent loans to eligible students undertaking vocational education and training in eligible courses. The VET student loans program is a new measure announced since the 2016-17 Budget.

On 1 December 2016, following a machinery of government announcement, functions previously supported by the Shared Services Centre (a joint operating arrangement between the department and the Department of Employment) transitioned to new arrangements with: transactional services transferring to the Department of Finance; information and communications technology and other corporate services to the Department of Employment; and the library and audio-visual services returning to the department. This resulted in a change to the department's cost structure to reflect purchase-provider relationships. The department also reported reduced depreciation and amortisation expense reflecting the transfer of non-financial assets with a net book value of \$23.8 million between agencies.

The department reported own source income of \$32.1 million, \$4.1 million more than originally budgeted. This variance primarily reflects additional receipt collection services provided free of charge by the Australian Taxation Office. A total of \$8.1 million has been recognised as a gain and corresponding expense in the department's accounts. There was also a \$1.0 million reversal of a previous write-down to leasehold improvement assets. Revaluations of assets are not included in the budget estimates.

Revenue from Government totalled \$339.8 million in 2016-17, \$21.8 million more than originally budgeted. Additional operating funding totalling \$15.6 million was provided through additional estimates comprising: \$11.1 million to implement the VET Student Loans program; reclassification of \$1.8 million from the departmental capital budget; and other minor variations totalling \$2.7 million. The Unique Student Identifier special account reported \$6.25 million in appropriation from Government. This funding was not allocated at the time the original budget was prepared.

Statement of financial position

As at 30 June 2017 the department's total equity was \$61.5 million compared to the original budget of \$91.3 million².

This decrease of \$29.8 million mainly reflects the transfer out of assets and liabilities to the departments of Finance and Employment following the machinery of government announcement and the flow on effects of depreciation and amortisation expense on the department's operating result. All balance sheet items, with the exception of cash, were impacted by this transfer.

Statement of cash flows

The variances between budget and actuals in the statement of cash flows are primarily the flow on effect from the events already described and timing differences between cash receipts and payments to revenue and expense.

¹ The government does not provide operating funding for make-good, depreciation or amortisation expenses. Rather, capital funding is received when assets need to be replaced and is recognised directly in equity.

² The original budget was published in May 2016. As a consequence the budgeted opening balance as at 1 July 2016 needed to be estimated. Accordingly, variances to budget can at least in part, be attributed to the prior year results.

Department of Education and Training

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

D6: Administered – Budgetary Reporting

Administered schedule of comprehensive income

In 2016-17 the department administered \$41.5 billion of expenses on behalf of the government, of which, \$26.9 billion (65 per cent) represented grants primarily to schools and higher education facilities which were delivered within 1.3 per cent of the original budget estimate.

During 2016-17 the department administered \$7.3 billion of personal benefits against a budget of \$8.3 billion reflecting lower growth than projected at the time the original budget was prepared. The estimates were revised during the course of the year to \$7.4 billion¹.

At the time the budget was prepared the fair values of the higher education superannuation provision, higher education loans and trade support loans were based upon 2014-15 data and actuarial assumptions. Any changes in the actuary's assessment and the Government bond rates used to discount future cash flows is brought to account annually through fair value gains or losses and will also impact concessional loan discount expense and interest revenue.

As at 30 June 2017, the Australian Government Actuary estimated the fair value of the higher education loans to be \$35.9 billion. This balance takes into account new loans and repayments made during 2016-17, unwinding of discount and a fair value loss totalling \$6.1 billion. The three main factors contributing to this loss are: modelling the VET FEE-HELP cohort (using this cohort's future incomes and payment patterns) as a separate group within the total higher education loan program for existing debt, \$2.0 billion; the estimated debt not expected to be recovered on new loans entered into during the year, \$1.9 billion; applying the current indexation rate and yield curve to the actuarial model, \$1.9 billion. The concessional loan discount expense was zero in 2016-17 as the effective real interest rate assumed for the valuation is negative or close to zero at durations where a substantial proportion of estimated repayments are projected to occur.

In 2016-17 the department administered revenue totalling \$1.3 billion compared to a budget of \$2.2 billion. This variance was predominantly driven by changes in actuarial assumptions reducing the amount of interest revenue on higher education loans combined with lower than budgeted loan application fees. The impact of these was partially offset by an increase to the interest rate used to estimate higher education superannuation liability cash flows resulting in a fair value gain of \$0.4 billion and higher than expected student enrolments increasing tuition protection service levies to \$9.8 million.

The change in the asset revaluation surplus reflects the movement in the net asset value of administered investments. In 2016-17 the net assets of the Australian National University increased by \$219.0 million.

Movements in administered investments, write-downs of assets, act of grace payments and reversals of previous write-downs are difficult to predict and are not included in the budget estimates.

Administered schedule of asset and liabilities

As at 30 June 2017 assets administered on behalf of government totalled \$39.5 billion compared to an original budget of \$47.9 billion.

As previously noted, at the time the budget was prepared the fair value of the higher education loans and trade support loans were based upon 2014-15 data and actuarial assumptions. Any changes in the actuary's assessment and the Government bond rates impact on the actual value of the receivables at 30 June.

Administered investments have increased by \$220.1 million during the year and are valued at \$2.3 billion at 30 June 2017. This movement, and the variance to budget, is mainly represented by a change in the net asset value of the Australian National University.

As at 30 June 2017, payables total \$241.9 million, \$56.4 million less than the budget of \$298.3 million. The reduction in personal benefits payable is the main driver of this variance and is consistent with lower than budgeted expenses for the year. Other variances, particularly in creditors and accruals, reflect the invoices on hand at the end of the financial year and are, by nature, difficult to predict.

As at 30 June 2017, provisions totalled \$7.4 billion compared to a budget of \$7.3 billion, a variance of 2.3 per cent. The higher education superannuation provision was \$0.5 billion greater than budget mainly reflecting a change in the bond rate used to discount future cash flows. At the time the original budget was prepared the personal benefits provision was estimated to have a closing balance of \$1.3 billion. During 2016-17 the child care estimation model was updated to use a single data source and undertake time series modelling based upon historic data over a statistically valid time period and the estimate was revised down to \$954.2 million². As at 30 June 2017 the personal benefits provision is reported at \$979.4 million.

¹ Revised estimates are published in the Portfolio Additional Estimates Statements 2016-17.

² Estimated actual published in the Portfolio Budget Statements 2017-18.

Department of Education and Training
 NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

E: Managing Uncertainties

E1: Financial Instruments

	2017	2016
	\$'000	\$'000
Note E1.1: Categories of financial instruments		
Financial assets		
Loans and receivables		
Cash and cash equivalents	5,831	6,132
Goods and services receivable	1,577	7,599
Accrued revenue	4,183	1,996
Total financial assets	11,591	15,727
Financial liabilities		
Trade creditors and accruals	27,440	27,100
Total financial liabilities	27,440	27,100

The book value of financial instruments equals the fair value.

Asset and liabilities are recognised to the extent that good or services have been provided / received (regardless of whether the invoice has been issued / received). Supplier and other payables are recognised at amortised cost.

Note E1.2: Net gains or losses on financial assets

Impairment of receivables - goods and services	316	98
Net losses on financial assets	316	98

Financial assets are assessed for impairment at the end of each reporting period.

**Department of Education and Training
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

E2: Administered – Financial Instruments

<u>Note E2.1: Categories of financial instruments</u>	2017 \$'000	2016 \$'000
FINANCIAL ASSETS		
Financial assets at fair value through other comprehensive income		
Investments	2,338,384	2,118,337
Total financial assets at fair value through other comprehensive income	2,338,384	2,118,337
Loans and receivables		
Cash and cash equivalents	85,478	72,092
Goods and services receivable	120,127	36,925
Total loans and receivables	205,605	109,017
Financial assets at fair value through profit or loss (designated)		
Higher education loans	35,916,286	36,807,652
Trade support loans	282,520	145,680
Child care loans	145	591
Total financial assets at fair value through profit or loss (designated)	36,198,951	36,953,923
Total financial assets categorised as financial instruments	38,742,940	39,181,277
FINANCIAL LIABILITIES		
Financial liabilities measured at amortised cost		
Trade creditors and accruals	95,137	57,624
Grants payable	13,744	3,318
Total financial liabilities measured at amortised cost	108,881	60,942
Total financial liabilities	108,881	60,942
Note E2.2: Net gains or losses on financial assets		
Financial assets at fair value through other comprehensive income		
Gains (losses) recognised in equity	220,047	(31,593)
Net gains (losses) from financial assets at fair value through other comprehensive income	220,047	(31,593)
Loans and receivables		
Interest revenue	44	7
Reversal of impairment - goods and services receivable	675	-
Write-down and impairment	(70,646)	789
Net gains (losses) from loans and receivables	(69,927)	796
Financial assets at fair value through profit or loss (designated)		
Interest revenue	503,004	529,330
Other revenue	275,792	675,522
Concessional loan discount	-	(636,237)
Trade support loan discount	(22,571)	(19,511)
Fair value losses	(6,060,445)	(1,058,199)
Net gains (losses) at fair value through profit or loss (designated)	(5,304,220)	(509,095)
Net gains (losses) on financial assets	(5,154,100)	(539,892)

Department of Education and Training
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note E2.3: Fair value of financial instruments

The book value of financial instruments equals the fair value.

Note E2.4: Credit risk

The fair value of investments is represented by the Government's proportional interest in the net assets of the entities which are not exposed to a high level of credit risk. Movements in the net asset values are brought to account through other comprehensive income. Note 5.3 refers.

Administered loans and receivables predominantly represent cash or goods and services receivable and as such are not exposed to a high level of credit risk. Credit risk is managed by undertaking background and credit checks prior to entering into debtor relationships and applying debt recovery policies and procedures. The risk of default on payments has been assessed and an impairment provision brought to account. Note 5.2 refers.

The recoverability of financial assets designated to be measured at fair value through profit and loss are factored into the annual fair value actuarial assessments. Movements in the assessments take into account future income projections, the pattern and timing of repayments and debt not expected to be recovered. Movements in the actuarial assessment are recognised as a gain or loss in the administered schedule of comprehensive income. Note A3.6 refers.

Credit quality of financial assets not past due or individually determined as impaired	Not past due nor impaired	Past due or impaired	Not past due nor impaired	Past due or impaired
	2017 \$'000	2017 \$'000	2016 \$'000	2016 \$'000
Financial assets at fair value through other comprehensive income				
Investments	2,338,384	-	2,118,337	-
Loans and receivables				
Cash at bank and on hand	85,478	-	-	-
Goods and services receivable	42,420	156,198	29,727	18,755
Fair value through profit or loss (designated)				
Higher education loans	35,916,286	-	36,807,652	-
Trade support loans	282,520	-	145,680	-
Child care loans	145	-	591	-
Total	38,665,233	156,198	39,101,987	18,755

Department of Education and Training
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Ageing of financial assets that were past due but not impaired as at 30 June 2017	0 to 30 days \$'000	31 to 60 days \$'000	61 to 90 days \$'000	90+ days \$'000	Total \$'000
Goods and services receivable	58,569	1,219	4,159	13,760	77,707
Total	58,569	1,219	4,159	13,760	77,707

Ageing of financial assets that were past due but not impaired as at 30 June 2016	0 to 30 days \$'000	31 to 60 days \$'000	61 to 90 days \$'000	90+ days \$'000	Total \$'000
Goods and services receivable	292	166	54	6,686	7,198
Total	292	166	54	6,686	7,198

Note E2.5: Liquidity risk

The department is exposed to minimal liquidity risk and is appropriated funding from the Australian Government. The department manages its budgeted funds to ensure it has adequate funds to meet payments as they fall due. In addition, the department has policies in place to ensure timely payments are made when due and has no past experience of default.

Note E2.6: Market risk

The department holds basic financial instruments that do not expose it to certain market risks including currency or interest rate risk.

Department of Education and Training
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

E3: Fair Value Measurement

Fair value is a market based, rather than entity specific, measurement. The objective in all cases is to estimate the price at which an orderly transaction to sell the asset would take place between market participants under current market conditions at the measurement date. Where possible the assets are valued based upon observable inputs, such as quoted prices in active markets or other market transactions or information. Where this information is not available valuation techniques rely upon unobservable inputs. The different levels of the fair value hierarchy are defined below.

Level 1: Quoted prices (unadjusted) in active markets for identical assets.

Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset, either directly or indirectly.

Level 3: Unobservable inputs for the asset.

An analysis of the fair value of non-financial assets by level is provided below.

Fair value measurement as at 30 June					
	2017	2016		Valuation	
	\$'000	\$'000	Level	technique ²	Inputs used
Non-financial assets					
Land	170	170	2	Market	Adjusted market transactions
Buildings	221	230	2	Market	Adjusted market transactions
Leasehold improvements	32,951	35,855	3	Depreciated replacement cost	Replacement cost new Useful life and consumed economic benefit / obsolescence of asset
Leasehold improvements - under construction	2,442	882	2	Replacement cost	Current prices relevant to the location of the asset
Infrastructure, plant and equipment	429	7,404	2	Market	Adjusted market transactions
Infrastructure, plant and equipment	78	4,839	3	Depreciated replacement cost	Replacement cost new Useful life and consumed economic benefit / obsolescence of asset
Infrastructure, plant and equipment	598	384	3	Market	Adjusted market transactions
Infrastructure, plant and equipment - under construction	-	32	2	Replacement cost	Current prices relevant to the location of the asset
Total	36,889	49,796			
Total in the statement of financial position¹	36,889	49,796			

¹ The book value of these assets equals the fair value.

² The methods and valuation techniques used for the purpose of measuring fair value of assets in 2017 are unchanged from the previous reporting period.

Department of Education and Training
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

E4: Administered Fair Value Measurement

Note E4.1: Fair value measurement of level 2 and 3 financial instruments

An analysis of the fair value of financial assets by level is provided below.

Fair value measurement as at 30 June					
	2017 \$'000	2016 \$'000	Level	Valuation technique	Inputs used
Financial assets					
Concessional loans	36,198,951	36,953,923	3	Loan conditions	Principal due
Investments	2,338,384	2,118,337	3	Net assets of the entity	Net assets of the entity
Total	38,537,335	39,072,260			
Total in the schedule of assets and liabilities	38,537,335	39,072,260			

Note E4.2: Movement in level 2 and 3 fair value measurement

There has been no transfer between levels during the period.

	Financial assets					
	Concessional loans		Investments		Total	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Opening balance	36,953,923	30,497,818	2,118,337	2,149,930	39,072,260	32,647,748
Total gains/(losses) recognised in net cost of services	(5,304,220)	326,313	-	-	(5,304,220)	326,313
Total gains/(losses) recognised in administered equity	-	-	220,047	(31,593)	220,047	(31,593)
Issues	6,995,987	8,295,624	-	-	6,995,987	8,295,624
Settlements	(2,446,739)	(2,165,832)	-	-	(2,446,739)	(2,165,832)
Closing balance	36,198,951	36,953,923	2,338,384	2,118,337	38,537,335	39,072,260



PART 5

Appendices

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APPENDIX 1—AGENCY RESOURCE STATEMENT AND RESOURCES FOR OUTCOMES

Table 5.1: Agency resource statement, 2016–17

Agency Resource Statement—2016-17	Actual Available Appropriations for 2016-17 \$'000	Payments Made 2016-17 \$'000	Balance Remaining \$'000
Ordinary Annual Services			
Departmental appropriation			
Prior year departmental appropriation	62,968	60,278	2,690
Departmental appropriation	342,430	288,508	53,922
S.74 retained revenue receipts	17,241	17,241	-
Total	422,639	366,027	56,612
Administered expenses			
Outcome 1	522,406	375,345	
Outcome 2	1,357,582	1,208,297	
Payments to corporate Commonwealth entities	19,817	19,817	
Total	1,899,805	1,603,459	
Total ordinary annual services	2,322,444	1,969,486	
Other services			
Administered expenses			
Specific payments to States, ACT, NT and local government			
Outcome 1	42,686	41,167	
Payments to corporate Commonwealth entities	74	74	
Total	42,760	41,241	
Departmental non-operating			
Prior year departmental appropriation	9,866	8,975	891
Equity injections	5,985	160	5,825
Previous years' outputs			-
Total	15,851	9,135	6,716
Total other services	58,611	50,376	
Total available annual appropriations	2,381,055	2,019,862	



Agency Resource Statement—2016-17	Actual Available Appropriations for 2016-17 \$'000	Payments Made 2016-17 \$'000	Balance Remaining \$'000
Special appropriations			
Special appropriations limited by criteria/entitlement			
<i>A New Tax System (Family Assistance) (Administration) Act 1999</i>		7,201,756	
<i>Australian Education Act 2013</i>		17,039,994	
<i>Higher Education Support Act 2003</i>		16,324,974	
<i>Trade Support Loans Act 2014</i>		173,175	
<i>VET Student Loans Act 2016</i>		40,688	
Total special appropriations		40,780,587	
Special Accounts			
Opening Balance	70,501		
Appropriation receipts	30,934		
Non-appropriation receipts to Special Accounts	25,760		
Payments made (through restructuring)		-	
Payments made		39,888	
Closing Balance			
Total resourcing and payments	2,508,250	42,840,337	
Less appropriations drawn from annual or special appropriations above and credited to special accounts	(30,934)	(30,934)	
and payments to corporate entities through annual appropriations	(19,891)	(19,891)	
Total net resourcing and payments for Education	2,457,425	42,789,512	

Part 5

Table 5.2: Resources for Outcome 1

Outcome 1	Budget	Actual expenses	Variation
	2016–17	2016–17	2016–17
	\$'000	\$'000	\$'000
	A	B	A-B
Administered expenses			
Program 1.1: Support for the Child Care System			
Ordinary Annual Services (Supply Bill No. 1 and Appropriation Bill No. 1 and Bill No. 3)			
Child Care Services Support	290,046	238,261	51,785
Jobs, Education and Training, Child Care Fee Assistance (JETCCFA)	39,137	26,410	12,727
Child Care Subsidy Communications Campaign	208	204	4
Special Account Expenses			
<i>Early Years Quality Fund Special Account Act 2013</i>	1,553	2,060	(507)
Total for Program 1.1	330,944	266,935	64,009
Program 1.2: Child Care Benefit			
Special Appropriations			
<i>A New Tax System (Family Assistance) (Administration) Act 1999</i>	3,623,185	3,648,992	(25,807)
Total for Program 1.2	3,623,185	3,648,992	(25,807)
Program 1.3: Child Care Rebate			
Special Appropriations			
<i>A New Tax System (Family Assistance) (Administration) Act 1999</i>	3,584,220	3,627,409	(43,189)
Total for Program 1.3	3,584,220	3,627,409	(43,189)
Program 1.4: Child Care Subsidy			
Special Appropriations			
<i>A New Tax System (Family Assistance) (Administration) Act 1999</i>	-	-	-
Total for Program 1.4	-	-	-
Program 1.5: Government Schools National Support			
Special Appropriations			
<i>Australian Education Act 2013</i>	6,498,273	6,495,044	3,229
Total for Program 1.5	6,498,273	6,495,044	3,229



Outcome 1	Budget	Actual expenses	Variation
	2016–17	2016–17	2016–17
	\$'000	\$'000	\$'000
	A	B	A-B
Program 1.6: Non-government Schools National Support			
Ordinary Annual Services (Supply Bill No. 2 and Appropriation Bill No. 2 and Bill No. 4)			
Short Term Emergency Assistance	1,519	1,213	306
Non-Government Representative Bodies	41,167	41,167	-
Special Appropriations			
<i>Australian Education Act 2013</i>	10,553,936	10,553,276	660
Total for Program 1.6	10,596,622	10,595,656	966
Program 1.7: Early Learning and Schools Support			
Ordinary Annual Services (Supply Bill No. 1 and Appropriation Bill No. 1 and Bill No. 3)			
Australian Early Development Census	3,106	3,101	5
Australian Government Response to TEMAG	4,300	4,300	-
Boost the Learning for Life Program	5,700	5,700	-
Early Learning Languages Australia (ELLA)	4,312	4,312	-
Educating Against Domestic Violence	1,981	1,981	-
Flexible Literacy Learning for Remote Primary Schools	6,200	6,200	-
Grants and Awards	1,353	1,353	-
Helping Children with Autism	5,737	5,737	-
Inspiring all Australians in Digital Literacy and STEM	14,607	14,607	-
Maths and Science Participation	2,000	2,000	-
National Assessment Reform	10,220	10,220	-
Quality Outcomes	37,176	37,376	(200)
Science, Technology, Engineering and Mathematics (STEM)	4,566	4,560	6
Teach for Australia	6,139	6,139	-
Universal Access	1,500	1,411	89
Special Account Expenses			
<i>SOETM - Students with Disabilities</i>	2,583	2,657	(74)
Total for Program 1.7	111,480	111,654	(174)

Part 5

Outcome 1	Budget	Actual expenses	Variation
	2016–17	2016–17	2016–17
	\$'000	\$'000	\$'000
	A	B	A-B
Program 1.8: Youth Support			
Ordinary Annual Services (Supply Bill No. 1 and Appropriation Bill No. 1 and Bill No. 3)			
Youth Engagement	535	534	1
Total for Program 1.8	535	534	1
Outcome 1 Totals by appropriation type			
Administered expenses			
Ordinary Annual Services (Supply Bill No. 1 and Appropriation Bill No. 1 and Bill No. 3)	438,823	374,406	64,417
Other services (Supply Bill No. 2 and Appropriation Bill No. 2 and Bill No. 4)	42,686	42,380	306
Special Appropriations	24,259,614	24,324,721	(65,107)
Special Accounts	4,136	4,717	(581)
Departmental expenses			
Ordinary Annual Services (Supply Bill No. 1 and Appropriation Bill No. 1 and Bill No. 3)	164,700	165,762	(1,062)
Expenses not requiring appropriation in the Budget year	14,647	15,325	(678)
Total for Outcome 1	24,924,606	24,927,311	(2,705)
Average staffing level (number)	912	831	81



Table 5.3: Resources for Outcome 2

	Budget	Actual expenses	Variation
Outcome 2	2016–17	2016–17	2016–17
	\$'000	\$'000	\$'000
	A	B	A-B
Administered expenses			
Program 2.1: Commonwealth Grant Scheme			
Special Appropriations			
<i>Higher Education Support Act 2003</i>			
Cluster Fund and Place Loadings	6,851,052	6,855,770	(4,718)
Regional Loading	70,790	70,790	-
Total for Program 2.1	6,921,842	6,926,560	(4,718)
Program 2.2: Higher Education Superannuation Program			
Special Appropriations			
<i>Higher Education Support Act 2003</i>			
Higher Education Superannuation Program	206,866	194,000	12,866
Total for Program 2.2	206,866	194,000	12,866
Program 2.3: Higher Education Support			
Ordinary Annual Services (Supply Bill No. 1 and Appropriation Bill No. 1 and Bill No. 3)			
National Disability Coordination Officer	4,309	4,295	14
Quality Indicators for Learning and Teaching	7,341	4,868	2,473
Special Appropriations			
<i>Higher Education Support Act 2003</i>			
Disability Support Program	7,335	7,280	55
Diversity and Structural Reform	7,000	7,000	-
Higher Education Partnerships and Participation Program	147,801	146,943	858
National Institutes	214,353	214,337	16
Promotion of Excellence in Learning and Teaching in Higher Education	5,096	5,094	2
Quality Initiatives	2,482	2,447	35
Supporting more women into STEM Careers (AMSI Intern)	2,300	2,300	-
Special Account Expenses			
SOETM - Australian Quality Framework Council	-	27	(27)
Education Investment Fund - Higher Education	22,593	22,593	-
Total for Program 2.3	420,610	417,184	3,426

Part 5

	Budget	Actual expenses	Variation
Outcome 2	2016–17	2016–17	2016–17
	\$'000	\$'000	\$'000
	A	B	A-B
Program 2.4: Higher Education Loan Program			
Special Appropriations			
<i>Higher Education Support Act 2003</i>			
Higher Education Loan Program	2,397,947	6,137,921	(3,739,974)
<i>VET Student Loans Act 2016</i>			
VET Student Loans	288,482	22	288,460
Total for Program 2.4	2,686,429	6,137,943	(3,451,514)
Program 2.5 Investment in Higher Education Research			
Special Appropriations			
<i>Higher Education Support Act 2003</i>			
Australian Post Graduate Awards	142,209	142,209	-
International Post Graduate Research	11,319	11,319	-
Joint Research Engagement Scheme	181,633	181,633	-
Research Infrastructure Block Grants	122,107	122,106	1
Research Support Program	402,215	402,215	-
Research Training Scheme	345,010	345,010	-
Research Training Program	505,953	505,952	1
Sustainable Research Excellence	67,439	67,438	1
Total for Program 2.5	1,777,885	1,777,882	3
Program 2.6 Research Capacity			
Ordinary Annual Services (Supply Bill No. 1 and Appropriation Bill No. 1 and Bill No. 3)			
Commonwealth - ANU Strategic Relationships	500	500	-
National Collaborative Research Infrastructure Strategy	150,000	150,000	-
Special Appropriations			
<i>Higher Education Support Act 2003</i>			
Academic Centres of Cyber Security Excellence	463	463	-
Higher Education Research Promotion	4,804	4,803	1
Payments to corporate Commonwealth entities			
Australian Institute of Aboriginal and Torres Strait Islander Studies (AIATSIS)	19,891	19,891	-
Total for Program 2.6	175,658	175,657	1



Outcome 2	Budget	Actual expenses	Variation
	2016–17	2016–17	2016–17
	\$'000 A	\$'000 B	\$'000 A-B
Program 2.7 International Education Support			
Ordinary Annual Services (Supply Bill No. 1 and Appropriation Bill No. 1 and Bill No. 3)			
International Education Support ^a	57,403	57,261	142
Special Account Expenses			
Overseas Student Tuition Fund	3,400	3,282	118
SOETM - Cheung Kong	-	1,000	(1,000)
Total for Program 2.7	60,803	61,543	(740)
Program 2.8 Building Skills and Capability			
Ordinary Annual Services (Supply Bill No. 1 and Appropriation Bill No. 1 and Bill No. 3)			
Sub-Program 2.8.1: Industry Competitiveness			
Industry Skills Fund ^a	20,378	13,935	6,443
National Workforce Development Fund	720	624	96
Sub-Program 2.8.2: Skills Development			
Australian Apprenticeship Support Network	169,092	139,794	29,298
Australian Apprenticeships Incentives Program	394,945	370,764	24,181
Job Ready Program - Trades Recognition Australia	4,634	1,235	3,399
South Australian Enterprise Scholarships	4,000	-	4,000
Special Account Expenses			
Growth Fund Skills and Training	9,940	5,985	3,955
Special Appropriations			
Trade Support Loans Act 2014			
Trade Support Loans	64,680	32,912	31,768
Sub-Program 2.8.3: Access to Training			
Adult Migrant English Program	279,730	274,524	5,206
National Foundation Skills Strategy	61	33	28
Skills for Education and Employment Program	125,413	122,993	2,420
Workplace English Language and Literacy	293	48	245
Sub-Program 2.8.4: Support for the National Training System			
Australian Industry and Skills Committee	1,487	727	760
Industry Workforce Training	53,693	49,918	3,775

a Budget of \$4.7m was reallocated from the Industry Skills Fund to International Education Support in June 2017

Part 5

Outcome 2	Budget	Actual expenses	Variation
	2016–17	2016–17	2016–17
	\$'000	\$'000	\$'000
	A	B	A-B
My Skills Website	542	537	5
National Centre for Vocational Education Research	686	686	-
National Training System COPE	33,325	32,362	963
Licensing of International Vocational Education and Training (VET) Courses	773	246	527
Total for Program 2.8	1,164,392	1,047,323	117,069
Outcome 2 Totals by appropriation type			
Administered expenses			
Ordinary Annual Services (Supply Bill No. 1 and Appropriation Bill No. 1 and Bill No. 3)	1,309,325	1,225,350	83,975
Special Appropriations	12,049,336	15,459,964	(3,410,628)
Special Accounts	35,933	32,887	3,046
Payments to corporate Commonwealth entities	19,891	19,891	-
Departmental expenses			
Ordinary Annual Services (Supply Bill No. 1 and Appropriation Bill No. 1 and Bill No. 3)	186,285	188,764	(2,479)
Special Accounts	1,720	5,058	(3,338)
Expenses not requiring appropriation in the Budget year	18,819	17,989	830
Total for Outcome 2	13,621,309	16,949,903	(3,328,594)
Average staffing level (number)	958	971	(13)



APPENDIX 2—ANNUAL REPORT OF THE TRADE SUPPORT LOANS PROGRAM

Introduction

Based on the requirements set out in the *Trade Support Loans Act 2014*, this report provides a summary of the administrative operation of the Trade Support Loans (TSL) program from 1 July 2016 to 30 June 2017.

Overview

The Australian Government's *Better Support of Australian Apprentices* policy included the introduction of TSL which provides Australian Apprentices with up to \$20,000 over the course of their apprenticeship as an income contingent loan.⁹

The TSL program aims to meet the Government's commitment to deliver improved productivity and competitiveness to the Australian economy by providing highly skilled individuals in priority trades where there are growing skills shortages.

The program provides financial support to eligible Australian Apprentices to assist them with expenses associated with living, learning and completing an apprenticeship and helps them focus on completing their trade qualification. To be eligible for TSL payments, Australian Apprentices must:

- reside in Australia and be an Australian citizen, or the holder of a permanent visa
- be undertaking one or more of the following:
 - Certificate III or IV level qualification that leads to an occupation on the TSL Priority List
 - Certificate II, III or IV agricultural qualification specified on the TSL Priority List
 - Certificate II, III or IV horticulture qualification specified on the TSL Priority List, while working in rural or regional Australia
- meet the eligibility criteria outlined in the TSL program guidelines.

Governance

The program is governed by the *Trade Support Loans Act 2014*. Two legislative instruments are in place to administer the program:

1. The *Trade Support Loan Rules 2014* provide for matters relating to qualification for TSL, granting TSL, application forms and other matters.
2. The *Trade Support Loans Priority List 2014* is a legislative instrument, established and maintained by the Minister, to determine occupations or qualifications leading to occupations which the Minister considers high priority skills.

The program is delivered jointly through the Australian Apprenticeship Support Network (AASN), the Department of Education and Training and the Australian Taxation Office (ATO).

9 From 1 July 2017, the lifetime limit and yearly rates (defined in sections 5 and 24 of the *Trade Support Loans Act 2014* respectively) will be indexed each later year on 1 July according to a Consumer Price Index annual indexation factor. Subsection 99(4) of the *Trade Support Loans Act 2014* provides the formula for calculating the annual indexation factor.

Operation of the program

Under the TSL program, apprentices apply for a loan through their local AASN service provider. Apprentices are able to apply for a maximum amount according to which year of their apprenticeship they are in.

The loans provide flexibility to meet the needs of each individual apprentice. The loan amounts are highest in the early years of training to support apprentices while their wages are lower. Apprentices who successfully complete their apprenticeship will have the amount of their loan reduced by 20 per cent.

2016–17 Trade Support Loan Payment Rates

TSL lifetime limit: \$20,000

Yearly and monthly instalment rates for Australian Apprentices are:

Apprentice Year	Yearly rate	Monthly instalment rate
First	\$8,000	\$666.67
Second	\$6,000	\$500.00
Third	\$4,000	\$333.33
Fourth	\$2,000	\$166.67

TSL loans are repayable through the taxation system when the minimum income threshold is reached. For 2016–17, the minimum income threshold was \$54,869. Apprentices may also choose to make voluntary payments on the loan prior to reaching the repayment threshold. The TSL debts are indexed annually with the Consumer Price Index.

Changes to TSL during 2016–17

From 1 January 2016 people with TSL debts who leave Australia for 183 days or more have been required to notify the ATO of their absence from Australia and provide their new contact details within seven days of departing Australia.

From 1 July 2017 Australians living overseas with a TSL debt will be required to notify the ATO of their total Australian and foreign-sourced income, and make loan repayments, known as an overseas repayment levy, on their debt if they earn more than the minimum repayment income (AUD 55,874 or equivalent foreign currency in 2017–18).



The *Trade Support Loan Rules 2014* (amended on 25 February 2017) explains how a person works out their foreign-sourced income for an income year under section 47B of the *Trade Support Loans Act 2014*. Overseas debtors will have the option of choosing between three methods for working out their foreign-sourced income for each income year. The three methods are:

1. The overseas assessed method, which relies on an income assessment in the person’s country of residence
2. A simple self-assessment method
3. A comprehensive tax-based assessment method.

The Trade Support Loans (Occupation and Occupation Standard Deduction) Determination 2017, which came into force on 30 June 2017, relates to the simple self-assessment method. This method allows an overseas TSL debtor to advise the ATO of their gross foreign-sourced income and occupation. The ATO then applies a standard deduction based on the occupation. Overseas debtors completing a notification of income may select the most appropriate occupation from those listed in the ATO’s Salary and Wage Occupation Codes available on the ATO’s website.

Performance information

In its third year of operation the TSL program continues to provide substantial support to eligible apprentices to assist them with the costs of living and learning while undertaking an apprenticeship.

From program commencement to 30 June 2017 ¹⁰:

- 66,900 TSL successful applications have been received and processed
- 748,100 payments have been made to eligible apprentices.

In 2016–17:

- 19,300 TSL applications have been received and processed
- 331,700 payments were made to eligible apprentices
- 9800 apprentices successfully completed and received a completion discount.

Table 5.4: Program 2.8.2 Trade Support Loans performance information

Performance information	Estimate	Actual
Trade Support Loans - Number of Australian Apprentices in receipt of Trade Support Loan payments	45,000 ^a	45,971 ^b

^a Estimate modified in the *Education and Training Portfolio Additional Estimates Statements 2016–17* to reflect revised projections.

^b The Training and Youth Internet Management System (TYIMS). Data extracted on 2 July 2017.

¹⁰ Numbers rounded to the nearest 100.

Figure 5.1: Number of successful TSL applications received by quarter, 2016–17

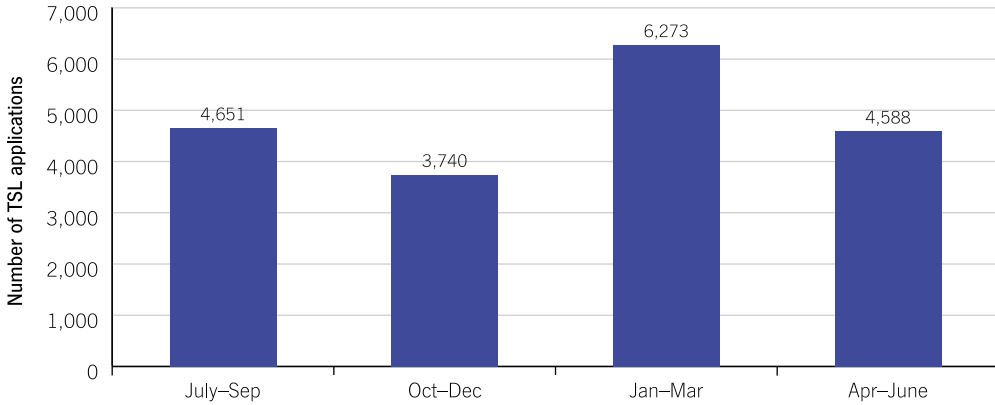


Figure 5.2: Number of successful TSL applications received by calendar month, 2016–17

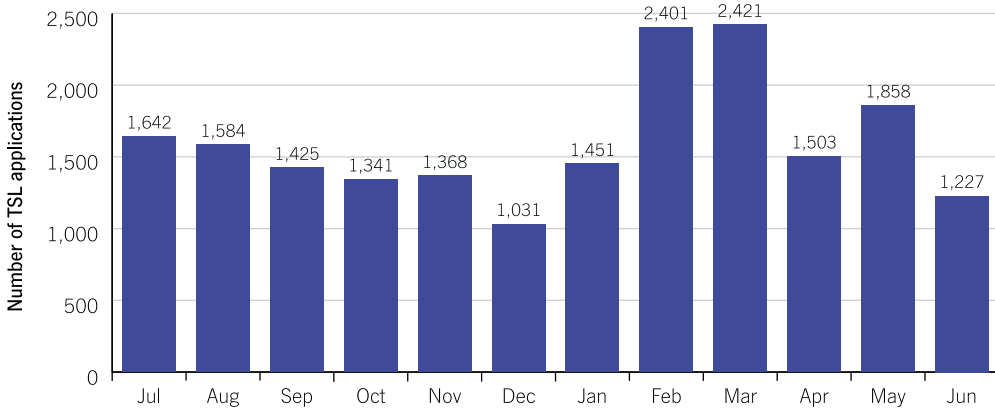


Figure 5.3: Number of TSL payments made by quarter, 2016–17

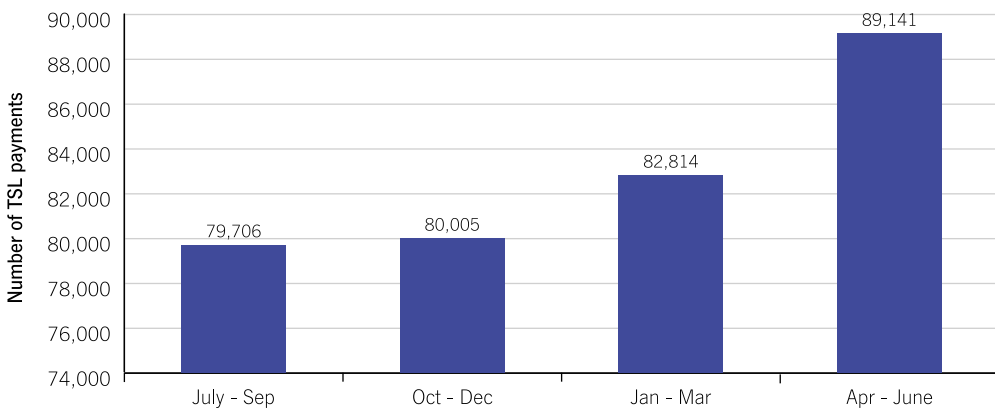
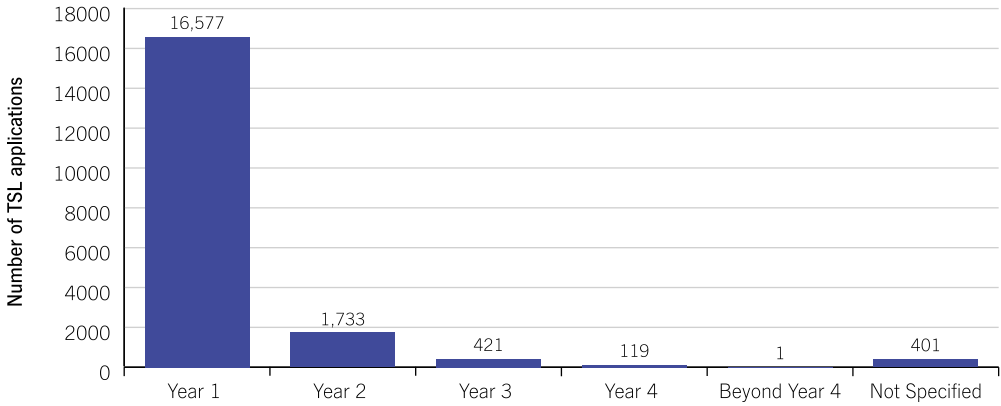


Figure 5.4: Number of successful TSL applications received by apprenticeship stage, 2016–17



Note: Records identified as 'not specified' are unable to be classified by apprenticeship stage. They are the result of some AASN service providers incorrectly aggregating TSL transactions rather than reporting for every individual. The department will provide additional training to service providers to resolve this issue.

Figure 5.5: Number of successful TSL applications received by state/territory, 2016–17

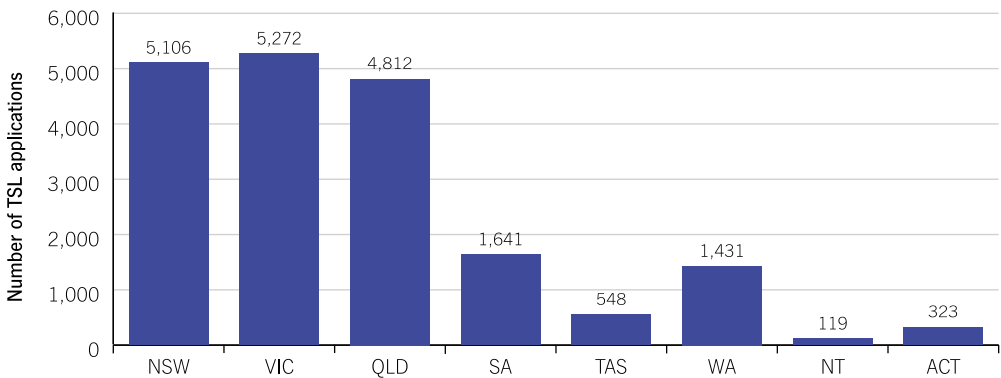
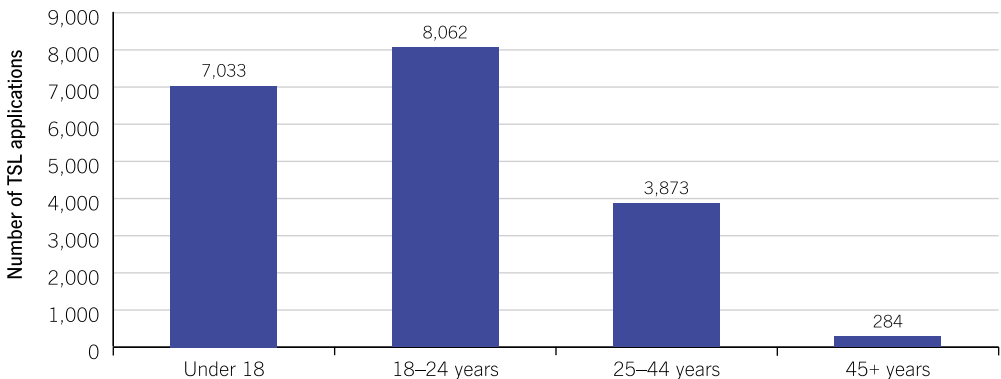


Figure 5.6: Number of successful TSL applications received by age categories, 2016–17



APPENDIX 3—TUITION PROTECTION SERVICE ANNUAL REPORT

Introduction

The Tuition Protection Service's (TPS) main objective is to promote and safeguard the reputation of Australia's international education sector. The TPS, underpinned by the *Education Services for Overseas Students Act 2000* (ESOS Act), supports international students affected by education provider's default or closure by either arranging a placement in an alternative course or by refunding their unspent tuition fees. It has been operational since 1 July 2012.

This report provides a brief summary of the activities of the TPS from 1 July 2016 to 30 June 2017, issues affecting the operation of the TPS and some comments on the future outlook. The report is provided as required by section 170B of the ESOS Act.

Governance and structure

The TPS governance and structure includes:

- a Ministerially-appointed TPS Director accountable for management of the TPS and the Overseas Students Tuition Fund (OSTF)
- an advisory board comprising of government and non-government discretionary representatives
- a departmentally funded team providing administrative and operations support
- the TPS Administrator, a contracted service provider.

TPS Administrator

The TPS Administrator supports the TPS Director and manages the TPS online facility and interactions with students affected by provider closures. The Administrator provides claims and case management services on a flexible and scalable basis.

During 2016–17 an open tender process for the Administrator was conducted. In February 2017 the TPS entered into a two-year services contract with Vincents Chartered Accountants. Prior to this, the contract was held by PriceWaterhouseCoopers Australia.

TPS Advisory Board

During 2016–17 the terms of eight board members expired. Ms Susan Antcliff (Australian Government Actuary) and Mr Michael Horton (Australian Prudential Regulation Authority) were reappointed as government members to the board. Ms Karen Sandercock (Department of Education and Training), Ms Alice MacLean (Department of Immigration and Border Protection) and Dr Richard Bartlett (Department of Finance) were newly appointed as government members. Dr Kevin Donnelly AM was reappointed as deputy chair of the board for a term of two years. Dr Donnelly acted as Board Chair for a period of 18 months.



Ms Helen Zimmerman was appointed Board Chair with Ms Karen Howard and Mr Peter Emmerton appointed as discretionary members.

Ms Helen Ujvary and Mr Michael Manetta retired from the Board at the expiry of their terms.

Table 5.5: Tuition Protection Service Advisory Board Members as at 30 June 2017

Position	Advisory Board Member
Board Chair	Ms Helen Zimmerman
Deputy Chair	Dr Kevin Donnelly AM
Representative from the Department of Education and Training	Ms Karen Sandercock
Representative from the Department of Finance	Dr Richard Bartlett
Representative from the Department of Immigration and Border Protection	Ms Alice Maclean
Representative from the Australian Government Actuary	Ms Susan Antcliff
Representative from the Australian Prudential Regulation Authority	Mr Michael Horton
Discretionary member	Mr Peter Emmerton
Discretionary member	Ms Karen Howard

Operations

The 2016–17 financial year proved to be a challenging year on many fronts.

After relatively benign years of operations, closures of large and multi-sector providers required an extraordinary level of activity from the TPS to ensure a responsive and timely service to affected international students. This was particularly challenging as the TPS was transitioning to a new Administrator at the same time. Another challenge was dealing with changes to available resources and the impact this had on the effectiveness of the TPS operations.

The TPS operations in 2016–17 were impacted by robust regulatory scrutiny by the two national regulators: the Australian Skills and Quality Authority and the Tertiary Education Quality Standards Agency. During the year there were nine provider closures affecting 2694 students. All nine closures were due to business failure, though some of the providers decided to go down the path of voluntary administration or liquidation following regulatory action. Further details about these closures are in Table 5.6.

Part 5

Table 5.6: Provider closures and students displaced in 2016–17

Provider	Sector	Number of students displaced	Number of calls finalised	Default reason
Provider 1	Multi	1,086	680	Business Failure
Provider 2	VET	104	52	Business Failure
Provider 3	VET	12	10	Business Failure
Provider 4	VET	65	0	Business Failure
Provider 5	VET	476	14	Business Failure
Provider 6	VET	0	0	Business Failure
Provider 7	VET	428	1	Business Failure
Provider 8	Higher Ed	518	13	Business Failure
Provider 9	VET	5	0	Business Failure
	Total:	2,694	770	

The TPS worked proactively with defaulting providers to minimise disruption for affected students and to safeguard the OSTF.

There were approximately 1415 calls made on the OSTF. In 2016–17, 770 calls were finalised resulting in payments from the OSTF totalling \$2.1 million. A large gap between the calls made on the OSTF and numbers finalised is due to timing of the calls made. A number of the finalised calls in 2016–17 related to closures from previous years. During the year the TPS also facilitated placement of 151 students. Further details are in Tables 5.7 and 5.8 below.

Table 5.7: Tuition Protection Service calls on the OSTF, 2016–17

Calls on the Overseas Students Tuition Fund	Quantity
Calls made on the OSTF during 2016–17	1,415

Table 5.8: Tuition Protection Service placement activity, 2016–17

Number of students placed by the TPS		
within 30 days	over 30 days	total
82	69	151



Sustainability of the OSTF

Ensuring sustainability of the OSTF is one of the key accountabilities of the TPS Director. The continued focus on proactive and timely management ensures calls on the OSTF are minimised.

Despite more being paid out of the Fund in 2016–17 than in any of the previous four years of the TPS operations, the OSTF remains in a sound position.

The healthy financial position of the OSTF led the TPS advisory board to the view that it would be appropriate to continue tapering the TPS levy collection. The board accordingly recommended reduction of the specified percentage rate for the risk rated component of the levy by 20 per cent. There were no other adjustments to the levy framework. This meant that all non-exempt providers enjoyed a saving of 20 per cent on the risk rated premium component of the levy.

There is a tacit acknowledgement by the industry that most providers are paying less for student protection arrangements compared to what they were paying under the previous tuition assurance schemes. There is also a general acceptance that the resulting sustainability of the OSTF is a positive development, and contributes to Australia's strong reputation for providing world-leading student protection for international students.

As at 30 June 2017 the balance of the OSTF was approximately \$34.6 million. This comfortably exceeds the target of \$20.0 million to be achieved by December 2016, which was set by the Board in 2013 for a minimum strategic reserve in the Fund.

During the early years of TPS operations and the build-up phase of the OSTF, the TPS put in place extra protection for the fund through commercial insurance arrangements. Taking into account the strong position of the OSTF and that it was comfortably above the board's target of \$25.0 million for self-insurance and its confidence in the ability of the TPS to manage claims, in June 2017 the board decided it was appropriate for the fund to rely on self-insurance and discontinue the commercial insurance arrangements.

Working with stakeholders

The success of the TPS arrangements is dependent on the ongoing goodwill and cooperation of various industry stakeholders and their confidence in the TPS arrangements. The TPS strives to foster and maintain closer and productive working arrangements with all stakeholders and ensure its conduct is always open, honest and transparent.

The TPS ensures that it consults regularly with all key stakeholders and education providers on matters of importance and interest to the sector. Each year the TPS engages with the sector on TPS related matters, including through annual information sessions for providers in most capital cities.

The TPS board engages directly with sector representatives when making its recommendations on the annual TPS levy settings, in addition to taking into consideration advice from the Australian Government Actuary and the sector outlook from the two national regulators. Stakeholders are also consulted on the draft levy parameters and the board takes into account sector feedback before finalising its recommendations to the TPS Director.

The TPS strives to assist and encourage education providers to meet their obligations to students as outlined in the legislation. Over five years of operation, the majority of providers affected by regulatory action met their obligations to assist students. Active cooperation between the TPS, regulators and providers is proving effective in minimising the disruption to international students' study in Australia.

Part 5

The TPS has a close and productive working relationship with the national regulators. Effective and early notification to the TPS of relevant regulatory action by the regulators helps the TPS deliver timely and responsive assistance to students affected by provider defaults.

The TPS has cultivated a strong relationship with relevant state and territory government stakeholders. The TPS is grateful to the Victorian Government's Study Melbourne Student Centre and the Western Australian Government's Education Conciliator for valuable support to students affected by recent provider closures. The TPS also has an effective and productive relationship with the Overseas Students Ombudsman (OSO). The OSO frequently refers complaints received from international students, mostly about fee refunds from their provider. During the year, 48 complaints were referred by the OSO to the TPS for investigation, of which 40 have been finalised and eight were subject to ongoing investigation as at 30 June 2017.

Outlook for the year ahead

The international education sector has entered its fifth year of continuous growth. In addition, there are expectations for the continued growth of the sector, especially following recent developments in United Kingdom (e.g. Brexit) and the United States of America.

The fall-out from media reporting of unscrupulous conduct of VET FEE-HELP providers continues with wide coverage of recent closures of a number of high profile providers. However, it also points to the effective work of the national regulators in bringing these providers to account.

After a series of reviews and investigations into the VET FEE-HELP loan arrangements, the government established the VET Student Loans (VSL) scheme. VSL assists eligible students enrolled in approved higher-level vocational education and training courses with approved course providers to pay their tuition fees. VET FEE-HELP providers were required to apply for the new VSL program. A number of existing providers of VET FEE-HELP including some registered on the Commonwealth Register of Institutions and Courses for Overseas Students (CRICOS), either did not apply for, or were not approved for the new scheme. The TPS continues to monitor developments in this area and any impact on international students.

The Government has announced a higher education reform package aimed at improving the sustainability of higher education and has also introduced the *Education Legislation Amendment (Provider Integrity and Other Measures) Bill 2017* in Parliament which aims to bolster enforcement powers for the regulators, enabling them to prevent practices by unscrupulous providers across the higher education sector.

The newly established Council for International Education is making progress with implementation of the National Strategy for International Education, with recent approval and funding for 14 projects. A coherent and coordinated approach to international education is a significant development.

Education providers support to the TPS

This year, the TPS dealt with two of its largest closures to date. For both closures the TPS received significant assistance from a number of providers. At the request of the TPS, these providers made significant resources available to manage student placements activity including offers of targeted assistance (including special assistance packages and fee discounts) to affected students. Providers also attended a number of student meetings organised by the TPS.

The most recent closure displaced just over 2000 international students. The TPS was in touch with students quickly and ran eight information sessions over two weeks.



At one of the sessions for higher education students, the TPS received strong feedback that students were seeking more targeted and tailored assistance. Taking this feedback on board, the TPS arranged another information session for students in Western Australia, which would not have been possible without the assistance of providers. Eight higher education providers made a significant investment of resources and agreed to provide targeted assistance to affected students and made themselves available for student meetings at very short notice. The providers were able to give students detailed information on their options for continuing study, including information on tuition fees, fee discounts and course credits. Some 200 higher education students attended these provider sessions.

The TPS and providers continue to assist students affected by a large closure with placements or refunds of their unspent tuition fees. The resources that were invested by several providers in a short space of time demonstrated a shared commitment to safeguarding the sector's reputation.

Placement and payment activity for 2016–17

Table 5.9: Time taken to make payments from the Overseas Students Tuition Fund, 2016–17

	Refunds to students		Payment to providers		
	within 30 days	31 days and over	within 30 days	31 days and over	total paid \$'000
Payments made to students during 2016–17 who were affected by closures which occurred between 1 July 2012 and 30 June 2017	394	354	13	13	\$2,061
Payments made to students during 2016–17 affected by closure which occurred before July 2012	0	0	0	0	0
Total	394	354	13	13	\$2,061

Note: The numbers in the table above do not reconcile with total number of calls finalised as some calls may result either in 'no' or multiple payments.

Table 5.10: Financial status of the Overseas Students Tuition Fund

Status of the Overseas Students Tuition Fund \$'000	Amount
Open balance at 1 July 2016	\$28,167
TPS annual levy collected	\$9,756
Total revenue	\$9,756
Student and provider payments	\$2,061
Other operational/administrative expenses	\$1,283
Total expenditure	\$3,344
Balance as at 30 June 2017	\$34,579

APPENDIX 4—ANNUAL REPORT OF THE STUDENT IDENTIFIERS REGISTRAR

The Unique Student Identifier (USI) for vocational education and training (VET) was introduced on 1 January 2015. During 2016–17 the Student Identifiers Registrar worked closely with state and territory governments and the National Centre for Vocational Educational Research (NCVER) to develop and deliver the USI Transcript Service. The USI Transcript Service was launched on 22 May 2017, marking completion of the implementation of the USI for the VET sector.

Registered training organisations (RTOs) include USIs, collected from their students, in training activity reported to the national VET data collections held by the NCVER. As part of national VET data collections, the USI links together records of nationally recognised training that an individual has undertaken at different training providers, in different states and territories, and in different years.

In the two and a half years since implementation of the USI initiative, over seven million USIs have been created. The USI gives individuals access to a single authenticated record of their national VET history since January 2015 in the form of an electronic transcript. USI account holders can grant direct online access to this information to training providers and government agencies dealing with VET to demonstrate qualifications, and print or email the information which can also be provided to prospective employers.

Together with total VET activity reporting, the USI will significantly increase the value of the national VET data collections for program evaluation and policy development and provide researchers, governments and other policy makers with an increasingly clearer picture of the skills pathways that Australians pursue.

Governance

The USI initiative is overseen by the statutorily appointed Student Identifiers Registrar.

The *Student Identifiers Act 2014* sets out the Registrar's primary functions—assigning and verifying student identifiers, and providing access to transcripts or extract of transcripts of VET.

The USI legislative framework includes the Student Identifiers Regulation 2014, Student Identifiers (Exemption) Instrument 2014, and Student Identifiers (VET Admission Bodies) Instrument 2015. The Standards for Registered Training Organisations 2015 include Student Identifier requirements to be met by training providers.

A USI Working Group, which comprises representatives from state and territory training authorities and the NCVER, advises the Student Identifiers Registrar about USI initiative operations and future directions. Between 1 July 2016 and 30 June 2017, the USI Working Group met seven times to progress the development and implementation of the USI.



Structure

The USI Office supports the Student Identifiers Registrar in administering the USI initiative. Under the terms of the *Student Identifiers Act 2014*, staff necessary to assist the Registrar are made available by the Secretary of the Department of Education and Training. Functions of the USI Office include information technology system development and maintenance, stakeholder communications and stakeholder support through a contact centre and help desk.

The USI Registry System supports individuals, RTOs and VET-related and VET-admission bodies to complete USI-related online transactions. RTOs can connect directly to the USI Registry System through their Student Management System which streamlines data entry and USI transactions. The USI Registry Organisation Portal enables RTOs without a direct connection to process transactions online.

Working with stakeholders

In this reporting year, the work of the Student Identifiers Registrar and USI Office focused mainly on the development and delivery of the USI Transcript Service, and assisting RTOs to ensure that training activity data submitted to the national VET collections is complete and accurate and includes USIs.

The USI office worked closely with the NCVER and the USI Working Group on the development the USI Transcript Service and the USI Transcript Update Tool. The USI Update Tool was implemented and is administered by NCVER. It allows RTOs to make updates to data they have previously reported to the national VET collections and is used to amend errors appearing in USI Transcript data.

To support activation of the USI Transcript Service the USI Office deployed a series of communications to RTOs and students. These materials were designed to manage student expectations regarding timeliness and the information that would be included in, or excluded from, USI Transcripts.

With activation of the USI Transcript Service the USI Office also introduced a new information page for employers. There have been over 1300 views of the employer transcript page since 22 May 2017.

Improving USI reporting success

The NCVER is responsible for receiving data submissions required for the national VET data collections. The VET Regulators (Australian Skills Quality Authority, Victorian Registration and Qualifications Authority, Training Accreditation Council Western Australia) are responsible for monitoring and regulating RTO compliance with the data standards.

During 2016–17, the USI Registrar worked closely with VET Regulators to ensure eligible data submitted to the national VET collections by RTOs included USIs. Following USI Office analysis of 2015 training activity data submitted to the national VET collections, VET Regulators wrote to a number of RTOs regarding USI requirements and the USI Office responded to over 200 RTO queries as a result of the Regulator correspondence.

Part 5

Actions resulting from RTO feedback and the data analysis included:

- refinement of the USI Registry System 'USI search' function to make locating an existing USI easier for RTOs. RTOs have used the USI search function over 500,000 times since its implementation
- enhancement by NCVET of AVETMISS¹¹ validation software pertaining to the USI
- a new USI Registry System 'Print or Email USI' function that individuals can use when they create a USI to provide or send their USI verification details to their RTO—to assist RTOs in recording USIs accurately.

The 'Print' or 'Email' function was introduced following a suggestion from an RTO delivering training in remote areas of the Northern Territory. Handwritten USIs provided at enrolment would regularly be transcribed incorrectly by the student, or be difficult for the RTO to decipher. Since its introduction on 4 June 2017, 70 per cent of training participants creating USIs have used the Print or Email function.

Preliminary training activity data submitted to the national VET collections for January to September 2016 indicates a significant improvement in USI reporting success over 2015 levels.

Assisting research, policy development and program administration

The USI assists development of VET policy and targeting of government funding by providing a more reliable link between VET enrolment and completion information.

In 2016–17 the USI was used to support a number of research initiatives and VET programs including the expanded Student Outcomes Survey, the Student Outcomes Survey of International Students, VET FEE-HELP transition processes, and the Industry Skills Fund outcome evaluation. As the repository of searchable de-identified VET information builds, the USI will be an increasingly valuable tool for linking databases and other research for VET related longitudinal studies.

Support for individuals

USIs can be created by training participants or on their behalf by RTOs, parents or legal guardians. Around 80 per cent of USIs are created by students through the USI Registry Student Portal.

The USI initiative's delivery model encourages self-service supported by a contact centre. In 2016–17, a high proportion of individuals used USI Registry self-service functions to resolve their queries. In 2016 the USI Registry System was enhanced with 'Forgotten USI' and 'Forgotten Password' tools to assist training participants to recover forgotten USIs.

USI Registry self-service

Since the USI recovery tools were introduced in 2016, around 1.2 million individuals have used the 'Forgotten USI' function to recover their USI and around 400,000 individuals have reset their USI account password through the 'Forgotten Password' function.

11 Australian Vocational Education and Training Management Information Statistical Standard



The USI Office can assist students who may have trouble accessing relevant documents of identity, or who have limited access to technology. RTOs have access to facilities to assist students in creating or viewing their student identifier and special arrangements are in place for alternative forms of identity to be used where necessary, such as letters from Indigenous community elders. Since implementation of the USI initiative, less than one per cent of USIs have been created using alternative forms of identity. Between 1 July 2016 and 30 June 2017 only 24,428 USIs were created under these arrangements.

In December 2016 the USI Office trialled the USI Transcript Service with students from a wide variety of backgrounds and RTOs. The system interface and support materials for students and RTOs were refined based on their feedback.

Protecting stakeholder personal information

In support of privacy, under the *Student Identifiers Act 2014* the Australian Information Commissioner has functions additional to those mandated under the *Privacy Act 1988* to help ensure the protection of personal information collected and held by the Student Identifiers Registrar.

Between June and December 2016, the Office of the Australian Information Commissioner (OAIC), conducted a privacy assessment of USI Office management of personal information. The OAIC reported that the “USI Office has a strong privacy aware culture and good privacy training and management structures in place” with regard to Australia Privacy Principles 1 and 5, which require management of personal information in an open and transparent manner.

In response to recommendations made by the OAIC, which were all accepted, the USI Office has simplified the Student Identifiers Registrar Privacy Policy and made the information more prominent on the USI website, enhanced USI Office staff access controls, and established a Privacy Policy register.

No USI related privacy complaints were received by the OAIC in 2016–17.

Performance

Table 5.11: Performance measure—accessible, user friendly and accurate USI Registry System

USIs created and verified	2016–17
Total USIs created	1,861,704
USIs created by individuals	1,561,321
USIs created by RTOs	289,811
USIs created using Document Verification Service Override (i.e. with alternative forms of ID)	24,428
Unique verifications of USIs	4,002,657

Part 5

USI Transcript Service

Stakeholders, including training participants, RTOs and employers expressed a keen interest in the launch of the USI Transcript Service on 22 May 2017. Since operation of the USI Transcript Service, nearly 60,000 USI Transcripts have been viewed and over 10,000 downloaded. RTOs updated a small number of Transcript records (1792) during this period, using the USI Transcript Update Tool administered by NCVET, to amend errors or omissions.

Table 5.12: Performance measure—provide access to authenticated VET transcripts

Measure	Result
USI Transcripts viewed	57,062
USI Transcripts downloaded	10,095

Note: Data represent activity between 22 May 2017 and 30 June 2017

Stakeholder support

Table 5.13: Performance measure—stakeholder support

Measure	Result
Unique page views	10,217,957
Phone and email contacts (*includes inbound and outbound calls, and emails)	144,109
USI help requests created	69,637

Communications materials and activities

In 2016–17 USI Office stakeholder communications mainly targeted the introduction of the USI Transcript Service, improving RTO USI reporting success and encouraging increased stakeholder self-service.

Communications materials and activities included:

- 19 stakeholder engagement events, comprising three webinars and 14 face-to-face VET sector presentations, and presence at two careers expos
- 39 publications, comprising 16 USI Bulletins and 23 information and instructional items for students and RTOs
- two USI information videos for students, which are available on the USI website.



Performance measure—Deployment of USI Registry System enhancements

A suite of improvements to the USI Registry System were introduced in 2016–17 to meet stakeholder needs. These included the USI Transcript Service for students and RTOs, improved 'locate USI' function for RTOs using Web Services to search more seamlessly for existing USIs and improved recognition of gender X.

Outlook for the year ahead

In 2017–18 the USI Office will:

- develop and deploy further USI Registry System and other support services enhancements to increase stakeholder self-service and streamlining of USI transactions
- continue to build awareness of the USI Transcript Service
- work with VET Regulators and the NCVET to assist closing or closed RTOs to submit training activity with USIs that is as current as possible at the time of closure
- contribute to the VET Data Policy and *National Vocational Education and Training Regulator Act 2011* Reviews with a view to improving RTO USI collection, verification and reporting to the national VET data collections
- provide advice to policy makers regarding the use of student identifiers in the education sector.

Accessing national training records online



The launch of the USI Transcript Service on 22 May 2017 marked a critical milestone for the USI initiative enabling training participants, for the first time, to access free and online their linked records of nationally recognised training. Over the first six weeks of activation over 57,000 individuals viewed their USI Transcript.

At USI Transcript Service launch time, USI Transcripts included nationally recognised training submitted to the national VET collections by registered training organisations (RTOs) for 2015 and 2016. From July 2017, USI Transcripts will include RTO data for the first quarter of 2017 (January to March) submitted by state training authorities.

As part of national VET data collections, the USI links together records of training that an individual has completed at different training

providers, in different states and territories and in different years. The USI Transcript collates these disparate training outcomes in one record, which will be a valuable supplement to their paper credentials.

Training participants can email, print and give permission to RTOs and other authorised bodies of their choice to directly view their transcript online. The capacity for individuals to provide access to RTOs is expected to assist in streamlining assessment of course prerequisites, credit transfers and eligibility for funding assistance. Access to these records are, in the long term, expected to assist individuals and businesses to avoid unnecessary retraining that sometimes results from lost credentials. Individuals can also download a full or partial USI Transcript to assist in demonstrating their relevant training outcomes to RTOs or employers.

Employers showed keen interest in the USI Transcript Service. Over 100 employers have already contacted the USI Office seeking information. There have been 1311 website views of the dedicated employer USI Transcript page since the USI Transcript Service was activated.

Image: Using the USI, training participants will always be able to access a record of the training they completed in previous years back to 1 January 2015.



PART 6

Reference materials

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LIST OF REQUIREMENTS

Description	Requirement	Reference	Page
Letter of transmittal			
A copy of the letter of transmittal signed and dated by accountable authority on date final text approved, with statement that the report has been prepared in accordance with section 46 of the Act and any enabling legislation that specifies additional requirements in relation to the annual report.	Mandatory	Introductory pages	iii
Aids to access			
Table of contents.	Mandatory	Introductory pages	iv
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Overview of the entity			
A description of the role and functions of the entity.	Mandatory	Part 1	2
A description of the organisational structure of the entity.	Mandatory	Part 1	14
A description of the outcomes and programs administered by the entity.	Mandatory	Part 2	19
A description of the purposes of the entity as included in corporate plan.	Mandatory	Part 2	19
An outline of the structure of the portfolio of the entity.	Portfolio departments – mandatory	Part 1	6



Description	Requirement	Reference	Page
Where the outcomes and programs administered by the entity differ from any Portfolio Budget Statement, Portfolio Additional Estimates Statement or other portfolio estimates statement that was prepared for the entity for the period, include details of variation and reasons for change.	If applicable, Mandatory	Part 2	19
Report on the performance of the entity			
Annual performance statements			
Annual performance statement in accordance with paragraph 39(1)(b) of the Act and section 16F of the Rule.	Mandatory	Part 2	18
Report on financial performance			
A discussion and analysis of the entity's financial performance.	Mandatory	Part 3 and Part 4	89, 97
A table summarising the total resources and total payments of the entity.	Mandatory	Appendix 1	152
If there may be significant changes in the financial results during or after the previous or current reporting period, information on those changes, including: the cause of any operating loss of the entity; how the entity has responded to the loss and the actions that have been taken in relation to the loss; and any matter or circumstances that it can reasonably be anticipated will have a significant impact on the entity's future operation or financial results.	If applicable, Mandatory.	Part 4	97
Management and accountability			
Corporate governance			
Information on compliance with section 10 (fraud systems)	Mandatory	Part 3	76
A certification by accountable authority that fraud risk assessments and fraud control plans have been prepared.	Mandatory	Letter of transmittal	iii
A certification by accountable authority that appropriate mechanisms for preventing, detecting incidents of, investigating or otherwise dealing with, and recording or reporting fraud that meet the specific needs of the entity are in place.	Mandatory	Letter of transmittal	iii
A certification by accountable authority that all reasonable measures have been taken to deal appropriately with fraud relating to the entity.	Mandatory	Letter of transmittal	iii

Part 6

Description	Requirement	Reference	Page
An outline of structures and processes in place for the entity to implement principles and objectives of corporate governance.	Mandatory	Part 3	74
A statement of significant issues reported to Minister under paragraph 19(1)(e) of the Act that relates to non-compliance with Finance law and action taken to remedy non-compliance.	If applicable, Mandatory	N/A	N/A
External Scrutiny			
Information on the most significant developments in external scrutiny and the entity's response to the scrutiny.	Mandatory	Part 3	95
Information on judicial decisions and decisions of administrative tribunals and by the Australian Information Commissioner that may have a significant effect on the operations of the entity.	If applicable, Mandatory	Part 3	96
Information on any reports on operations of the entity by the Auditor-General (other than report under section 43 of the Act), a Parliamentary Committee, or the Commonwealth Ombudsman.	If applicable, Mandatory	Part 3	95
Information on any capability reviews on the entity that were released during the period.	If applicable, Mandatory	N/A	N/A
Management of human resources			
An assessment of the entity's effectiveness in managing and developing employees to achieve entity objectives.	Mandatory	Part 3	78
Statistics on the entity's APS employees on an ongoing and non-ongoing basis; including the following: <ul style="list-style-type: none"> • Statistics on staffing classification level • Statistics on full-time employees • Statistics on part-time employees • Statistics on gender • Statistics on staff location • Statistics on employees who identify as Indigenous. 	Mandatory	Part 3	80
Information on any enterprise agreements, individual flexibility arrangements, Australian workplace agreements, common law contracts and determinations under subsection 24(1) of the <i>Public Service Act 1999</i> .	Mandatory	Part 3	78
Information on the number of SES and non-SES employees covered by agreements etc identified in paragraph 17AG(4)(c).	Mandatory	Part 3	80



Description	Requirement	Reference	Page
The salary ranges available for APS employees by classification level.	Mandatory	Part 3	80
A description of non-salary benefits provided to employees.	Mandatory	Part 3	79
Information on the number of employees at each classification level who received performance pay.	If applicable, Mandatory	N/A	81
Information on aggregate amounts of performance pay at each classification level.	If applicable, Mandatory	N/A	N/A
Information on the average amount of performance payment, and range of such payments, at each classification level.	If applicable, Mandatory	N/A	N/A
Information on aggregate amount of performance payments.	If applicable, Mandatory	N/A	N/A
Assets management			
An assessment of effectiveness of assets management where asset management is a significant part of the entity's activities.	If applicable, mandatory	N/A	N/A
Purchasing			
An assessment of entity performance against the <i>Commonwealth Procurement Rules</i> .	Mandatory	Part 3	90
Consultants			
A summary statement detailing the number of new contracts engaging consultants entered into during the period; the total actual expenditure on all new consultancy contracts entered into during the period (inclusive of GST); the number of ongoing consultancy contracts that were entered into during a previous reporting period; and the total actual expenditure in the reporting year on the ongoing consultancy contracts (inclusive of GST).	Mandatory	Part 3	90
A statement that " <i>During [reporting period], [specified number] new consultancy contracts were entered into involving total actual expenditure of \$[specified million]. In addition, [specified number] ongoing consultancy contracts were active during the period, involving total actual expenditure of \$[specified million]</i> ".	Mandatory	Part 3	90
A summary of the policies and procedures for selecting and engaging consultants and the main categories of purposes for which consultants were selected and engaged.	Mandatory	Part 3	90

Part 6

Description	Requirement	Reference	Page
A statement that <i>“Annual reports contain information about actual expenditure on contracts for consultancies. Information on the value of contracts and consultancies is available on the AusTender website.”</i>	Mandatory	Part 3	90
Australian National Audit Office Access Clauses			
If an entity entered into a contract with a value of more than \$100 000 (inclusive of GST) and the contract did not provide the Auditor-General with access to the contractor’s premises, the report must include the name of the contractor, purpose and value of the contract, and the reason why a clause allowing access was not included in the contract.	If applicable, Mandatory	N/A	N/A
Exempt contracts			
If an entity entered into a contract or there is a standing offer with a value greater than \$10 000 (inclusive of GST) which has been exempted from being published in AusTender because it would disclose exempt matters under the FOI Act, the annual report must include a statement that the contract or standing offer has been exempted, and the value of the contract or standing offer, to the extent that doing so does not disclose the exempt matters.	If applicable, Mandatory	N/A	N/A
Small business			
A statement that <i>“[Name of entity] supports small business participation in the Commonwealth Government procurement market. Small and Medium Enterprises (SME) and Small Enterprise participation statistics are available on the Department of Finance’s website.”</i>	Mandatory	Part 3	90
An outline of the ways in which the procurement practices of the entity support small and medium enterprises.	Mandatory	Part 3	90
If the entity is considered by the Department administered by the Finance Minister as material in nature—a statement that <i>“[Name of entity] recognises the importance of ensuring that small businesses are paid on time. The results of the Survey of Australian Government Payments to Small Business are available on the Treasury’s website.”</i>	If applicable, Mandatory	Part 3	90



Description	Requirement	Reference	Page
Financial Statements			
Inclusion of the annual financial statements in accordance with subsection 43(4) of the Act.	Mandatory	Part 4	97
Other Mandatory Information			
If the entity conducted advertising campaigns, a statement that <i>“During [reporting period], the [name of entity] conducted the following advertising campaigns: [name of advertising campaigns undertaken]. Further information on those advertising campaigns is available at [address of entity’s website] and in the reports on Australian Government advertising prepared by the Department of Finance. Those reports are available on the Department of Finance’s website.”</i>	If applicable, Mandatory	Part 3	92
If the entity did not conduct advertising campaigns, a statement to that effect.	If applicable, Mandatory	N/A	N/A
A statement that <i>“Information on grants awarded by [name of entity] during [reporting period] is available at [address of entity’s website].”</i>	If applicable, Mandatory	Part 3	91
Outline of mechanisms of disability reporting, including reference to website for further information.	Mandatory	Part 3	96
Website reference to where the entity’s Information Publication Scheme statement pursuant to Part II of FOI Act can be found.	Mandatory	Part 3	96
Correction of material errors in previous annual report	If applicable, mandatory	N/A	N/A
Information required by other legislation	Mandatory	Part 2 and Appendices 2,3 and 4	28, 166-178

GLOSSARY

Administered item	Revenues, expenses, assets and liabilities managed by agencies on behalf of the Commonwealth. Agencies do not control administered items. Administered expenses include grants, subsidies and benefits. In many cases, administered expenses fund the delivery of third party outputs.
Appropriation	An authorisation by Parliament to spend moneys from the Consolidated Revenue Fund for a particular purpose.
AusTender	The Australian Government’s web-based procurement system, which provides centralised access to all publicly available approaches to market, multi-use lists, annual procurement plans and reported contracts.
Corporate Plan	The primary planning document of an entity that sets out its purposes, capability and intended results over a four-year horizon. The plan describes how the achievement of results will be assessed against an entity’s purpose (i.e. a description of planned performance). Commonwealth entities are required to publish an updated corporate plan at the start of the reporting period.
Outcomes	The Government’s objectives in each portfolio area. Outcomes are desired results, impacts or consequences for the Australian community as influenced by the actions of the Government.
Portfolio Budget Statements	Budget-related paper detailing Budget initiatives and explanations of appropriations specified by outcome and program for each agency within a portfolio.
Programs	Government programs that deliver benefits, services or transfer payments to individuals, industry/business or the community as a whole and are the primary vehicles for government agencies to achieve the intended results of their outcome statements.
Table A providers	Refers to universities who are listed as Table A providers under the <i>Higher Education Support Act 2003</i> .
Table B providers	Refers to universities who are listed as Table B providers under the <i>Higher Education Support Act 2003</i> .



ABBREVIATIONS AND ACRONYMS

Acronym/ Abbreviation	Definition
AAIP	Australian Apprenticeships Incentives Programme
AASB	Australian Accounting Standards Board
AASN	Australian Apprenticeship Support Network
ABS	Australian Bureau of Statistics
AC	Companion of the Order of Australia
ACARA	Australian Curriculum, Assessment and Reporting Authority
ACCC	Australian Competition and Consumer Commission
AGA	Australian Government Actuary
AISC	Australian Industry and Skills Committee
AITSL	Australian Institute for Teaching and School Leadership
AM	Member of the Order of Australia
AMEP	Adult Migrant English Program
ANAO	Australian National Audit Office
AO	Officer of the Order of Australia
APS	Australian Public Service
APSC	Australian Public Service Commission
ASQA	Australian Skills Quality Authority
ATO	Australian Taxation Office
AUD	Australian Dollar
BBF	Budget-Based Funded
BPA	Bioplatforms Australia
CCB	Child Care Benefit
CCR	Child Care Rebate
CGS	Commonwealth Grant Scheme
CISC	COAG Industry and Skills Council
COAG	Council of Australian Governments
CPI	consumer price index
CSS	Commonwealth Superannuation Scheme

Part 6

Acronym/ Abbreviation	Definition
DSP	Disability Support Programme
EEGO	Energy Efficiency in Government Operations
EFTSL	Equivalent full-time student load
ELLA	Early Learning Languages Australia
ELSA	Early Learning STEM Australia
ESA	Education Services Australia
ESO	Employee Support Officer
ESOS Act	<i>Education Services for Overseas Students Act 2000</i>
FDC	Family Day Care
FEE-HELP	FEE-HELP is a loan scheme that assists eligible fee paying students pay all or part of their tuition fees.
FOI Act	<i>Freedom of Information Act 1982</i>
FRR	Public Governance, Performance and Accountability (Financial Reporting Rule) 2015
FTE	Full-time equivalent
GST	Goods and Services Tax
HDR	higher degree by research
HECS-HELP	Higher Education Contribution Scheme – Higher Education Loan Program
HELP	Higher Education Loan Program
HEPPP	Higher Education Participation and Partnerships Program
HESP	Higher Education Superannuation Program
IAGDP	Indigenous Australian Government Development Program
ICT	Information and Communications Technology
IPP	Indigenous Procurement Policy
IPS	Independent Public Schools
IRC	Industry Reference Committees
ISF	Industry Skills Fund
ISP	Inclusion Support Programme
IT	information technology
KMP	key management personnel
LLN	Language, Literacy and Numeracy



Acronym/ Abbreviation	Definition
MJ	megajoule
low SES	low socioeconomic status
MOU	memorandum of understanding
MP	Member of Parliament
NASWD	National Agreement on Skills and Workforce Development
NCRIS	National Collaborative Research Infrastructure Strategy
NCVER	National Centre of Vocational Education Research
NEEB	National Education Evidence Base
NISA	National Innovation and Science Agenda
NMS	national minimum standard
OAIC	Office of the Australian Information Commissioner
OECD	The Organisation for Economic Co-operation and Development
OPA	Official Public Account
OS-HELP	Overseas – Higher Education Loan Program
OSO	Overseas Student Ombudsman
OSTF	Overseas Students Tuition Fund
PGPA Act	<i>Public Governance, Performance and Accountability Act 2013</i>
PISA	Programme for International Student Assessment
PIVET	Performance Information for VET
PSM	Public Service Medal
PSS	Public Sector Superannuation Scheme
P-TECH	Pathways in Technology
QILT	Quality Indicators in Learning and Teaching
RAP	Reconciliation Action Plan
RTO	Registered Training Organisations
RTP	Research Training Program
SA-HELP	Loan scheme that assists eligible students to pay for all or part of their student services and amenities fee
SEE	Skills for Education and Employment
SES	Senior Executive Service
SME	small and medium enterprises

Part 6

Acronym/ Abbreviation	Definition
SPADA	Strategic Policy and Data Analytics
SRS	Schooling Resource Standard
SSC	Shared Services Centre
STEM	science, technology, engineering and mathematics
TAFE	Technical and Further Education
TEMAG	Teacher Education Ministerial Advisory Group
TIMSS	Trends in International Mathematics and Science Study
TPS	Tuition Protection Service
TSL	Trade Support Loans
USI	Unique Student Identifier
VCAL	Victorian Certificate of Applied Learning
VET	vocational education and training
VET FEE-HELP	Loan scheme for eligible students to pay for all or part of their tuition fees for a VET qualification (diploma level and above) at an approved VET provider.
VSL	VET Student Loans
VSLO	VET Student Loans Ombudsman



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