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Annual Report 2016-17The Secretary
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## Responsible Body’s declaration

In accordance with the *Financial Management Act 1994*, I am   
pleased to present the Department of Treasury and Finance   
Annual Report for the year ending 30 June 2017.

**David Martine  
Secretary**

21 September 2017

# About DTF

## Our purpose

We strive for excellence in financial and economic management to improve the lives of all Victorians. We value our people and motivate them to lead, influence, collaborate and innovate.

## DTF’s role and objectives

The Department provides leadership in economic, financial and resource management to help the Victorian Government deliver its policies, and supports the ministerial portfolios of the Treasurer and the Minister for Finance.

This includes:

* supporting the Government in responsible budget and financial management;
* giving innovative and timely policy advice, and influencing government decisions on a range of economic, social and environmental issues;
* providing strategic leadership across the public sector on economic and financial sector reform;
* assisting the Government with implementing major infrastructure projects and frameworks; and
* contributing to decisions made by the Government on major contractual arrangements across the State.

DTF’s objectives are to:

* optimise Victoria’s fiscal resources;
* strengthen Victoria’s economic performance;
* improve how Government manages its balance sheet, commercial activities and public sector infrastructure;
* deliver efficient whole of government common services to the Victorian public sector; and
* ensure DTF and its people have the capability to serve Government.

We proactively look to improve our services, and the way in which they are delivered to ensure we are:

* fiscally responsible;
* market focused; and
* reform oriented.

## Our Ministers

### Treasurer – Tim Pallas MP

Tim Pallas MP commenced as Treasurer of Victoria in December 2014.

The Treasurer is the minister with oversight of government revenue and expenditure, including:

* preparing and delivering the annual state budget;
* promoting economic growth across the State of Victoria;
* promoting and encouraging investment opportunities in Victoria from interstate and abroad;
* developing the fiscal objectives and strategy for the State of Victoria;
* overseeing the economic policy and economic strategy of the Government;
* driving wages policy, which operates in conjunction with the industrial relations policies as developed and administered by the Industrial Relations Minister;
* overseeing the planning and delivery of major infrastructure projects undertaken across government;
* administering the Market‑led Proposals Guideline, which provides the State with the means to access new and innovative ideas from the private sector;
* revenue policy and collection for the State of Victoria, including stamp duty, payroll tax and land tax;
* borrowing, investment and financial arrangements to hedge, protect and manage the State’s financial interests; and
* providing investment and fund management services to the State and its statutory authorities.

### Minister for Finance – Robin Scott MP

Robin Scott MP commenced as Minister for Finance in December 2014.

The Minister’s primary responsibilities are:

* WorkSafe Victoria, the statutory body that manages the insurance scheme for workplace accident compensation and rehabilitation, and occupational health and safety;
* the Accident Compensation Conciliation Service;
* the insurance operations of the Transport Accident Commission, the statutory body that manages the no fault insurance scheme for transport accident compensation and rehabilitation;
* the State’s financial reporting and accountability framework;
* whole of Victorian Government financial management and risk management frameworks;
* whole of Victorian Government purchasing and procurement arrangements including oversight of the Victorian Government Purchasing Board;
* overseeing the insurance policy for the State (the Victorian Managed Insurance Authority);
* the Victorian Government’s data access and intellectual property policies;
* overseeing superannuation policy for the State and oversight of the Emergency Services Superannuation Scheme;
* the Victorian Government’s motor vehicle fleet;
* whole of Victorian Government landholding policy and coordination of government land sales;
* whole of Victorian Government accommodation planning and policies through the Shared Service Provider;
* the Essential Services Commission, the independent economic regulator of the State’s essential services;
* the Registrar of housing agencies, who regulates Victoria’s registered community housing agencies; and
* overseeing the Victorian Asbestos Eradication Agency and Medical Panels.

Minister Scott is also Minister for Multicultural Affairs.

Senior Executive Group

DTF is managed by the Senior Executive Group (SEG), which comprises the Secretary and Deputy Secretaries. Collectively, SEG has significant public and private sector management experience in the areas of economics, finance, people management and technology.

### David Martine

##### Secretary, Department of Treasury and Finance

David leads the Department in its role of providing economic, financial and resource management policy advice to the Government.

David joined DTF as Secretary in February 2014. Prior to this, David held a number of senior roles in the Commonwealth public sector, particularly in the Commonwealth Treasury and Department of Finance and Deregulation.

David has extensive budget, finance, policy and organisational leadership experience, and has briefed governments on wide‑ranging and complex policy issues.

### Amy Auster

##### Deputy Secretary, Economic Division

Amy commenced as Deputy Secretary, Economic in September 2016. Amy is responsible for the provision of high level economic and policy advice to Government on productivity, taxation and regulation, along with social, environmental and development issues.

Prior to joining DTF, Amy served as Executive Director of Monash University’s Australian Centre for Financial Studies and was a member of the Monash Business School faculty executive. Previously, she spent nearly 20 years working in the financial services industry including at ANZ Banking Group as Head of International Economics, Head of FX Strategy and Global Head of Client Engagement and at global investment banks including JPMorgan and Merrill Lynch in New York.

### Simon Hollingsworth

##### Deputy Secretary, Budget and Finance Division

Simon was appointed Deputy Secretary, Budget and Finance in October 2016. He is responsible for providing advice on the State’s fiscal resources, financial management and consolidated reporting, and providing financial advice on public sector workplace agreements. Prior to joining DTF, he was CEO of the Australian Sports Commission.

Previously, Simon worked with the Victorian Department of Premier and Cabinet in various leadership roles within the Policy and Cabinet Group. This included a secondment to work for the United Kingdom Government’s Department for Education and Skills in London. Prior to joining government, Simon worked at The Boston Consulting Group and MinterEllison.

### Gayle Porthouse

##### Deputy Secretary, Corporate and Government Services Division

Gayle is responsible for the efficient delivery of financial, people, information, legal, planning, procurement and technology services to DTF, which supports the Department to achieve its objectives and capacity to serve government.

She is also responsible for the management of whole of Victorian Government services provided to departments and agencies, including the development of policies and initiatives to achieve continuous improvement in facilities and real estate management, procurement and strategic sourcing. Gayle joined the Department in July 2014.

Gayle has more than 30 years’ experience in the public service across several government departments, including the Department of Premier and Cabinet.

### David Webster

##### Deputy Secretary, Commercial Division

David is responsible for providing high‑level commercial, financial and risk management advice to the Government, including a focus on major commercial transactions, infrastructure and the State’s balance sheet.

David commenced as Deputy Secretary in November 2011 and has more than 20 years’ extensive international corporate and commercial senior management experience as a fund manager, equity investor, financial adviser and lender.

Prior to joining DTF, David worked for RBS Funds Management in Sydney as Executive Director and Chairman. Previously, David was Investment Director at EISER Global Infrastructure Fund in London and Head of Infrastructure Advisory at RBS London.

#### Organisational chart, 30 June 2017



Functions and services

The Office of the Secretary and four divisions, as outlined below, carried out the functions and services of DTF during 2016‑17.

## Office of the Secretary

The Office of the Secretary supports the Secretary.

#### Projects Taskforce

A dedicated taskforce drawing together staff from across the Department to meet critical work priorities and projects.

## Economic Division

#### Economic

Advises on macroeconomic conditions and policy; energy, resources and environmental policy; and regulation, planning and local government reform, to improve Victoria’s prosperity.

#### Revenue

Provides analysis and advice to government on tax policy, intergovernmental financial relations, revenue forecasting and gambling policy.

#### Social Policy

Provides analysis and policy advice on education and training, health, housing, community services, transport, insurance, whole of government occupational health and safety matters and risk; and responsible for leading the Government’s pilot program for Social Impact Bonds in cooperation with other departments.

## Corporate and Government Services Division

#### Corporate Finance

Provides corporate financial services to DTF and DPC and their agencies, including statutory and external reporting, management reporting, budgeting, asset management and management of various trusts.

#### Legal Services

Provides advice on the spectrum of legal issues faced by our Ministers, Secretary and Department officials, and assists with preparing legislation across the Department.

#### Corporate Delivery Services

Provides corporate services to the Department, including planning and executive services, human resources, information and technology services, and operational services.

#### Shared Service Provider

Delivers strategic, efficient, relevant and effective accommodation management, car pool and library services to all Victorian Government departments and agencies.

#### Strategic Sourcing

Provides whole of government procurement and strategic sourcing solutions to achieve best value for the Victorian Government; procurement policy leadership through the Secretariat of the Victorian Government Purchasing Board; and management of the Standard Motor Vehicle policy, VicFleet operations and the finance lease facility for government departments and agencies.

#### Strategic Communications

Provides issues management and strategic communications advice and services to effectively plan and implement projects and programs.

## Budget and Finance Division

#### Financial Reporting

Responsible for delivering sound financial advice and robust, transparent whole of government financial publications to positively influence the management of the State’s financial resources.

#### Budget Strategy

Supports sound financial management in Victoria by providing advice on the State’s short to medium‑term budget outlook and fiscal strategy, its financial and resource management frameworks and public sector industrial relations.

#### Portfolio Analysis

Provides advice on resource allocation across portfolios, financial risk and government service performance; and promotes sound financial management of the State’s fiscal resources throughout the Victorian public sector.

#### Family Violence and National Disability Insurance Scheme Taskforce

The Family Violence and National Disability Insurance Scheme Taskforce was established to progress two key priorities of Government, which will significantly transform the delivery of disability and social services across Victoria. Its main purpose is to provide analysis and advice to the Treasurer and Minister for Finance on generating improved outcomes for vulnerable Victorians and implementing the Government’s response to the Royal Commission into Family Violence.

## Commercial Division

#### Financial Assets and Liabilities

Advises and reports on the State’s financial assets and liabilities and associated financial risks, including the State’s investments, debts, superannuation and insurance claims liabilities. The group also includes the Housing Registrar unit, which regulates the not‑for‑profit, non‑government housing sector.

#### Infrastructure Policy and Investment Approvals and Infrastructure Assurance

Develops infrastructure policy frameworks and advises the Government on investment decisions and project assurance issues to improve how the public sector manages assets and develops and procures infrastructure.

#### Infrastructure Contracting (*Partnerships Victoria*)

Provides commercial, financial and risk management advice to government and guidance to departments regarding Partnerships Victoria projects and market‑led proposals to access new and innovative ideas from the private sector. Infrastructure Contracting also provides advice on the planning and management of major commercial activities on behalf of the Government.

#### Shareholder Advisory Services

Provides advice on a range of commercial and transactional activities on behalf of government, including providing governance oversight of government business enterprises, and advice to departments and agencies relating to future uses or disposal of surplus government land, property and office accommodation services.

#### Asset Reform and Recycling Unit

Provides commercial and strategic advice on asset reform options within government and assesses further asset recycling opportunities. The team also provides governance oversight of port and energy related government business enterprises.

DTF also supports the following portfolio agencies:

* Accident Compensation Conciliation Service
* CenITex
* Commissioner for Better Regulation
* Emergency Services and State Super
* Essential Services Commission
* Medical Panels Victoria
* Office of Projects Victoria
* Old Treasury Building Committee of Management
* Red Tape Commissioner
* State Electricity Commission of Victoria
* State Revenue Office
* State Trustees Limited
* Transport Accident Commission
* Treasury Corporation of Victoria
* Victorian Funds Management Corporation
* Victorian Government Purchasing Board
* Victorian Managed Insurance Authority
* Victorian WorkCover Authority (WorkSafe Victoria)

Governance of DTF

The overarching governance body for the Department is the Treasury and Finance Board.

The Board’s membership includes the Departmental Secretary and Deputy Secretaries.

The Board’s primary function is to set and monitor the overall strategic direction, provide effective guidance and leadership, and to ensure the sound financial management and general compliance of the Department. The Board also provides high level monitoring and oversight of the Department’s people management and organisational strategies.

The Board met eight times in 2016‑17.

The functions of the Board are supported by sub‑committees. The current structure and role of each sub‑committee is:

* **Knowledge Management:** supports organisational objectives by making optimal use of knowledge. It involves the design, implementation and review of capability, processes and systems to improve the creating, sharing and application of knowledge.
* **People Committee:** provides leadership to the Department and advises the Board on organisational culture, people, capability and communication issues and progresses initiatives defined within the People and Culture Strategy.
* **Remuneration Committee**: manages executive remuneration practice and procedures.

### DTF Audit and Risk Committee membership and roles

The Audit and Risk Committee independently reviews and assesses the effectiveness of the Department’s systems and controls for financial management, performance and sustainability, including risk management. The Audit and Risk Committee has external and independent members, including the Chair.

The Audit and Risk Committee comprised the following members as at 30 June 2017.

* Kathy Grigg – Chair (external)
* Jan West (external)
* Stefano Giorgini (external)
* Steve Mitsas
* Gayle Porthouse

The Department’s internal audit services were provided by KPMG.

# Report of operations

## Secretary’s foreword

I am pleased to present the 2016‑17 Annual Report for the Department of Treasury and Finance (DTF), detailing a year of significant achievement across the Department’s core functions.

Our leadership on key government initiatives and reforms has continued to contribute to delivering positive outcomes for Victorians and the Victorian public sector. In 2016‑17, DTF demonstrated its flexibility and adaptability, applying its expertise and capability to provide high‑quality, influential advice to the Government on a broad range of priorities.

DTF’s commercial function delivered a number of projects contributing to Victoria’s major transport infrastructure program, including finalising the Port of Melbourne lease transaction and overseeing delivery of the West Gate Tunnel Project. Our commitment to innovative project delivery also resulted in the development of Australia’s first public private partnership ‘availability payment’ model to deliver the Western Suburbs Roads Package.

The Department’s major achievements for 2016‑17 also included:

* producing key financial and economic publications for the State, including the *2017‑18 Budget,* the *2015‑16 Financial Report and 2016‑17 Budget Update*;
* producing DTF’s *2017–21 Corporate Plan*;
* establishing and managing the Bourke Street Fund for victims and their families;
* preparing the *Parliamentary Budget Officer Act 2017*;
* supporting implementation of the National Disability Insurance Scheme;
* producing the Government’s *Homes for Victorians* whole of government housing strategy;
* delivering taxation reforms, including those associated with the *Homes for Victorians* housing strategy;
* supporting the Government’s response to the Royal Commission into Family Violence, and the Government’s 10‑Year Family Violence Action Plan;
* developing two Social Impact Bond pilots; and
* releasing a Supplier Code of Conduct to support the Government’s commitment to ethical, sustainable and socially responsible procurement.

## Future challenges

In 2017‑18, DTF will progress a busy and challenging agenda, with our short and medium‑term priorities set out in our *2017‑21 Corporate Plan.* These priorities focuson leading and influencing economic, financial and commercial reforms for the State, and providing quality, value‑for‑money services for all Victorian government departments and agencies. DTF will complement these reforms with the roll out of its 2017‑21 communications strategy, leveraging our reputation as a thought leader on the State’s key economic, financial and infrastructure challenges and reform opportunities.

Significant projects for 2017‑18 include:

* delivering the 2018‑19 Budget;
* updating the *Financial Management Act 1994* to strengthen the accountability and effectiveness of public sector financial management;
* finalising the development of Victoria’s first social impact bonds;
* updating the Market‑led Proposals Guideline to improve the efficient progress of high‑quality proposals;
* negotiating with the Commonwealth on a number of key intergovernmental agreements, including housing and homelessness, and education;
* supporting the continued transition to the National Disability Insurance Scheme;
* continuing to support agencies to implement the Asset Management Accountability Framework to improve asset management across the public service;
* overseeing the implementation of the Victorian Social Housing Growth Fund, *HomesVic*, and the Building the Financial Capacity of Housing Associations initiatives;
* continuing to work towards achieving the Government’s target of reducing regulatory burden by 25 per cent;
* finalising the review of Ministerial Directions under the *Project Development and Construction Management Act 1994* and the associated supporting Guides;
* leading the development of a social procurement framework; and
* implementing a new contract for outsourced real estate and facilities management services to drive efficiencies and effectiveness across whole of government office accommodation.

## Our people

DTF’s *2017‑21 Corporate Plan* outlines our commitments to an inclusive and respectful workplace culture that supports flexibility and celebrates our diversity. The People Committee includes membership from all levels across the Department. The committee provides oversight of initiatives championed by the DTF Board, including gender equity, flexible work practices, diversity and inclusion, and leadership development.

In 2016‑17, DTF implemented a series of initiatives to complement the Victorian Government’s ‘all roles flex’ policy and its target of 50 per cent of executive roles filled by women. DTF has adopted this gender equity target, complemented by gender‑balanced shortlists and interview panels. The Department also launched its Flexible Working Guidelines, providing a range of flexible work arrangements to support staff as they move through their careers. This will be underpinned by a new ICT strategy, which will better enable staff to effectively utilise technologies that support their working arrangements. Upgrades to DTF’s record management system and the roll out of an Enterprise Resource Planning system will further improve our ability to work effectively and efficiently.

DTF was proud to participate in the 2017 Midsumma Pride March, as part of the first Victorian public sector contingent, led by departmental secretaries. In 2016‑17, the Department also established its own Pride Network, complementing whole of government initiatives supporting and celebrating our LGBTI community.

In partnership with the Department of Premier and Cabinet, DTF held a series of Aboriginal cultural awareness workshops for staff throughout the year. These workshops aim to improve understanding to better support a culturally safe workplace, complemented by our celebration of Aboriginal culture with events held to recognise National Reconciliation Week and NAIDOC Week.

In the coming year, DTF will finalise its People and Workforce Strategy aimed at attracting, retaining and developing the capabilities we require now and into the future. It will be complemented by a Diversity and Inclusion Action Plan to build on our progress to date in ensuring all staff are supported to realise their full potential.

I thank all DTF staff for their commitment and service, working collaboratively to uphold our values and contributing to our purpose to improve the lives of all Victorians.

**David Martine  
Secretary**

## 2016‑17 performance

DTF continues to perform strongly in the delivery of its core business objectives, as a provider of advice and services to Government. DTF also performed well in meeting its outputs as specified in the State’s 2016‑17 Budget Paper No. 3 *Service Delivery*. Of the Department’s 53 quantity, quality and timeliness output performance targets, 94 per cent were met or exceeded. Two of DTF’s outputs, Economic and Policy Advice and Revenue Management Services to Government, achieved or exceeded all targets.

### Departmental objectives, indicators and outputs

The Department’s objectives, associated indicators, and linked outputs as set out in the 2016‑17 Budget Paper No. 3 *Service Delivery* are shown below.

| Departmental objective | Indicators | Outputs |
| --- | --- | --- |
| **Sound financial management of Victoria’s fiscal resources**  The Department of Treasury and Finance has a central role in shaping Victoria’s economic, social and fiscal policy to ensure that Government financial policies are fiscally sound | A net operating surplus consistent with maintaining general government net debt at a sustainable level over the medium term  General government net debt as a percentage of gross state product (GSP) to be maintained at a sustainable level over the medium term  Provide high quality, timely and relevant advice on the State’s finances and budget, as assessed by feedback from our key clients | Budget and Financial Advice  Revenue Management Services to Government |
| **Guide government actions to increase Victoria’s productivity and competitiveness**  The Department of Treasury and Finance provides Government with advice on key economic and financial issues, including longer term economic development, regulation, financial strategy and taxation policy | Reduce the costs and barriers to doing business in Victoria, including reducing the regulatory burden  Provide high quality, timely and relevant advice on economic policy, forecasts, legislation and frameworks as assessed by feedback from our key clients | Economic and Policy Advice  Economic Regulatory Services  Business Environment Policy Advice |
| **Drive improvement in public sector commercial and asset management and the delivery of infrastructure**  The Department of Treasury and Finance develops and applies prudent commercial principles and practices to influence and deliver Government policies focused on major infrastructure, government business enterprises and the State’s balance sheet | Ensure high‑value high‑risk Government projects are completed within agreed timeframes and scope through ensuring adherence to standards  Effective financial risk management and prudential supervision of public financial corporations and public non‑financial corporations  Provide high quality, timely and relevant advice on asset management, the delivery of infrastructure, management of government land, borrowings, investments, insurance, superannuation issues and prudential supervision, as assessed by feedback from our key clients | Commercial and Infrastructure Advice |
| **Deliver efficient whole of government common services to the Victorian public sector**  The Department of Treasury and Finance assists government agencies in providing a more integrated approach to the management of common services | Drive productivity and efficiency by increasing the benefits delivered from government procurement contracts  Drive efficiency by maintaining low vacancy rates for government office accommodation  Provide high quality, timely and relevant advice on services to Government as assessed by feedback from our key clients | Services to Government |

### Changes to the Department during 2016‑17

Changes to outputs are reflected in the table below.

|  |  |  |
| --- | --- | --- |
| 2016‑17 departmental objective | 2016‑17 output | Reason for change |
| Drive improvement in public sector commercial and asset management and the delivery of infrastructure | Commercial and Infrastructure Advice | The former outputs (GBE Performance Monitoring and Financial Risk Management and Land and Infrastructure Investment Management) are now reflected in the Commercial and Infrastructure Advice output. |
| Sound financial management of Victoria’s fiscal resources | Budget and Financial Advice | The former outputs (Financial Reporting, Financial Resource Management Frameworks Maintenance and Supports) are now reflected in the Budget and Financial Advice output. |
| Guide government actions to increase Victoria’s productivity and competitiveness | Economic and Policy Advice | This output has been renamed from Economic and Financial Policy. The former outputs (Economic and Financial Policy and Economic) are now reflected in the Economic and Policy Advice output. |
| Deliver efficient whole of government common services to the Victorian public sector | Services to Government | This output has been renamed from Resource Management Services to Government. |

### Reporting progress towards achieving Departmental objectives and indicators

DTF’s objectives, indicators, and progress on those indicators are outlined below.

#### Objective 1: Sound financial management of Victoria’s fiscal resources

##### Objective indicators

1. A net operating surplus consistent with maintaining general government net debt at a sustainable level over the medium term.
2. General government net debt as a percentage of GSP to be maintained at a sustainable level over the medium term.
3. Provide high quality, timely and relevant advice on the State’s finances and budget, as assessed by feedback from our key clients.

Throughout 2016-17, DTF provided high quality and timely advice on the State’s finances. This included advice on resource allocation, financial risk management, departmental service performance, the short to medium-term budget outlook and fiscal strategy, asset and infrastructure transactions, and resource management frameworks. DTF also provided advice on accounting and financial reporting policy frameworks and related accounting issues.

DTF also continued to support the Government in maintaining a strong focus on disciplined financial management to support the State’s triple‑A credit rating.

In relation to the first objective indicator, the general government sector net operating result for 2016‑17 is $2.7 billion. Over the budget and forward estimates the net result from transactions forecast in the *2017‑18 Budget* are between $1 billion and $3 billion. This net operating result is consistent with maintaining net debt at a sustainable level over the medium term.

The ratio of net debt to GSP for 2016‑17 as at 30 June 2017 is 4.0 per cent. General government net debt as a percentage of GSP is expected to be maintained at a sustainable level over the medium term.

During the 2017‑18 budget process, DTF supported Government decision making by providing detailed analysis on budget proposals across all departmental portfolios, and provided advice on both expenditure and savings proposals to the Government.

DTF worked with departments to improve the quality of their performance statements, so that these statements adequately incorporate deliverables from newly funded initiatives and reflect departments’ ongoing service delivery.

In June 2017, DTF released an updated departmental Performance Management Framework (PMF). The updated PMF incorporates requirements for departments to publish a corporate/strategic plan on its website by 31 July each year, and the PMF also established requirements for each department to undertake long‑term planning over a minimum five‑year time horizon.

DTF supported the Treasurer and Minister for Finance by providing high quality advice relating to financial management for all departmental portfolios.

The Minister for Finance approved the streamlined *2016-17 Model Report* for Victorian Government Departments as part of an initiative started last year, providing consistency with the State’s *2015‑16 Financial Report*.

The *2016-17 Model Report* was revised to provide a framework and guidance to support departments with streamlining their 2016‑17 annual reports.

DTF advised on the development of the Government’s $1.9 billion family violence reform package as part of the *2017‑18 Budget*. Key investments included the establishment of Support and Safety hubs, a central information point and roll out of the specialist family violence model to five courts. Funding will support expansion of family violence services and associated services such as Child Protection.

DTF supported the Minister for Finance in acquitting the recommendations for which he was responsible. In addition, DTF provided advice on the design and implementation of the Government’s family violence reforms, many of which related to Royal Commission recommendations.

In relation to the National Disability Insurance Scheme (NDIS), DTF advised on transition to the scheme and provided commercial, financial and policy advice on a range of NDIS related matters.

Roll out of the NDIS in Victoria progressed with four out of the 17 regions having commenced transition. DTF worked with the Departments of Health and Human Services, Education and Training, and Premier and Cabinet to monitor the roll out of the NDIS. DTF also led the Victorian Government’s response to the Productivity Commission’s review of NDIS costs.

Table 1 – Progress towards objective – Sound financial management of Victoria’s fiscal resources

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Indicator | Unit of  measure | 2014‑15 actual | 2015‑16 actual | 2016‑17 actual |
| A net operating surplus consistent with maintaining general government net debt at a sustainable level over the medium term. | $ billion | 1.21 | 2.66 | 2.71 |
| General government net debt as a percentage of GSP to be maintained at a sustainable level over the medium term. | per cent | 6.2 | 6.0 | 4.0 |

**A net operating surplus consistent with maintaining general government net debt at a sustainable level over the medium term**

**General government net debt as a percentage of GSP to be maintained at a sustainable level over the medium‑term**

#### Objective 2: Guide government actions to increase Victoria’s productivity and competitiveness

##### Objective indicators

1. Reduce the costs and barriers to doing business in Victoria, including reducing the regulatory burden.
2. Provide high quality, timely and relevant advice on economic policy, forecasts, legislation and frameworks as assessed by feedback from our key clients.

In 2016‑17, DTF produced timely and evidence‑based forecasts of the outlook for the Victorian economy for the *2017‑18 Budget* and provided key briefings to the Government on economic conditions. An enhanced sensitivity analysis was also undertaken in the *2017‑18 Budget* using quantitative analysis of potential risks and the impact on budget fiscal aggregates.

DTF provided significant input into analysis of Victoria’s productivity performance and productivity‑enhancing reforms for the Premier’s Jobs and Investment Panel’s *Enhancing Victoria’s Economic Performance and Productivity* (released 13 June 2017). DTF also engaged with the Commonwealth on the proposed National Partnership on Regulatory Reform to deliver additional high‑impact productivity‑enhancing reforms consistent with the Government’s broader objectives.

In addition, DTF delivered a progress report on reducing the costs and barriers to doing business in Victoria and provided analysis on options for achieving the Government’s 25 per cent reduction target and additional regulatory burden reductions. Measures implemented to date include additional powers for the Red Tape Commissioner and support for departmental regulatory burden reduction initiatives (such as small business regulatory reviews).

On 13 April 2016, the Treasurer announced that Victoria is entering into a Joint Development Program agreement with two consortia, led by Anglicare and Sacred Heart Mission, to establish two social impact bonds (SIBs). One SIB is focused on providing a pathway to independence for youth exiting out of home care, the other is focused on providing stable, sustained housing to long‑term homeless with alcohol and other drug and mental health issues.

DTF supported the analysis and development of initiatives for inclusion in the Government’s housing strategy *Homes for Victorians,* released on 5 March 2017.

A range of measures, including the Victorian Social Housing Growth Fund, are being implemented to support the growth in social and affordable housing.

DTF provided advice to Government in the development of tax initiatives for the *2017‑18 Budget* and passage of the State Taxation Acts Amendment Bill 2017.

#### Objective 3: Drive improvement in public sector commercial and asset management and the delivery of infrastructure

##### Objective indicators

1. Ensure high‑value high‑risk Government projects are completed within agreed timeframes and scope through ensuring adherence to standards.
2. Effective financial risk management and prudential supervision of public financial corporations and public non‑financial corporations.
3. Provide high‑quality, timely and relevant advice on asset management, the delivery of infrastructure, management of government land, borrowings, investments, insurance, superannuation issues and prudential supervision, as assessed by feedback from our key clients.

Throughout 2016‑17, DTF continued to support Government decision making through high‑quality and timely advice on commercial negotiations, assessment of high‑value high‑risk projects, and ensuring timely delivery of the State’s infrastructure program.

DTF actively monitored and advised on projects through representation on project boards and steering committees and follow‑up on Government decisions. On a quarterly basis, the Department reported to Government on progress, issues and risks to major projects, advising on appropriate risk mitigation actions for projects facing budget, scope or timing risks.

DTF chaired two Asset Management Accountability Framework (AMAF) implementation working groups and supported departments to prepare their trial attestations for the 2016‑17 financial year.

DTF published comprehensive asset management implementation guidance on its website to support Victorian public sector agencies. DTF also prepared a number of technical amendments to the AMAF to reflect, among other things, changes made to the *Financial Management Act 1994* subordinate legislation (since the framework was introduced in February 2016).

On 19 September 2016, the Victorian Government announced the Lonsdale consortium was the successful bidder for the medium‑term lease over the operations of the Port of Melbourne, and on 31 October 2016, the Lonsdale consortium paid approximately $9.7 billion for the Port of Melbourne lease. The transaction proceeds went to the Victorian Transport Fund to continue removing 50 level crossings, build the Metro Tunnel and other key infrastructure initiatives across the State. A minimum 10 per cent of transaction proceeds will be invested in regional infrastructure projects. In addition, a new $200 million Agriculture Infrastructure and Jobs Fund was established to drive economic growth in regions, boost exports and support Victorian farmers from paddock to port.

Commercial negotiations and assessment of Transurban’s market‑led proposal for the West Gate Tunnel Project commenced and are ongoing. The West Gate Tunnel Project Environment Effects Statement (EES) was available for public review concluding on 10 July 2017. An independent [Inquiry and Advisory Committee](http://westgatetunnelproject.vic.gov.au/eesinquiry/) has been appointed to consider the EES and public submissions. The Committee will conduct public hearings scheduled to begin in August 2017.

DTF provided governance oversight of government business enterprises (GBEs) and advice to Government, departments and agencies relating to GBEs’ strategic direction and performance, significant capital expenditure proposals, dividends and capital repatriations.

DTF also provided advice to Government and agencies relating to future uses or disposal of surplus government land, management of contaminated land liabilities, office accommodation for the public service and management of the Greener Government Buildings Program.

DTF coordinated the Government’s land sales program aiming to maximise returns from land sales by:

* coordinating annual reporting from departments on the utilisation status of all landholdings;
* establishing annual land sales targets for departments to encourage timely referral of surplus properties for sale; and
* incentivising participation of departments by offering a 10 per cent incentive if they meet their target.

A comprehensive review of the Ministerial Directions (MDs) for public construction was undertaken and complemented an extensive targeted consultation with industry on reform options to improve procurement processes. The MDs Review recommended modernised procurement governance to better reflect current practice and delivery. The Construction Procurement Reform Advisory Panel was established to provide strategic advice to DTF on the MDs Review, and guide the development and implementation of specific reform recommendations.

Reform recommendations from the panel are expected to be finalised by the end of 2017‑18, for implementation in 2018‑19.

The Office of Projects Victoria (OPV) was established as an Administrative Office of DTF on 14 June 2016. OPV advises on the planning and delivery of infrastructure projects. It provided advice on asset investment decisions and delivery, and monitored the performance of major projects. OPV completed several early pieces of work, including a review of VicRoads capability and capacity to deliver the Western Suburbs Roads Package project, and a review of procurement options for transport projects.

#### Objective 4: Deliver efficient whole of government common services to the Victorian public sector

##### Objective indicators

1. Drive productivity and efficiency by increasing the benefits delivered from government procurement contracts.
2. Drive efficiency by maintaining low vacancy rates for government office accommodation.
3. Provide high quality, timely and relevant advice on services to Government, as assessed by feedback from our key clients.

During 2016‑17, the Victorian Government Purchasing Board (VGPB) undertook a State Purchase Contract (SPC) governance consolidation process and all SPCs are now under VGPB oversight.

In March 2017 the VGPB launched two new guides in relation to accreditation and alignment under the VGPB’s supply policy framework aimed at broadening the Board’s influence through assisting organisations wanting to formally adopt the supply policy framework. The VGPB continued its oversight program for complex, high‑risk procurement projects.

The VGPB Secretariat commenced work with WorkSafe on formal accreditation under the VGPB framework and supply policies. Discussions also commenced with the Transport Accident Commission.

The development of a social procurement framework commenced, with the establishment of a working group including members from DTF and the Department of Economic Development, Jobs, Transport and Resources.

In addition to delivering business as usual services throughout 2016‑17 in accommodation management, library and car pools for Victorian Government departments and agencies, the Shared Service Provider (SSP) embarked on a significant change and business transformation program, which will continue over the coming year.

This change was spearheaded by the need to return to market for a new outsourced service provider for Victorian Government real estate and facilities management services, following a decision to not exercise the option of extending the current arrangement, which expires in December 2017. An expression of interest was completed during the year, followed by a select request for proposal, which will be finalised in September 2017.

SSP has taken the opportunity to leverage the return to market to align its business to a model that will support SSP’s sustainability and productivity, consistent with its recently updated vision: *to be the Shared Service Provider of choice, achieving value for the Victorian Public Sector through the strategic delivery of client focused services*.

In the annual client satisfaction survey, SSP achieved a customer satisfaction rating of 73 per cent, exceeding its target of 70 per cent. In establishing this target, SSP anticipated that despite comprehensive preparation and planning, there could be some decline in satisfaction resulting from the major change program that commenced during the year to both uplift delivery performance and return to market for real estate and facilities management services. So while slightly lower than the previous year’s rating, this was a good result overall.

SSP also coordinated a program of security enhancements on the Treasury Reserve during the year to improve the integrity of the reserve’s current systems. This involved engaging with a range of stakeholders to support the initiative and inform the development of a supporting security policy.

SSP’s Victorian Government Library Service successfully completed an Integrated Library Management System Project to improve client access and experience of the service, complemented by an extensive clean‑up of data.

Car pool fleet utilisation increased by 9.1 per cent from the prior year to 87.7 per cent, resulting in its improved financial performance. After a range of stakeholder engagement initiatives, a number of client focused improvements were introduced, including access to a wider range of vehicles, GPS capability and a service to deliver vehicles direct to users as an efficiency measure.

Over the past year, vacancy rates for government office accommodation have increased slightly (from 0.35 per cent to 0.44 per cent), but still remain low compared to previous years’ results. This minor increase was due to some underutilised space within the client portfolio being identified and registered with SSP, which was only suitable for co-location opportunities. The vacancy rate for government office accommodation compares favourably with the vacancy rate for the commercial real estate market in the Melbourne CBD. At June 2017 the vacancy rate for this sector was 6.4 per cent. SSP’s focus over the coming year, in partnership with its property outsourced provider, will be using information from a range of sources to ensure optimal use of office space and support ongoing strategic accommodation planning.

Table 2 – Progress towards objective – Deliver efficient whole of government common services to the Victorian  public sector

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Indicator | Unit of  measure | 2013‑14 actual | 2014‑15 actual | 2015‑16 actual | 2016‑17 actual |
| Drive efficiency by maintaining low vacancy rates for government office accommodation | per cent | 2.20 | 1.48 | 0.35(a) | 0.44 |
| Drive productivity and efficiency by increasing the benefits delivered from government procurement contracts | $ million | 59.23 | 50.0 | 77.72 | 59.55 |

Note:

(a) The vacancy rates for government office accommodation for 2015-16 was erroneously published in the Department of Treasury and Finance’s 2014‑15 annual report as 0.37 per cent. The revised figure is 0.35 per cent.

### Performance against output performance measures

The following sections outline details of the outputs provided by the Department to the Government, including performance measures and costs for each output, and the actual performance results against budgeted targets by output for the Department over the full year ending 30 June 2017.

#### Legend of symbols

The following symbols are used to indicate the type of variance in performance against output performance measures:

|  |  |
| --- | --- |
|  | performance target achieved – (both within 5 per cent variance and exceeds 5 per cent variance) |
|  | performance target not achieved – within 5 per cent variance |
|  | performance target not achieved – exceeds 5 per cent variance |

## Sound financial management of Victoria’s fiscal resources

The Department of Treasury and Finance has a central role in shaping Victoria’s economic, social and fiscal policy to ensure that Government financial policies are fiscally sound.

### Budget and Financial Advice

This output contributes to the provision of strategic, timely and comprehensive analysis and advice to Ministers, Cabinet and Cabinet Sub Committees on:

* resource allocation;
* departmental financial, output and asset delivery performance to support government in making decisions on the allocation of the State’s fiscal resources; and
* management of Funding Reviews.

It also maintains the integrity of systems and information for financial planning, management, monitoring and reporting of the State of Victoria through:

* publication of the State budget and budget related documents;
* reporting, monitoring and publication of financial and non‑financial performance in the Victorian public sector (VPS);
* management of the Public Account operations; and
* best practice financial reporting framework, and whole of state management information systems, supporting financial reporting across the Victorian public sector.

It also develops and maintains cohesive financial and resource management frameworks that drive sound financial and resource management practices in the Victorian public sector by:

* enhancing key frameworks to drive performance;
* monitoring VPS entities’ compliance;
* advising government and key stakeholders on financial and resource management and compliance issues;
* ensuring that financial and resource management frameworks are established and complied with;
* promoting continuous improvement in resource allocation and management through regular reviews and updates to ensure the frameworks represent good practice; and
* promoting awareness of financial management accountabilities and roles.

This output contributes to the Department’s sound financial management of Victoria’s fiscal resources objective.

| Performance measures | Unit of  measure | 2016‑17 actual | 2016‑17 target | Performance variation (%) | Result |
| --- | --- | --- | --- | --- | --- |
| Quantity |  |  |  |  |  |
| Funding reviews delivered | number | 3 | 3 | – |  |
| Quality |  |  |  |  |  |
| Accuracy of the revised estimate of State budget expenditure | per cent | 3.2 | ≤5.0 | – |  |
| Auditor‑General qualification relating to material weaknesses in financial reporting systems and processes for the State of Victoria Financial Report or Estimated Financial Statements | number | 0 | 0 | – |  |
| Recommendations on financial management framework matters made by the Public Accounts and Estimates Committee and the Victorian Auditor‑General’s Office and supported by Government are actioned | per cent | 100 | 100 | – |  |
| VPS stakeholder feedback indicates delivery of advice and information sessions supported the financial reporting framework across the VPS and supported the VPS to understand the financial management framework | per cent | 77.5 | 80 | (3.1) | 🞆 |
| Maintain ISO 9001 (Quality Management Systems) Certification | per cent | 100 | 100 | – |  |
| Timeliness |  |  |  |  |  |
| Delivery of funding review reports within agreed timeframes | per cent | 100 | 100 | – |  |
| Delivery of advice to Government on portfolio performance within agreed timeframes | per cent | 100 | 100 | – |  |
| Annual Budget published by date agreed by Treasurer | date | May 2017 | May 2017 | – |  |
| Budget Update, Financial Report for the State of Victoria, Mid‑Year Financial Report, and Quarterly Financial Reports are transmitted by legislated timeline | per cent | 100 | 100 | – |  |
| Annual financial management compliance report for the previous financial year is submitted to the Minister for Finance | date | Nov  2016 | By end Feb 2017 | – |  |
| Cost |  |  |  |  |  |
| Total output cost  The 2016‑17 outcome is higher than the 2016‑17 target due to internal reprioritisation for additional policy functions. | $ million | 27.1 | 25.7 | 5.4 |  |

### Revenue Management Services to Government

This output provides revenue management services across the various state‑based taxes in a fair and efficient manner for the benefit of all Victorians. By administering Victoria’s taxation legislation and collecting a range of taxes, duties and levies, this output contributes to the Department’s objective of sound financial management of the State’s fiscal resources.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Performance measures | Unit of  measure | 2016‑17 actual | 2016‑17 target | Performance variation (%) | Result |
| Quantity |  |  |  |  |  |
| Revenue assessed from compliance projects meets estimates  The 2016‑17 outcome is higher than the 2016‑17 target due to compliance programs yielding higher revenue due to several large investigations, unusually high lease duty, buoyant landholder activity and land tax investigations. | per cent | 113 | ≥95 | – |  |
| Revenue collected as a percentage of budget target | per cent | 101 | ≥99 | – |  |
| Quality |  |  |  |  |  |
| Customer satisfaction level | per cent | 96 | ≥85 | – |  |
| Maintain ISO 9001 (Quality Management Systems) and ISO/IEC 20000‑1:2005 (IT Service management) Certification | number | 3 | 3 | – |  |
| Ratio of outstanding debt to total revenue | per cent | 1.72 | <2 | – |  |
| Timeliness |  |  |  |  |  |
| Meet Cabinet and Parliamentary timelines | per cent | 100 | 100 | – |  |
| Revenue banked on day of receipt | per cent | 100 | ≥99 | – |  |
| Timely handling of objections (within 90 days)  The 2016‑17 outcome is higher than the 2016‑17 target due to a range of process improvements and efficiency measures, combined with resource reallocation. | per cent | 86 | ≥80 | – |  |
| Timely handling of private rulings (within 90 days)  The 2016‑17 outcome is higher than the 2016‑17 target due to a range of process improvements and efficiency measures, combined with resource reallocation. | per cent | 92 | ≥80 | – |  |
| Cost |  |  |  |  |  |
| Total output cost | $ million | 90.4 | 89.9 | 0.6 |  |

## Guide government actions to increase Victoria’s productivity and competitiveness

DTF provides Government with advice on key economic and financial issues, including longer term economic development, regulation, financial strategy and taxation policy.

### Economic and Policy Advice

This output provides strategic policy advice including potential reform options to Ministers across a range of current economic and financial policy issues.

The output contributes to the Department’s objective of guiding government actions to increase Victoria’s productivity and competitiveness by providing advice on:

* medium and longer term strategies to strengthen productivity, participation and the State’s overall competitiveness;
* key economic, social and environmental policy and infrastructure issues;
* State revenue policy and insurance policy;
* intergovernmental financial relations, including the distribution of Commonwealth funding to Australian states and territories (including representation on various inter‑jurisdictional committees);
* production of the economic and revenue estimates that underpin the State budget;
* best practice regulatory frameworks; and
* building capacity in and promoting market‑based policy mechanisms in Victoria.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Performance measures | Unit of  measure | 2016‑17 actual | 2016‑17 target | Performance variation (%) | Result |
| Quantity |  |  |  |  |  |
| Economic research projects completed | number | 5 | 5 | – |  |
| Quality |  |  |  |  |  |
| Accuracy of estimating State taxation revenue in the State budget | per cent | 3.1 | ≤5.0 | – |  |
| Accuracy of estimating the employment growth rate in the State budget (a) | percentage point | 1.93 | ≤1.0 | 93 |  |
| Accuracy of estimating the GSP growth rate in the State budget (b) | percentage point | n/a | ≤1.0 | n/a | n/a |
| Maintain ISO 9001 (Quality Management Systems) Certification | per cent | 100 | 100 | – |  |
| Timeliness |  |  |  |  |  |
| Briefings on key Australian Bureau of Statistics economic data on day of release | per cent | 100 | 100 | – |  |
| Respond to correspondence within agreed timeframes | per cent | 88.5 | 85 | 4.1 |  |
| Cost |  |  |  |  |  |
| Total output cost | $ million | 23.5 | 23.1 | 1.7 |  |

Notes:

(a) The 2016-17 outcome is higher than the 2016-17 target due to strong employment growth driven by stronger than expected population growth and a higher than expected participation rate.

(b) The gross state product growth rate estimate is not yet available. The estimate will be available when the ABS State Accounts are released in November 2017.

### Economic Regulatory Services

This output provides economic regulation of utilities and other specified markets in Victoria to protect the long‑term interests of Victorian consumers with regard to price, quality and reliability of essential services. By providing these services, this output contributes to the departmental objective of guiding government actions to increase Victoria’s productivity and competitiveness.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Performance measures | Unit of  measure | 2016‑17 actual | 2016‑17 target | Performance variation (%) | Result |
| Quantity |  |  |  |  |  |
| New or revised regulatory instruments issued | number | 6 | 6 | – |  |
| Performance reports for regulated businesses or industries | number | 11 | 11 | – |  |
| Performance reviews and compliance audits of regulated businesses | number | 137 | 142 | (3.5) |  |
| Price approvals of regulated businesses  The 2016‑17 outcome is lower than the 2016‑17 target due to a lower demand for price approvals of regulated businesses than originally anticipated. | number | 27 | 40 | (32.5) |  |
| Registration and accreditation decisions/approvals in relation to the Victorian Energy Efficiency Target Scheme (VEET)  The 2016‑17 outcome is higher than the 2016‑17 target due to more businesses participating and offering VEET services than originally anticipated. | number | 5 980 | 5 400 | 10.7 |  |
| Reviews, investigations or advisory projects | number | 2 | 2 | – |  |
| Compliance and enforcement activities – energy | number | 10 | 10 | – |  |
| Quality |  |  |  |  |  |
| Decisions upheld where subject to review, appeal or disallowance | per cent | 100 | 100 | – |  |
| Timeliness |  |  |  |  |  |
| Delivery of major milestones within agreed timelines | per cent | 100 | 100 | – |  |
| Cost |  |  |  |  |  |
| Total output cost  The 2016‑17 outcome is lower than the 2016‑17 target mainly due to timing of expenditure for water price reviews and information technology projects. | $ million | 22.3 | 24.6 | (9.3) |  |

### Business Environment Policy Advice

This output provides advice on ways the Government can improve the business environment. The output contributes to the departmental objective of guiding Government actions to increase Victoria’s productivity and competitiveness. This is achieved by the Commissioner for Better Regulation by:

* reviewing Regulatory Impact Statements, Legislative Impact Assessments, and providing advice for Regulatory Change Measurements;
* assisting agencies to improve the quality of regulation in Victoria and undertaking research into matters referred to it by the Government; and
* operating Victoria’s competitive neutrality unit.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Performance measures | Unit of  measure | 2016‑17 actual | 2016‑17 target | Performance variation (%) | Result |
| Quantity |  |  |  |  |  |
| Advice on adequacy of final Regulatory Impact Statements and Legislative Impact Assessments prepared by departments  The 2016‑17 outcome is lower than the 2016‑17 target due to changed timing by Ministers for proposed regulations/legislation for which Assessments and Statements are prepared. | number | 29 | 35 | (17.1) |  |
| Timeliness |  |  |  |  |  |
| Completion of initial assessment of Regulatory Impact Statements and Legislative Impact Assessments within 10 working days of receipt | per cent | 100 | 100 | – |  |
| Cost |  |  |  |  |  |
| Total output cost  The 2016‑17 outcome is lower than the 2016‑17 target due to internal reprioritisation. | $ million | 2.3 | 2.8 | (17.9) |  |

## Drive improvements in public sector commercial and asset management and the delivery of infrastructure

DTF develops and applies prudent commercial principles and practices to influence and deliver Government policies focused on major infrastructure, government business enterprises and the State’s balance sheet.

### Commercial and Infrastructure Advice

This output provides land and infrastructure advice and assistance to departments, Ministers and senior DTF management. It contributes to the Department’s objective of driving improvement in public sector commercial and asset management and the delivery of infrastructure by providing advice and assistance on:

* land purchases, sales, facilitation, leasing and management of contaminated sites;
* feasibility studies, business cases, procurement processes and contractual management of major projects and commercial transactions;
* policy to support project generation, development and delivery;
* development and implementation of services including policy, procedures and training in practices which govern new infrastructure investment; and
* medium to long‑term asset investment planning and processes for investment decision making.

This output also monitors the performance of GBEs and registered housing agencies, and manages the State’s financial risk by:

* monitoring and providing advice on the financial and operational performance of GBEs and registered housing agencies;
* developing and implementing prudential risk management and reporting frameworks in respect of public financial corporations (PFCs) and strategies to manage the State’s financial risks;
* overseeing policy and strategies to manage the State’s investment, borrowing, unfunded superannuation and insurance claims obligations and the management of the associated risks; and
* producing budget and financial reporting data for the public non‑financial corporation (PNFC) and PFC sectors.

| Performance measures | Unit of  measure | 2016‑17 actual | 2016‑17 target | Performance variation (%) | Result |
| --- | --- | --- | --- | --- | --- |
| Quantity |  |  |  |  |  |
| Develop and implement policies, procedures and training to govern and build capability to deliver infrastructure investment  The 2016‑17 outcome is higher than the 2016‑17 target due to work undertaken to develop guidance to support Asset Management Accountability Framework implementation and the refresh of the Investment Management Standard. | number | 66 | 45 | 46.7 |  |
| Gateway reviews undertaken to minimise Government’s exposure to project risks  The 2016‑17 outcome is higher than the 2016‑17 target due to elevated demand for reviews experienced throughout 2016‑17. | number | 79 | 50 | 58 |  |
| Revenue from sale of surplus Government land including Crown land  The 2016‑17 outcome is lower than the 2016‑17 target as the EVO apartment complex did not sell through public tender. Submissions failed to meet the reserve price and the property remains on the market. | $ million | 131.23 | 200 | (34.4) |  |
| Coordinate and produce presentations for the annual review meetings with credit rating agencies | number | 2 | 2 | – |  |
| Provision of budget sector debt, public authority income and superannuation estimates and analysis and commentary on the PNFC and PFC sectors for whole of government published financial reports | number | 6 | 6 | – |  |
| Quality |  |  |  |  |  |
| Maintain ISO 9001 (Quality Management Systems) Certification | per cent | 100 | 100 | – |  |
| Registered housing agencies that are annually reviewed | per cent | 100 | 100 | – |  |
| Timeliness |  |  |  |  |  |
| Advice provided to government on board appointments at least three months prior to an upcoming vacancy | per cent | 100 | 100 | – |  |
| Analysis and review of corporate plans within two months of receipt  The 2016‑17 outcome is higher than the 2016‑17 target due to an increased focus on the timely review of corporate plans. | per cent | 97 | 90 | 8 |  |
| Dividend payments made within agreed timeframes  The 2016‑17 outcome is lower than the 2016‑17 target as dividend consultation with the Victorian Ports Corporation (Melbourne) has been delayed and will be finalised in the 2017-18 financial year. | per cent | 97 | 100 | (3) |  |
| Cost |  |  |  |  |  |
| Total output cost  The 2016‑17 outcome is higher than the 2016‑17 target due to additional funding for land remediation, the West Gate Tunnel Project and Western Suburbs Roads Package, public spaces improvements and establishment of OPV. | $ million | 145.2 | 48.2 | 201.2 |  |

## Deliver efficient whole of government common services to the Victorian public sector

DTF assists Government agencies in providing a more integrated approach to the management of common services.

### Services to Government

This output delivers whole of government services, policies and initiatives in areas including procurement, fleet and accommodation.

The output contributes to the Department’s objective of delivering efficient whole of government common services to the Victorian public sector by:

* developing and maintaining a framework of whole of government policies, standards and guidelines which promote the efficient and effective use of common services including procurement, fleet and accommodation;
* implementing a program of whole of government procurement and contract management to ensure optimum benefit to government;
* supporting the operations of the Victorian Government Purchasing Board, facilitating the approval of major government procurements and developing procurement capability across government; and
* providing whole of government fleet and accommodation.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Performance measures | Unit of  measure | 2016‑17 actual | 2016‑17 target | Performance variation (%) | Result |
| Quantity |  |  |  |  |  |
| Total accommodation cost | $ per square metre per year | 383 | 395 | (3) |  |
| Workspace ratio  The workspace ratio has been undertaken in Q1 2017‑18. Information in relation to 50 Lonsdale Street is expected to be received in Q2 2017-18 | square metre per FTE | n/a | 14.4 | n/a | n/a |
| Quality |  |  |  |  |  |
| Benefits delivered as a percentage of expenditure by mandated agencies under DTF‑managed state purchasing contracts, including reduced and avoided costs | per cent | 6 | ≥5 | – |  |
| Client agencies’ satisfaction with the service provided by the Shared Service Provider | per cent | 73 | 70 | 4.3 |  |
| Maintain ISO 9001 (Quality Management Systems) Certification | per cent | 100 | 100 | – |  |
| Cost |  |  |  |  |  |
| Total output cost  The 2016‑17 outcome is lower than the 2016‑17 target due to internal funding reprioritisation. | $ million | 41.8 | 43.8 | (4.6) |  |

## Discontinued operations

There were no discontinued operations in 2016‑17.

## Victorian Transport Fund(a)

Balance of the trust as at 30 June 2017

|  |  |
| --- | --- |
|  | **2016-17 actual** |
|  | $m |
| Opening balance | 0 |
| Receipts into the trust |  |
| Proceeds from the Port of Melbourne transaction | 9 735 |
| Public Account Advance(b) | 483 |
| Interest revenue | 99 |
| Commonwealth funding(c) | 65 |
| Total funding available | 10 383 |
|  |  |
| Payments from the trust(d) |  |
| Professional services associated with the lease transaction | 26 |
| Level Crossing Removal Program | 1 457 |
| Metro Tunnel | 626 |
| Caulfield to Dandenong conventional signalling and power infrastructure upgrade | 230 |
| Movement in accounts payable and provisions | (350) |
| Total payments from the trust | 1 988 |
| Closing balance | 8 394 |

Notes:

(a) Reflects trust fund movements at a general government level.

(b) A Public Account Advance was provided under section 37 of the *Financial Management Act 1994* to fund Level Crossing Removal Program expenditure incurred from 1 July 2016 until the Port of Melbourne lease transaction was finalised on 31 October 2016.

(c) Reflects the Commonwealth’s share for the Main Road (St Albans) project delivered as part of the Level Crossing Removal Program in 2016-17.

(d) Regional projects worth $1.06 billion to be funded from the proceeds were reported on page 10 of 2017-18 Budget Paper No. 4. After the *2017-18 Budget*, the Commonwealth Government agreed to the Victorian Government’s Regional Rail Revival package announced in the *2017‑18 Budget*. The spending profile of the Regional Rail Revival package is subject to negotiations between the State and the Commonwealth. The actual expenditure for regional projects will be incurred and reported in 2017-18.

## Budget portfolio outcomes

The budget portfolio outcomes statements provide a comparison between the actual financial information of all general government entities within the portfolio and the forecasted financial information published in the budget papers. The budget portfolio outcomes comprise the comprehensive operating statement, balance sheet, statement of changes in equity, cash flow statement, and administered items statement.

The budget portfolio outcomes have been prepared on a consolidated basis and include all general government entities within the portfolio. Financial transactions and balances are classified into either controlled or administered consistent with the published statements in the budget papers.

The following budget portfolio outcomes statements are not subject to audit by the Victorian Auditor‑General’s Office. They are not prepared on the same basis as the Department’s financial statements as they include the consolidated financial information of Essential Services Commission and CenITex in addition to that of the Department. Essential Services Commission and CenITex are not consolidated in the Department’s audited financial statements enclosed within this annual report, as they prepare separate annual reports for tabling in Parliament. Further, the Department’s audited financial statements include certain whole of government transactions, as referred to in note 4.2. Otherwise, albeit in a different format, the following statements are reflective of the audited financial statements.

## Budget portfolio outcomes

### Comprehensive operating statement for the year ended 30 June 2017

|  |  |  |  |
| --- | --- | --- | --- |
| Controlled | 2016‑17 actual | 2016‑17 budget | Variation |
|  | $m | $m | % |
| Income from transactions |  |  |  |
| Output appropriations | 353.2 | 258.5 | 36.6 |
| Interest | 1.3 | 1.7 | (24.6) |
| Sale of goods and services | 180.2 | 163.6 | 10.2 |
| Grants | 3.3 | – | n/a |
| Fair value of assets and services received free of charge or for nominal consideration | 0.2 | – | n/a |
| Other income | 24.9 | 30.4 | (18.1) |
| Total income from transactions | 563.1 | 454.2 | 24.0 |
|  |  |  |  |
| Expenses from transactions |  |  |  |
| Employee benefits | 206.4 | 200.5 | 2.9 |
| Depreciation | 36.8 | 42.5 | (13.4) |
| Interest expense | – | 0.2 | (100.0) |
| Grants and other transfers | 10.9 | 5.5 | 98.6 |
| Capital asset charge | 21.8 | 21.8 | – |
| Other operating expenses (a) | 274.1 | 171.8 | 59.6 |
| Total expenses from transactions | 550.1 | 442.3 | 24.4 |
| Net result from transactions | 13.0 | 11.9 | 9.4 |
|  |  |  |  |
| Other economic flows included in net result |  |  |  |
| Net gain/(loss) on non‑financial assets | 0.1 | (7.1) | (101.6) |
| Net gain/(loss) on financial instruments and statutory receivables/payables | – | (0.3) | (100.0) |
| Other gains/(losses) from other economic flows | 1.5 | – | n/a |
| Total other economic flows included in net result | 1.6 | (7.4) | (122.1) |
| Net result | 14.7 | 4.5 | 225.6 |
|  |  |  |  |
| Other economic flows – other comprehensive income (b) | 251.9 | 29.7 | 747.1 |
| Comprehensive result | 266.5 | 34.2 | 678.6 |

Notes:

(a) increase is attributable to a provision to remediate a land site.

(b) increase driven by completion of the five‑year cyclical asset revaluation in 2016‑17.

## Budget portfolio outcomes

### Balance sheet as at 30 June 2017

|  |  |  |  |
| --- | --- | --- | --- |
| Controlled | 2017 actual | 2017 budget | Variation |
|  | $m | $m | % |
| Financial assets |  |  |  |
| Cash and deposits | 92.8 | 98.6 | (5.9) |
| Receivables | 297.2 | 224.0 | 32.7 |
| Other financial assets | 35.0 | – | n/a |
| Total financial assets | 425.0 | 322.6 | 31.7 |
|  |  |  |  |
| Non‑financial assets |  |  |  |
| Inventories | 8.9 | – | n/a |
| Property, plant and equipment (a) | 834.6 | 575.4 | 45.0 |
| Intangible assets | 29.9 | 52.1 | (42.6) |
| Other assets | 20.1 | 18.1 | 11.0 |
| Total non‑financial assets | 893.5 | 645.6 | 38.4 |
| Total assets | 1 318.5 | 968.2 | 36.2 |
|  |  |  |  |
| Liabilities |  |  |  |
| Payables | 114.5 | 80.9 | 41.5 |
| Borrowings | 4.5 | 4.3 | 4.7 |
| Provisions(b) | 123.7 | 59.8 | 106.9 |
| Total liabilities | 242.7 | 145.0 | 67.4 |
| Net assets | 1 075.8 | 823.2 | 30.7 |
|  |  |  |  |
| Equity |  |  |  |
| Contributed capital | 366.0 | 376.6 | (2.8) |
| Reserves (a) | 561.0 | 296.6 | 89.1 |
| Accumulated surplus | 148.8 | 150.0 | (0.8) |
| Total equity | 1 075.8 | 823.2 | 30.7 |

Notes:

(a) Increase reflects asset revaluations carried out in 2016-17.

(b) Increase is attributable to a provision to remediate a land site.

## Budget portfolio outcomes

### Cash flow statement for the year ended 30 June 2017

|  |  |  |  |
| --- | --- | --- | --- |
| Controlled | 2016‑17 actual | 2016‑17 budget | Variation |
|  | $m | $m | % |
| Cash flows from operating activities |  |  |  |
| Receipts from government | 281.9 | 257.4 | 9.5 |
| Receipts from other entities | 20.2 | – | n/a |
| Goods and services tax recovered from the ATO | – | 0.2 | (100.0) |
| Interest received | 1.3 | 1.7 | (25.7) |
| Other receipts | 210.6 | 204.8 | 2.9 |
|  | 514.0 | 464.1 | 10.8 |
|  |  |  |  |
| Payments of grants and other transfers | (21.4) | (15.7) | (36.3) |
| Payments to suppliers and employees | (419.3) | (368.8) | (13.7) |
| Goods and services tax paid to the ATO | (2.2) | (0.1) | (2 122.7) |
| Capital asset charge | (21.8) | (21.8) | – |
| Interest and other finance costs | – | (0.2) | 100.0 |
|  | (464.8) | (406.6) | (14.3) |
| Net cash flows from operating activities | 49.2 | 57.5 | (14.3) |
|  |  |  |  |
| Cash flows from investing activities |  |  |  |
| Net investment | (2.0) | – | n/a |
| Net payments for non-financial assets | (42.9) | (63.0) | 31.9 |
| Proceeds from sale of non-financial assets | 1.4 | – | n/a |
| Net loans to other parties | (0.1) | – | n/a |
| Net cash flows used in investing activities | (43.5) | (63.0) | 30.9 |
|  |  |  |  |
| Cash flows from financing activities |  |  |  |
| Owner contributions by State Government | 0.1 | 2.6 | (95.0) |
| Net borrowings | – | (0.9) | (100.0) |
| Net cash flows from financing activities | 0.1 | 1.7 | (91.3) |
|  |  |  |  |
| Net increase in cash held | 5.9 | (3.8) | 254.3 |
|  |  |  |  |
| Cash at the beginning of the financial year | 86.9 | 102.4 | (15.1) |
|  |  |  |  |
| Cash at the end of the financial year | 92.8 | 98.6 | (5.9) |

## Budget portfolio outcomes

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

| Controlled | 2016‑17 actual | 2016‑17 budget | Variation |
| --- | --- | --- | --- |
|  | $m | $m | % |
| Contributed capital |  |  |  |
| Opening balance | 366.0 | 376.6 | (2.8) |
| Transactions with owners in their capacity as owners | – | – | n/a |
| Closing balance | 366.0 | 376.6 | (2.8) |
|  |  |  |  |
| Reserves |  |  |  |
| Opening balance | 309.2 | 267.0 | 15.8 |
| Comprehensive result | 251.8 | 29.6 | 750.7 |
| Closing balance | 561.0 | 296.6 | 89.1 |
|  |  |  |  |
| Accumulated surplus |  |  |  |
| Opening balance | 134.0 | 146.0 | (8.2) |
| Comprehensive result | 14.7 | 4.5 | 225.6 |
| Transactions with owners in their capacity as owners | 0.1 | (0.5) | (130.0) |
| Closing balance | 148.8 | 150.0 | (0.8) |
| Total equity | 1 075.8 | 823.2 | 30.7 |

## Budget portfolio outcomes

### Administered items statement for the year ended 30 June 2017

|  | 2016–17 actual | 2016–17 budget | Variation |
| --- | --- | --- | --- |
|  | $m | $m | % |
| Administered income from transactions |  |  |  |
| Appropriations – payments made on behalf of the State (a) | 4 537.4 | 6 813.3 | (33.4) |
| Special appropriations (b) | 7 068.8 | 9 147.0 | (22.7) |
| Interest | 136.6 | 49.0 | 178.8 |
| Sales of goods and services | 28.8 | 41.3 | (30.3) |
| Grants | 20 430.1 | 21 364.7 | (4.4) |
| Other income | 24 000.2 | 22 783.7 | 5.3 |
| Total administered income from transactions | 56 201.9 | 60 199.0 | (6.6) |
|  |  |  |  |
| Administered expenses from transactions |  |  |  |
| Expenses on behalf of the State | 254.3 | 386.5 | (34.2) |
| Employee benefits (a) | 1 092.7 | 1 634.6 | (33.2) |
| Grants and other transfers | 3 611.5 | 3 944.2 | (8.4) |
| Interest expense | 1 287.4 | 1 536.0 | (16.2) |
| Payments into Consolidated Fund | 49 917.3 | 50 313.1 | (0.8) |
| Total administered expenses from transactions | 56 163.2 | 57 814.4 | (2.9) |
| Net result from transactions | 38.7 | 2 384.6 | (98.4) |
|  |  |  |  |
| Other economic flows included in net result |  |  |  |
| Net gain/(loss) on non-financial assets | 8.9 | 23.3 | (61.8) |
| Share of net profits/(losses) of associates and joint venture entities, excluding dividends | 1.2 | – | n/a |
| Net gain/(loss) on financial instruments and statutory receivables/payables (c) | (628.7) | – | n/a |
| Other gains/(losses)from other economic flows | (27.9) | – | n/a |
| Total other economic flows included in net result | (646.5) | 23.3 | (2 874.7) |
| Net result | (607.8) | 2 407.9 | (125.2) |
|  |  |  |  |
| Other economic flows – other non‑owner changes in equity |  |  |  |
| Remeasurement of superannuation defined benefit plans (d) | 4 366.6 | 876.8 | 398.0 |
| Total other economic flows – other non‑owner changes in equity | 4 366.6 | 876.8 | 398.0 |
| Comprehensive result | 3 758.8 | 3 284.7 | 14.4 |
|  |  |  |  |
| Administered assets |  |  |  |
| Cash and deposits | 1 646.1 | 1 771.0 | (7.1) |
| Receivables (e) | 9 100.9 | 2 665.0 | 241.5 |
| Other financial assets | 1 300.0 | 875.8 | 48.4 |
| Property, plant and equipment (a) | – | 378.3 | (100.0) |
| Other non‑financial assets | (1.9) | 1.2 | (258.3) |
| Investments accounted for using the equity method | 12.5 | – | n/a |
| Total administered assets | 12 057.6 | 5 691.3 | 111.9 |
|  |  |  |  |
| Administered liabilities |  |  |  |
| Payables | 8 427.7 | 5 749.3 | 46.6 |
| Borrowings | 19 619.6 | 22 248.0 | (11.8) |
| Provisions | 45.5 | 68.0 | (33.1) |
| Superannuation (d) | 24 900.5 | 27 047.8 | (7.9) |
| Total administered liabilities | 52 993.3 | 55 113.1 | (3.8) |

Notes:

(a) The budget for the Department includes the estimate for Treasurer’s Advances, which may be provided during the year to all departments. This includes both the appropriation revenue and the underlying expenditure.

(b) Appropriation for refinancing of borrowings was not required to the extent budgeted.

(c) The variance on financial instruments mainly reflects write back of investment in Port of Melbourne in relation to the finalisation of the medium‑term lease.

(d) The variations in the remeasurement of superannuation defined benefit plans and the associated superannuation liability were largely due to higher than expected returns on superannuation assets and the impact of movements in the bond yields used to measure the superannuation liability.

(e) The variations in receivables are largely due to advances to the Port Lessor Pty Ltd.

## Financial performance

### Overview

The Department recorded a surplus of $5.1 million in 2016‑17 compared to $1.5 million in 2015‑16.

Total assets of the Department increased from $863 million to $1.2 billion during the year, largely due to a $250 million upward revaluation of the Department’s land and building assets. The major assets of the Department at 30 June 2017 are land and buildings ($793 million), funds held in trust ($81 million) and the Department’s receivable from the State Administration Unit ($259 million).

Total liabilities increased from $138 million to $214 million. The Department’s major liabilities are accounts payable, provision for land remediation, employee provisions and advances received from other departments for capital works managed by the Department on their behalf.

### Core operations

The best indicator of the scale and efficiency of core Departmental operations is the revenue paid by Government for DTF outputs. This has increased this year to $353.2 million, from $255.4 million in 2015‑16. The increase in ‘Drive improvement in public sector asset management and the delivery of infrastructure’ output is attributable to land remediation obligations and major infrastructure projects.

The following table details operational revenue by output group.

### Revenue from the provision of outputs(a)

|  |  |  |  |
| --- | --- | --- | --- |
| Output group | 2016‑17  $m | 2015‑16  $m | Change $m |
| Sound financial management of Victoria’s fiscal resources | 118 | 118 | – |
| Drive improvement in public sector asset management and the delivery of infrastructure | 143 | 56 | 87 |
| Deliver efficient whole of government common services to the Victorian public sector | 42 | 40 | 2 |
| Guide government actions to increase Victoria’s productivity and competitiveness | 50 | 41 | 9 |
| Total | 353 | 255 | 98 |

Note:

(a) Includes only Parliamentary appropriations.

### Five year financial summary: Departmental (controlled) activities

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | **2016‑17(a) $m** | **2015‑16 $m** | **2014‑15 $m** | **2013‑14 $m** | **2012‑13 $m** |
| Government output appropriations income | 353 | 255 | 251 | 255 | 246 |
| Government other appropriations income | – | – | – | – | 2 |
| Other income | 55 | 52 | 51 | 52 | 52 |
| Total income from transactions | 408 | 307 | 302 | 307 | 300 |
| Total expenses from transactions | (404) | (305) | (295) | (290) | (295) |
| Net result from transactions | 4 | 2 | 7 | 17 | 5 |
| Total other economic flows included in net result | 1 | (1) | (1) | 1 | – |
| Net result | 5 | 1 | 6 | 18 | 5 |
| Net cash flow from operations | 36 | 23 | 25 | 11 | 16 |
| **Total assets** | 1 195 | 863 | 771 | 770 | 749 |
| **Total liabilities** | 214 | 138 | 112 | 116 | 113 |

Note:

(a) 2015-16 and 2016-17 asset balances were impacted by asset valuations during the year.

### Capital projects/asset investment programs

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

Information on the new and existing capital projects for Departments and the broader Victorian public sector is contained in Budget Paper No. 4 *State Capital Program*, which is available on DTF’s website.

No major projects with a total estimated investment of $10 million or greater were completed during the year.

### Style conventions

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

The notation used in the tables is as follows:

– zero, or rounded to zero

1 billion 1 000 million

200x year period

200x‑0x year period

n/a not available or not applicable

(xxx.x) negative numbers

# 

# Financial statements

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## Declaration in the financial statements

The attached financial statements for the Department of Treasury and Finance have been prepared in accordance with Direction 5.2 of the Standing Directions of the Minister of Finance under the *Financial Management Act 1994*, applicable Financial Reporting Directions, Australian Accounting Standards, including Interpretations, and other mandatory professional reporting requirements.

We further state that, in our opinion, the information set out in the comprehensive operating statement, balance sheet, statement of changes in equity, cash flow statement and notes to the financial statements, presents fairly the financial transactions during the year ended 30 June 2017 and financial position of the Department as at 30 June 2017.

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

We authorise the attached financial statements for issue on 18 September 2017.

**Tania Reaburn  
Acting Chief Financial Officer  
Department of Treasury and Finance**

Melbourne  
18 September 2017

**David Martine  
Secretary   
Department of Treasury and Finance**

Melbourne  
18 September 2017

## Independent auditor’s report





Comprehensive operating statement

## for the year ended 30 June 2017

|  |  |  |  |
| --- | --- | --- | --- |
|  |  | 2017 | 2016 |
|  | Notes | $’000 | $’000 |
| Income from transactions |  |  |  |
| Output appropriations | 2.3 | 353 213 | 255 392 |
| Other income | 2.5 | 55 437 | 52 270 |
| Total income from transactions |  | 408 650 | 307 662 |
|  |  |  |  |
| Expenses from transactions |  |  |  |
| Employee expenses | 3.1.1 | 129 998 | 113 766 |
| Depreciation | 5.1.1 | 23 624 | 35 422 |
| Interest expense |  | 49 | 100 |
| Grants expense | 3.2 | 34 870 | 25 326 |
| Capital asset charge | 3.3 | 21 815 | 21 149 |
| Supplies and services | 3.4 | 116 739 | 96 262 |
| Land remediation costs | 3.5 | 66 338 | 194 |
| Payments to Consolidated Fund |  | 10 999 | 12 923 |
| Total expenses from transactions |  | 404 432 | 305 142 |
|  |  |  |  |
| Net result from transactions |  | 4 218 | 2 520 |
|  |  |  |  |
| Other economic flows included in net result |  |  |  |
| Net gain on non‑financial assets | 9.1 | 43 | 126 |
| Net loss on financial instruments | 9.1 | (3) | (2) |
| Net gain/(loss) from revaluation of leave liabilities | 9.1 | 822 | (1 180) |
| Total other economic flows included in net result |  | 862 | (1 056) |
|  |  |  |  |
| Net result |  | 5 080 | 1 464 |
|  |  |  |  |
| Other economic flows – other comprehensive income |  |  |  |
| Changes in physical asset revaluation surplus |  | 250 292 | 72 126 |
|  |  |  |  |
| Comprehensive result |  | 255 372 | 73 590 |

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

Balance sheet

## as at 30 June 2017

|  |  |  |  |
| --- | --- | --- | --- |
|  |  | 2017 | 2016 |
|  | Notes | $’000 | $’000 |
| Assets |  |  |  |
| Financial assets |  |  |  |
| Cash and deposits | 7.2 | 80 765 | 75 608 |
| Receivables | 6.1 | 278 841 | 212 468 |
| Total financial assets |  | 359 606 | 288 076 |
|  |  |  |  |
| Non‑financial assets |  |  |  |
| Prepayments |  | 3 974 | 2 833 |
| Non‑financial assets classified as held for sale | 6.3 | 4 576 | 8 986 |
| Property, plant and equipment | 5.1 | 798 798 | 549 063 |
| Intangible assets | 5.2 | 27 591 | 14 234 |
| Total non‑financial assets |  | 834 939 | 575 116 |
| Total assets |  | 1 194 545 | 863 192 |
|  |  |  |  |
| Liabilities |  |  |  |
| Payables | 6.2 | 48 629 | 44 554 |
| Employee related provisions | 3.1.2 | 37 634 | 35 944 |
| Provision for land remediation | 3.5 | 65 000 | – |
| Unearned income | 6.4 | 2 997 | 3 106 |
| Advances for capital works | 6.5 | 55 248 | 49 703 |
| Borrowings | 7.1 | 4 746 | 4 915 |
| Total liabilities |  | 214 254 | 138 222 |
|  |  |  |  |
| Net assets |  | 980 291 | 724 970 |
|  |  |  |  |
| Equity |  |  |  |
| Contributed capital |  | 236 186 | 236 237 |
| Asset revaluation surplus |  | 559 518 | 309 226 |
| Accumulated surplus |  | 184 587 | 179 507 |
| Total equity |  | 980 291 | 724 970 |

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

Statement of changes in equity

## for the year ended 30 June 2017

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  |  | Contributed capital | Asset revaluation surplus | Accumulated surplus | Total |
|  | Notes | $’000 | $’000 | $’000 | $’000 |
|  |  |  |  |  |  |
| Balance at 1 July 2015 |  | 244 225 | 237 100 | 178 043 | 659 368 |
|  |  |  |  |  |  |
| Machinery of government changes |  | 538 |  |  | 538 |
| Return of capital |  | (8 526) |  |  | (8 526) |
| Revaluation increment (net) |  |  | 72 126 |  | 72 126 |
| Net result for the year |  |  |  | 1 464 | 1 464 |
|  |  |  |  |  |  |
| Balance at 30 June 2016 |  | 236 237 | 309 226 | 179 507 | 724 970 |
|  |  |  |  |  |  |
| Machinery of government changes |  | **–** |  |  | **–** |
| Return of capital |  | (51) |  |  | (51) |
| Revaluation increment (net) |  |  | 250 292 |  | 250 292 |
| Net result for the year |  |  |  | 5 080 | 5 080 |
|  |  |  |  |  |  |
| Balance at 30 June 2017 |  | 236 186 | 559 518 | 184 587 | 980 291 |

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

Cash flow statement

## for the year ended 30 June 2017

|  |  |  |  |
| --- | --- | --- | --- |
|  |  | 2017 | 2016 |
|  | Notes | $’000 | $’000 |
| Cash flows from operating activities |  |  |  |
| Receipts from government |  | 322 046 | 277 287 |
| Receipts from other entities |  | 45 840 | 13 793 |
| Goods and services tax recovered from the ATO |  | 30 895 | 10 123 |
|  |  | 398 781 | 301 203 |
|  |  |  |  |
| Payments to suppliers and employees |  | (306 360) | (233 013) |
| Grants paid |  | (34 346) | (23 673) |
| Capital asset charge paid |  | (21 815) | (21 149) |
| Interest and other finance costs paid |  | (49) | (100) |
|  |  | (362 570) | (277 935) |
|  |  |  |  |
| Net cash flows from operating activities | 7.2.1 | 36 211 | 23 268 |
|  |  |  |  |
| Cash flows from investing activities |  |  |  |
| Payments for property, plant and equipment |  | (8 335) | (8 807) |
| Proceeds from sale of property, plant and equipment |  | 1 400 | 994 |
| Payments for intangible assets |  | (21 274) | (5 065) |
|  |  |  |  |
| Net cash flows used in investing activities |  | (28 209) | (12 878) |
|  |  |  |  |
| Cash flows from financing activities |  |  |  |
| Cash received from activity transferred in – machinery of government changes |  | – | 366 |
| Repayment of finance lease liabilities |  | (2 441) | (2 098) |
|  |  |  |  |
| Net cash flows used in financing activities |  | (2 441) | (1 732) |
|  |  |  |  |
| Net increase in cash and cash equivalents |  | 5 561 | 8 658 |
| Cash and cash equivalents at the start of the year |  | 74 675 | 66 017 |
|  |  |  |  |
| Cash and cash equivalents at the end of the year | 7.2 | 80 236 | 74 675 |
|  |  |  |  |
| Non‑cash financing and investing activities | 7.2.2 |  |  |

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

1. About this report

The Department of Treasury and Finance is a government department of the State of Victoria, established pursuant to an order made by the Premier under the *Administrative Arrangements Act 1983*. It is an administrative agency acting on behalf of the Crown.

Its principal address is: 1 Treasury Place  
Melbourne VIC 3002

A description of the nature of its operations and its principal activities is included in the ‘Report of operations’ which does not form part of these financial statements.

## Basis of preparation

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

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

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

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

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

Judgements, estimates and assumptions are required to be made about carrying values of assets and liabilities that are not readily apparent from other sources. The significant judgements made in the preparation of these financial statements are disclosed in the notes where amounts affected by those judgements are disclosed. Estimates and associated assumptions are based on professional judgements derived from historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

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

The financial statements cover the Department of Treasury and Finance as an individual reporting entity and include all the controlled activities of the Department. The Essential Services Commission and CenITex, which are part of the Department’s portfolio, prepare separate annual financial statements and are not included in the Department’s financial statements.

Pursuant to section 53(1)(b) of the *Financial Management Act 1994*, the results of the Registrar of Housing Agencies and the Victorian Government Purchasing Board are reported in aggregate as part of the Department’s financial statements. These entities are not controlled by the Department.

Amounts in the financial statements have been rounded to the nearest thousand dollars, unless otherwise stated.

## Compliance information

These general purpose financial statements have been prepared in accordance with the *Financial Management Act 1994* and applicable Australian Accounting Standards (AASs) including Interpretations, issued by the Australian Accounting Standards Board (AASB). In particular, they are presented in a manner consistent with the requirements of AASB 1049 *Whole of Government and General Government Sector Financial Reporting*. Where relevant, those paragraphs of the AASs applicable to not‑for‑profit entities have been applied.

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

1. Funding delivery of our services

#### Introduction

The Department’s overall objective is to pursue its mission of providing leadership in economic, financial and resource management. This leadership focus is reflected in the Department’s long‑term operational objectives, which guide its policy directions:

* sound financial management of Victoria’s fiscal resources;
* guide government actions to increase Victoria’s productivity and competitiveness;
* drive improvement in public sector asset management and the delivery of infrastructure; and
* deliver efficient whole of government common services to the Victorian public sector.

To enable the Department to fulfil its objectives and provide outputs as described in Note 4.1.1, it receives income (predominantly funded by accrual‑based Parliamentary appropriations for the provision of outputs).

#### Structure

[2.1 Summary of income that funds the delivery of our services 34](#_Toc495304315)

[2.2 Appropriations 34](#_Toc495304316)

[2.3 Summary of compliance with annual Parliamentary appropriations 34](#_Toc495304317)

[2.4 Annotated income agreements 34](#_Toc495304318)

[2.5 Other income 34](#_Toc495304319)

* 1. Summary of income that funds the delivery of our services

|  |  |  |  |
| --- | --- | --- | --- |
|  | Notes | 2017 $’000 | 2016 $’000 |
| Income from transactions |  |  |  |
|  |  |  |  |
| Output appropriations | 2.3 | 353 213 | 255 392 |
| Other income | 2.5 | 55 437 | 52 270 |
| Total income from transactions |  | 408 650 | 307 662 |

Income is recognised to the extent that it is probable that the economic benefits will flow to the Department and the income can be reliably measured. Amounts disclosed as income are, where applicable, net of duties and taxes.

* 1. Appropriations

Once annual Parliamentary appropriations are applied by the Treasurer, they become controlled by the Department and are recognised as income when applied to the purposes defined under the relevant Appropriations Act.

#### Output appropriations

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

* 1. Summary of compliance with annual Parliamentary appropriations

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

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | Appropriation Act | | |  | *Financial Management Act 1994* | | |  |  |  |
|  | Annual appropriations –  as published | Net transfers between departments‑  administrative restructure | Advance from  Treasurer |  | Section 29 | Section 30 | Section 32 | Total  Parliamentary authority | Appropriations applied | Variance |
|  | $’000 | $’000 | $’000 |  | $’000 | $’000 | $’000 | $’000 | $’000 | $’000 |
| 2017 |  |  |  |  |  |  |  |  |  |  |
| Controlled |  |  |  |  |  |  |  |  |  |  |
| Provision of outputs | 250 649 | – | 32 720 |  | 9 996 | 65 000 | 3 914 | 362 279 | 353 213 | 9 066 |
| Additions to net asset base | 2 590 |  |  |  |  |  | – | 2 590 |  | 2 590 |
|  |  |  |  |  |  |  |  |  |  |  |
| Administered |  |  |  |  |  |  |  |  |  |  |
| Payments made on behalf of the State | 4 593 950 |  | 117 589 |  |  | (65 000) | – | 4 646 539 | 4 587 426 | 59 113 |
| 2017 total | 4 847 189 | – | 150 309 |  | 9 996 | – | 3 914 | 5 011 408 | 4 940 639 | 70 769 |
|  |  |  |  |  |  |  |  |  |  |  |
| 2016 |  |  |  |  |  |  |  |  |  |  |
| Controlled |  |  |  |  |  |  |  |  |  |  |
| Provision of outputs | 235 651 | 2 549 | 17 706 |  | 7 793 | – | 2 202 | 265 901 | 255 392 | 10 509 |
| Additions to net asset base | 4 230 |  |  |  |  |  | 398 | 4 628 |  | 4 628 |
|  |  |  |  |  |  |  |  |  |  |  |
| Administered |  |  |  |  |  |  |  |  |  |  |
| Payments made on behalf of the State | 1 781 946 |  | 50 000 |  |  | – | 9 255 | 1 841 201 | 1 758 730 | 82 471 |
| 2016 total | 2 021 827 | 2 549 | 67 706 |  | 7 793 | – | 11 855 | 2 111 730 | 2 014 122 | 97 608 |

Explanation of key variances between total Parliamentary authority and appropriations applied – year ended 30 June 2017:

* **Provision of outputs (total variance $9.06 million)**

$3.8 million is to be carried over to 2017-18 for work which was delayed on Asset Reform and Recycling and Social Impact Bonds. $3.3 million in depreciation funding was not drawn down mainly due to lower capital investment in municipal valuation data used by the State Revenue Office, which resulted in lower amortisation expenses. $1.9 million relates to under‑utilisation of Treasurer’s Advances, due to timing of commercial project works.

* **Additions to net asset base**

Capital funding of $2.59 million was not applied in 2016-17 due to the Department’s utilisation of depreciation equivalent.

* **Payments made on behalf of the State (total variance $59.1 million)**

$176.8 million in interest charges were not incurred. This is offset by $147.6 million to repay the advances to the Port Lessor due to approved work changes in the Level Crossing Removal Program. $10 million of the Melbourne Major Events contingency was unapplied. The drawdown from Treasurer's Advance was $9.3 million less than provided mainly due to the number of people transitioning to the National Disability Insurance Scheme being lower than forecast.

* 1. Annotated income agreements

The Department is permitted under section 29 of the FMA to have certain income annotated to the annual appropriation. The income which forms part of a section 29 agreement is recognised by the Department and the receipts paid into the consolidated fund as an administered item. At the point of income recognition, section 29 provides for an equivalent amount to be added to the annual appropriation.

The following is a listing of the *Financial Management Act 1994* Section 29 annotated income agreements approved by the Treasurer.

|  |  |  |
| --- | --- | --- |
|  | **2017 $’000** | **2016 $’000** |
| Section 105 land tax certificates | 3 495 | 3 232 |
| National Land Register | 1 000 | – |
| Construction supplier register | 619 | 599 |
| Government land and property | 1 872 | 587 |
| Essential Services Commission ministerial advices | 130 | 1 413 |
| Public financial corporations risk management and reporting framework | 202 | 167 |
| Government bodies gymnasium | 178 | 191 |
| Victorian Energy and Efficiency Target expansion | 2 500 | 1 604 |
|  | 9 996 | 7 793 |

* 1. Other income

|  |  |  |
| --- | --- | --- |
|  | 2017 $’000 | 2016 $’000 |
| Provision of services | 16 221 | 16 066 |
| Rental accommodation income | 31 703 | 32 321 |
| Other income | 7 513 | 3 883 |
| **Total other income** | 55 437 | 52 270 |

#### Provision of services

Income from the provision of services where they can be deployed for the achievement of departmental objectives, is recognised when the services are provided.

#### Rental accommodation income

Income from the provision of rental accommodation to government departments and agencies is accounted for on a straight line basis over the lease term.

#### Other income

Other income includes grants income and rebates earned. Income from grants (other than contributions by owners) is recognised when the Department obtains control over the contribution. Where grants are reciprocal (i.e. equal value is given by the Department to the provider), the Department is deemed to have assumed control when it has satisfied its performance obligations under the terms of the grant. Non‑reciprocal grants are recognised as income when the grant is received or receivable. Conditional grants may be reciprocal or non‑reciprocal depending on the terms of the grant. Rebates earned relate to Master Agency Media Services and revenue is recognised when the right to receive is established.

1. The cost of delivering services

#### Introduction

This section provides an account of the expenses incurred by the Department in delivering services and outputs.

#### Structure

[3.1 Expenses incurred in delivery of services 34](#_Toc492652586)

[3.2 Grants expense 34](#_Toc492652587)

[3.3 Capital asset charge 34](#_Toc492652588)

[3.4 Supplies and services 34](#_Toc492652589)

[3.5 Land remediation costs 34](#_Toc492652590)

#### Judgement required

Judgement has been applied in the calculations of employee benefits provisions based on likely tenure of existing staff, patterns of leave claims, future salary movements and future discount rates.

* 1. Expenses incurred in delivery of services

|  |  |  |  |
| --- | --- | --- | --- |
|  | **Notes** | **2017 $’000** | **2016 $’000** |
| Employee expenses | 3.1.1 | 129 998 | 113 766 |
| Grants expense | 3.2 | 34 870 | 25 326 |
| Capital asset charge | 3.3 | 21 815 | 21 149 |
| Supplies and services | 3.4 | 116 739 | 96 262 |
| Land remediation costs | 3.5 | 66 338 | 194 |
| Total expenses |  | 369 760 | 256 697 |

* + 1. Employee expenses – comprehensive operating statement

|  |  |  |
| --- | --- | --- |
|  | **2017 $’000** | **2016 $’000** |
| Salaries, wages, annual and long service leave |  |  |
| * Salaries and wages | 98 821 | 87 535 |
| * Annual and long service leave expense | 14 368 | 11 306 |
| Superannuation |  |  |
| * Defined contribution plans | 8 809 | 7 729 |
| * Defined benefits expense | 1 494 | 1 504 |
| On‑costs | 6 506 | 5 692 |
| Total employee expenses | 129 998 | 113 766 |

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

Superannuation expenses represent the employer contributions for members of both defined benefit and defined contribution superannuation plans that are paid or payable during the reporting period.

The Department discloses, on behalf of the State as the sponsoring employer, the net defined benefit cost and the defined benefit liability or surplus related to the members of these plans as administered items (note 4.2).

Termination benefits are payable when employment is terminated before the normal retirement date, or when an employee decides to accept an offer of benefits in exchange for the termination of employment. The Department recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

* + 1. Employee expenses – balance sheet

|  |  |  |
| --- | --- | --- |
| Provisions | **2017 $’000** | **2016 $’000** |
|  |  |  |
| **Current** |  |  |
| * Annual leave |  |  |
| – unconditional and expected to be settled within 12 months | 7 225 | 6 287 |
| – unconditional and expected to be settled after 12 months | 1 758 | 1 561 |
| * Long service leave |  |  |
| – unconditional and expected to be settled within 12 months | 2 800 | 2 842 |
| – unconditional and expected to be settled after 12 months | 18 898 | 18 314 |
| * On‑costs | 3 729 | 3 526 |
| * Performance bonus | 313 | 827 |
|  | 34 723 | 33 357 |
| Non‑current: |  |  |
| * Long service leave | 2 627 | 2 331 |
| * On‑costs | 284 | 256 |
|  | 2 911 | 2 587 |
|  |  |  |
| Total provisions | 37 634 | 35 944 |

* + 1. Reconciliation of movement in on‑costs provisions

|  |  |
| --- | --- |
|  | 2017 $’000 |
| Opening balance | 3 782 |
| Additional provisions recognised | 1 649 |
| Reductions arising from payments/other sacrifices of future economic benefits | (1 427) |
| Unwind of discount and effect of changes in the discount rate | 9 |
| Closing balance | 4 013 |
| Current | 3 729 |
| Non‑current | 284 |

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

Employment on‑costs such as payroll tax, workers compensation and superannuation are not employee benefits. They are disclosed separately as a component of the provision for employee benefits when the employment to which they relate has occurred.

Provisions made in respect of employee benefits expected to be wholly settled within 12 months are measured at their nominal values, using the remuneration rate expected to apply at the time of settlement. Provisions made in respect of employee benefits which are not expected to be wholly settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the Department in respect of services provided by employees up to the reporting date. The liability is classified as a current liability where the Department does not have an unconditional right to defer settlement for at least 12 months after the reporting date. The long service leave liability is classified as non‑current where the Department has an unconditional right to defer the settlement of the entitlement until the employee has completed the requisite years of service.

Any gain or loss following revaluation of the present value of the non‑current long service leave liability is recognised in the ‘net result from transactions’, except to the extent that a gain or loss arises due to changes in bond interest rates for which it is then recognised in the net result as an other economic flow.

* 1. Grants expense

|  |  |  |
| --- | --- | --- |
|  | 2017 $’000 | 2016 $’000 |
| Grants expense |  |  |
| Victorian Government entities | 25 311 | 20 231 |
| Local Government entities | 9 135 | 4 802 |
| Other organisations | 424 | 293 |
| Total grants expense | 34 870 | 25 326 |

Grants to third parties (other than contributions to owners) are recognised as an expense in the reporting period in which they are paid or payable.

* 1. Capital asset charge

|  |  |  |
| --- | --- | --- |
|  | 2017 $’000 | 2016 $’000 |
| **Capital asset charge** | 21 815 | 21 149 |

A charge levied on the written‑down value of controlled non‑current physical assets in a Department’s balance sheet which aims to attribute to Department outputs the opportunity cost of capital used in service delivery; and provide incentives to departments to identify and dispose of underutilised or surplus assets in a timely manner. The capital asset charge is calculated on the budgeted carrying amount of applicable non‑financial physical assets.

* 1. Supplies and services

|  |  |  |
| --- | --- | --- |
|  | 2017 $’000 | 2016 $’000 |
| Rentals and property outgoings | 26 030 | 26 574 |
| Purchases of services | 67 413 | 51 591 |
| Information and communication technology expenses | 15 310 | 12 923 |
| Other | 7 986 | 5 174 |
| Total supplies and services | 116 739 | 96 262 |

Supplies and services are recognised as an expense in the period in which they are incurred.

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

* 1. Land remediation costs

Provisions are recognised when the Department has a present obligation where the future sacrifice of economic benefits is probable and the amount of the provision can be measured reliably. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows, using discount rates that reflect the time value of money and risks specific to the provision.

Included in land remediation costs, as at 30 June 2017, the Department made a provision of $65 million to remediate a site included in property, plant and equipment, which the Department intends to sell for residential and commercial development. As the Department is required to restore the site to an acceptable environmental standard, the provision is required.

1. Disaggregated financial information by output

#### Introduction

The Department is predominantly funded by accrual-based parliamentary appropriations for the provision of outputs. This section provides a description of the departmental outputs delivered during the year ended 30 June 2017 along with the objectives of those outputs.

This section disaggregates revenue and income that enables the delivery of services (described in note 2) by output and records the allocation of expenses incurred (described in note 3) also by output.

It also provides information on items administered in connection with these outputs, which do not form part of controlled balances of the Department.

#### Structure

[4.1 Departmental outputs 34](#_Toc492652591)

[4.2 Administered items 34](#_Toc492652592)

#### Judgement required

Judgement is required in allocating income and expenditure to specific outputs. Judgement is also required to identify controlled and administered items as explained below.

#### Distinction between controlled and administered items

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

* 1. Departmental outputs
     1. Departmental outputs – descriptions and objectives

#### Objectives and outputs of the Department

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

##### Sound financial management of Victoria’s fiscal resources

These outputs contribute to the Department’s objective to ensure that Government financial policies are fiscally sound.

##### Drive improvements in public sector asset management and the delivery of infrastructure

The Department develops and applies prudent commercial principles and practices to influence and deliver Government policies focused on major infrastructure, government business enterprises and the State’s balance sheet.

##### Deliver efficient whole of government common services to the Victorian public sector

The Department assists the Government agencies in providing a more integrated approach to the management of common services. This output delivers whole of government services, policies and initiatives in areas including procurement, fleet and accommodation.

##### Guide government actions to increase Victoria’s productivity and competitiveness

These outputs provide advice on key economic and financial issues, including longer term economic development, regulation, financial strategy and taxation policy.

* + 1. Departmental outputs schedule

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | Sound financial management of Victoria’s fiscal resources | | Drive improvement in public sector asset management and the delivery of infrastructure | |
|  | 2017 | 2016 | 2017 | 2016 |
|  | $’000 | $’000 | $’000 | $’000 |
| Controlled income and expenses for the year ended 30 June 2017 |  |  |  |  |
|  |  |  |  |  |
| **Income from transactions** |  |  |  |  |
| Output appropriations | 118 305 | 118 309 | 142 902 | 56 269 |
| Other income | 1 255 | 1 321 | 6 481 | 3 325 |
| **Total income from transactions** | 119 560 | 119 630 | 149 383 | 59 594 |
|  |  |  |  |  |
| **Expenses from transactions** |  |  |  |  |
| Employee expenses | 72 050 | 63 778 | 23 933 | 20 671 |
| Depreciation | 9 284 | 20 630 | 174 | 175 |
| Interest expense | 10 | 4 | 13 | 4 |
| Grants expense | 5 382 | 5 148 | 4 528 | 141 |
| Capital asset charge | 44 | 55 | 5 067 | 4 824 |
| Supplies and services | 30 104 | 26 440 | 44 866 | 29 922 |
| Land remediation costs |  |  | 66 338 | 194 |
| Payments to Consolidated Fund | 10 | 2 164 | 1 167 | 2 142 |
| **Total expenses from transactions** | 116 884 | 118 219 | 146 086 | 58 071 |
|  |  | 1 412 |  |  |
| **Net result from transactions** | 2 676 | 1 412 | 3,297 | 1 522 |
|  |  |  |  |  |
| **Other economic flows included in net result** |  |  |  |  |
| Net gain/(loss) on non‑financial assets | 7 | 43 | (11) | 28 |
| Net gain/(loss) on financial instruments | (3) | (2) |  |  |
| Net gain/(loss) from revaluation of leave liabilities | 530 | (780) | 133 | (177) |
| **Total other economic flows included in net result** | 534 | (739) | 122 | (149) |
|  |  |  |  |  |
| **Net result** | 3 210 | 673 | 3 419 | 1 373 |
|  |  |  |  |  |
| **Total other economic flows – other comprehensive income** |  |  |  |  |
| Changes in physical asset revaluation surplus |  |  | 77 777 | 72 126 |
| **Comprehensive result** | 3 210 | 673 | 81 196 | 73 499 |
|  |  |  |  |  |
| **Controlled assets and liabilities as at 30 June 2017** |  |  |  |  |
|  |  |  |  |  |
| **Assets** |  |  |  |  |
| Financial assets | 6 670 | 8 693 | 9 293 | 8 099 |
| Non‑financial assets | 31 369 | 17 525 | 384 325 | 261 081 |
| **Total assets** | 38 039 | 26 218 | 393 618 | 269 180 |
|  |  |  |  |  |
| **Liabilities** |  |  |  |  |
| Total liabilities | 33 201 | 31 276 | 83 846 | 17 742 |
|  |  |  | 376 226 |  |
| Net assets/(liabilities) | 4 838 | (5 058) | 309 772 | 251 438 |

Note:

(a) These amounts consist predominantly of the Department’s SAU balances with the Consolidated Fund and the Trust Fund.

* + 1. Changes to outputs

Government Business Enterprise performance monitoring and financial risk management has been transferred from ‘Sound financial management of Victoria’s fiscal resources’ to ‘Drive improvements in public sector asset management and the delivery of infrastructure’.

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| Deliver efficient whole of government common services to the Victorian public sector | | Guide government actions to increase Victoria’s productivity and competitiveness) | | Other – Not  attributable (a) | | Departmental total | |
| 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| $’000 | $’000 | $’000 | $’000 | $’000 | $’000 | $’000 | $’000 |
|  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |
| 41 815 | 39 778 | 50 191 | 41 037 |  |  | 353 213 | 255 392 |
| 47 105 | 46 995 | 595 | 628 |  |  | 55 437 | 52 270 |
| 88 920 | 86 773 | **50 786** | 41 665 |  |  | 408 650 | 307 662 |
|  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |
| 13 959 | 12 756 | 20 056 | 16 561 |  |  | 129 998 | 113 766 |
| 14 005 | 14 335 | 161 | 283 |  |  | 23 624 | 35 422 |
| 23 | 89 | 3 | 4 |  |  | 49 | 100 |
| 280 | 79 | 24 680 | 19 959 |  |  | 34 870 | 25 326 |
| 16 665 | 16 239 | 39 | 31 |  |  | 21 815 | 21 149 |
| 37 038 | 36 653 | 4 731 | 3 246 |  |  | 116 739 | 96 262 |
|  |  |  |  |  |  | 66 338 | 194 |
| 9 809 | 8 423 | 11 | 195 |  |  | 10 999 | 12 923 |
| 91 780 | 88 574 | **49 682** | 40 279 |  |  | 404 432 | 305 142 |
|  |  |  |  |  |  |  |  |
| (2 859) | (1 801) | 1 104 | 1 386 |  |  | 4 218 | 2 520 |
|  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |
| 44 | 45 | 3 | 10 |  |  | 43 | 126 |
|  |  |  |  |  |  | (3) | (2) |
| 67 | (98) | 92 | (125) |  |  | 822 | (1 180) |
| 111 | (53) | 95 | (115) |  |  | 862 | (1 056) |
|  |  |  |  |  |  |  |  |
| (2 748) | (1 854) | 1 199 | 1 271 |  |  | 5 080 | 1 464 |
|  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |
| 172 515 | – |  |  |  |  | 250 292 | 72 126 |
| 169 767 | (1 854) | 1 199 | 1 271 |  |  | 255 372 | 73 590 |
|  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |
| 83 145 | 82 951 | 1 453 | 753 | 259 044 | 187 580 | 359 606 | 288 076 |
| 418 415 | 295 533 | 830 | 977 |  |  | 834 939 | 575 116 |
| 501 560 | 378 484 | **2 283** | 1 730 | 259 044 | 187 580 | 1 194 545 | 863 192 |
|  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |
| 90 102 | 82 813 | **7 105** | 6 392 |  |  | 214 254 | 138 222 |
|  |  |  |  |  |  | 23 624 |  |
| 411 458 | 295 671 | **(4 822)** | (4 622) | 259 044 | 187 580 | 980 291 | 724 970 |

* 1. Administered items

In addition to the specific departmental operations which are included in the balance sheet, comprehensive operating statement and cash flow statement, the Department administers, but does not control, certain resources and activities on behalf of the State. It is accountable for the transactions involving those administered resources, but does not have the discretion to deploy the resources for its own benefit or for the achievement of its objectives.

Administered transactions give rise to income, expenses, assets and liabilities and are determined on an accrual basis. Administered income includes taxes raised by the State Revenue Office, fees, Commonwealth grants, capital asset charges to other departments and the proceeds from the sale of surplus land and buildings.

* + 1. Administered income and expenses for the year ended 30 June 2017

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | Sound financial management of Victoria’s fiscal resources | | Drive improvement in public sector asset management and the delivery of infrastructure | |
|  | 2017 | 2016 | 2017 | 2016 |
|  | $’000 | $’000 | $’000 | $’000 |
| Administered income from transactions |  |  |  |  |
| Payments on behalf of the State appropriations (note 2.3) | 171 337 | 193 580 | 4 065 730 | 1 270 723 |
| Special appropriations |  |  | 5 908 980 | 1 050 084 |
| Commonwealth grants |  |  | 11 111 | 9 286 |
| Taxation | 17 214 000 | 15 703 208 | 1 172 576 | 582 703 |
| Dividends |  |  | 369 061 | 387 042 |
| Capital asset charge |  |  |  |  |
| Interest |  |  | 132 229 | 20 055 |
| Other income | 104 784 | 138 876 | 46 627 | 146 183 |
| State revenues received into Consolidated Fund, net of appropriations applied within government departments |  |  |  |  |
| Total administered income from transactions | 17 490 121 | 16 035 664 | 11 706 314 | 3 466 076 |
|  |  |  |  |  |
| Administered expenses from transactions |  |  |  |  |
| Grants expense | 177 492 | 285 440 |  |  |
| Interest expense | 834 | 2 329 | 1 281 230 | 1 259 280 |
| Superannuation – non-departmental |  |  |  |  |
| Contribution to GST administration costs |  |  |  |  |
| Ex-gratia payments | 8 257 | 4 433 |  |  |
| Other expenses | 23 139 | 332 465 | 34 370 | 9 817 |
| Payments to Consolidated Fund | 16 903 703 | 15 679 903 | 10 661 575 | 1 171 744 |
| Total administered expenses from transactions | 17 113 425 | 16 304 570 | 11 977 175 | 2 440 841 |
|  |  |  |  |  |
| Administered net result from transactions | 376 696 | (268 906) | (270 861) | 1 025 235 |
|  |  |  |  |  |
| Other economic flows included in net result |  |  |  |  |
| Net gain/(loss) on non-financial assets | – | 3 | 8 854 | 1 266 |
| Net gain/(loss) on financial instruments | (37 272) | 134 404 | (707 300) | – |
| Other gains/(losses) from other economic flows |  |  |  |  |
| Total other economic flows included in net result | (37 272) | 134 407 | (698 446) | 1 266 |
|  |  |  |  |  |
| Administered net result | 339 424 | (134 499) | (969 307) | 1 026 501 |
|  |  |  |  |  |
| Other economic flows – other comprehensive income |  |  |  |  |
| Remeasurement of superannuation defined benefit plans |  |  |  |  |
| Administered comprehensive result | 339 424 | (134 499) | (969 307) | 1 026 501 |

Accordingly, transactions and balances relating to these administered resources are not recognised as departmental income, expenses, assets or liabilities within the body of the financial statements, but are disclosed separately in note 4.2.1 and 4.2.2. Except as otherwise disclosed, administered transactions are accounted for on an accrual basis using the same accounting policies adopted for recognition of departmental items in the financial statements.

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| Deliver efficient whole of government common services to the Victorian public sector | | Guide government actions to increase Victoria’s productivity and competitiveness | | Other – Not  attributable | | Departmental total | |
| 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| $’000 | $’000 | $’000 | $’000 | $’000 | $’000 | $’000 | $’000 |
|  |  |  |  |  |  |  |  |
| 171 | 181 | 300 188 | 294 245 |  |  | 4 537 426 | 1 758 730 |
|  |  |  |  | 1 159 807 | 1 141 545 | 7 068 787 | 2 191 629 |
|  |  | 13 619 321 | 12 990 944 | 6 754 335 | 6 585 726 | 20 384 767 | 19 585 956 |
|  |  |  |  |  |  | 18 386 576 | 16 285 911 |
|  |  |  |  |  |  | 369 061 | 387 042 |
|  |  | 5 125 834 | 4 647 788 |  |  | 5 125 834 | 4 647 788 |
| 4 398 | 4 730 |  |  |  |  | 136 627 | 24 785 |
| 2 457 | 2 418 | 7 556 | 6 277 |  |  | 161 424 | 293 754 |
|  |  |  |  | 1 288 441 | 1 081 720 | 1 288 441 | 1 081 720 |
| 7 026 | 7 329 | 19 052 899 | 17 939 254 | 9 202 583 | 8 808 991 | 57 458 943 | 46 257 315 |
|  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |
|  |  | 252 279 | 126 057 | 3 181 725 | 2 835 372 | 3 611 496 | 3 246 869 |
| 4 556 | 4 650 |  |  | 762 | 1 528 | 1 287 383 | 1 267 787 |
|  |  |  |  | 1 091 458 | 1 211 819 | 1 091 458 | 1 211 819 |
|  |  | 172 163 | 168 254 |  |  | 172 163 | 168 254 |
|  |  |  |  |  |  | 8 257 | 4 433 |
| 2 191 | 2 095 | 15 453 | 1 037 | – | – | 75 153 | 345 414 |
| 1 378 | 1 932 | 18 752 711 | 17 741 811 | 3 572 610 | 3 750 353 | 49 891 977 | 38 345 743 |
| 8 125 | 8 677 | 19 192 606 | 18 037 159 | 7 846 555 | 7 799 072 | 56 137 887 | 44 590 319 |
|  |  |  |  |  |  |  |  |
| (1 099) | (1 348) | (139 707) | (97 905) | 1 356 028 | 1 009 919 | 1 321 056 | 1 666 996 |
|  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |
| – | (1 394) |  |  |  |  | 8 854 | (125) |
|  |  |  |  | 87 949 | (85 069) | (656 623) | 49 335 |
| 4 | (6) |  |  | – | – | 4 | (6) |
| 4 | (1 400) | – | – | 87 949 | (85 069) | (647 765) | 49 204 |
|  |  |  |  |  |  |  |  |
| (1 095) | (2 748) | (139 707) | (97 905) | 1 443 977 | 924 850 | 673 291 | 1 716 200 |
|  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |
|  |  |  |  | 4 366 590 | (3 220 255) | 4 366 590 | (3 220 255) |
| (1 095) | (2 748) | (139 707) | (97 905) | 5 810 567 | (2 295 405) | 5 039 881 | (1 504 055) |

#### Administered income and expenses

##### Payments on behalf of the State (POBOS) Appropriations

POBOS is an appropriation which provides for payments to be made on behalf of the State. These payments are not related to the direct provision of outputs of the Department.

##### Special appropriations

Special appropriations income is recognised when the amount appropriated for the purpose specified under the relevant legislation is due and payable by the Department.

|  |  |  |  |
| --- | --- | --- | --- |
| Authority | Purpose | Appropriations applied | |
|  |  | 2017 $’000 | 2016 $’000 |
| Administered (Note 22) |  |  |  |
| *Constitution Act, No. 8750 of 1975* – Governors’ Pensions | Governors’ pensions | 1 443 | 2 207 |
| *County Court Act, No. 6230 of 1958* – Judges | Judges’ pensions | 14 987 | 16 741 |
| *Constitution Act, No. 8750 of 1975* – Supreme Court Judges | Judges’ pensions | 12 484 | 17 169 |
| *State Superannuation Act, No. 50 of 1988*, Section 90(2) – Contributions | Superannuation contributions | 1 071 029 | 1 040 407 |
| *State Electricity Commission Act, No. 6377* of 1958, Section 85B(2) | Indemnity | 59 864 | 65 021 |
| *Treasury Corporation of Victoria Act, No. 80 of 1992*, Section 38 – Debt Retirement(a) | Budget sector debt retirement | 5 788 224 | 916 621 |
| *Taxation (Interest on Overpayments) Act, No. 35 of 1986*, Section 11 | Interest on overpayments of tax | 835 | 4 097 |
| *State Owned Enterprises Act, No. 90 of 1992*, Section 88 | State equivalent tax  refunds | 8 987 | 21 688 |
| *Liquor Control Reform Act, No. 94 of 1998*, Section 177(2) | Safety net payments | 3 500 | 3 043 |
| *Gambling Regulation Act, No. 114 of 2003*, Section 3.6.12 | Payments to Community Support Fund | 96 892 | 98 324 |
| *Financial Management Act, No. 18 of 1994*, Section 39 | Interest on advances | 6 646 | 6 311 |
| *Taxation Administration Act 1997*, Section 121 | Court costs | 3 896 |  |
|  |  |  |  |
| Total special appropriations |  | 7 068 787 | 2 191 629 |

Note:

(a) This special appropriation provided authority to the Department to repay long‑term debt following the receipt of proceeds from the lease of the Port of Melbourne in October 2016.

#### Commonwealth grants

The Department’s administered grants mainly comprise funds provided by the Commonwealth to assist the State in meeting general or specific service delivery obligations, primarily for the purpose of aiding in the financing of operations, capital purposes and/or for on passing to other recipients.

#### Taxation (includes taxes, fines, regulatory fees and other state revenue)

State taxation revenue is recognised by the State on receipt of a taxpayer’s self‑assessment, or the time the taxpayer’s obligation to pay arises pursuant to the issue of an assessment, whichever is earlier. Revenue in relation to the Growth Area Infrastructure Contribution (GAIC) is recognised on the occurrence of the first GAIC taxable event. Revenue in relation to the Fire Services Property Levy is recognised on receipt from a municipal council of an annual estimate of liability, a payment, or an annual reconciliation. Fines and regulatory fees revenue is recognised at the time the fine or regulatory fee is issued.

Income tax equivalent and rate equivalent revenue are recognised when the right to receive the payment is established.

#### Dividends

Dividends are recognised when the right to receive the payment is established.

#### Capital asset charge

This revenue represents the amount levied by the State on departments and relevant agencies for the opportunity cost of capital used in service delivery.

#### Interest income

Interest income includes interest received on bank term deposits and other investments, and the unwinding over time of discounts on financial assets including interest on finance leases. Interest income is recognised on a time proportionate basis that takes into account the effective yield on the financial asset.

#### Other income

Other income relates to other miscellaneous non‑operating revenue.

#### Grants expense

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

#### Contribution to GST administration costs

Payments to the Commonwealth for the State’s share of the cost of administering goods and services tax (GST).

#### Other economic flows included in net result

Net realised and unrealised gains and losses on the revaluation of investments which do not form part of income from transactions are reported as part of income from other economic flows in the net result or as unrealised gains and losses taken direct to equity, forming part of the total change in net worth in the comprehensive result.

* + 1. Administered assets and liabilities as at 30 June 2017

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | Sound financial  management of Victoria’s fiscal resources | | Drive improvement in public sector asset management and the delivery of infrastructure | |
|  | 2017 | 2016 | 2017 | 2016 |
|  | $’000 | $’000 | $’000 | $’000 |
| Administered assets |  |  |  |  |
| Financial assets |  |  |  |  |
| Cash and deposits |  |  | 2 230 445 | 1 450 063 |
| Receivables | 1 999 355 | 1 631 243 | 153 327 | 234 040 |
| Advances paid |  |  | 8 271 119 | – |
| Investments in controlled entities |  |  |  |  |
| Investment in associate entity |  |  |  |  |
| Other investments |  |  | 100 000 | – |
|  | 1 999 355 | 1 631 243 | 10 754 891 | 1 684 103 |
| Non‑financial assets |  |  |  |  |
| Prepayments |  |  |  |  |
| Property, plant and equipment |  |  |  |  |
|  | – | – | – | – |
| Total administered assets | 1 999 355 | 1 631 243 | 10 754 891 | 1 684 103 |
|  |  |  |  |  |
| Administered liabilities |  |  |  |  |
| Payables (a) | 8 129 | 14 377 | 57 185 | 86 755 |
| Advances received |  |  | 8 271 119 | – |
| Public Account SAU liability (b) |  |  |  |  |
| Provisions | 45 031 | 46 967 | 230 | 1 336 |
| Unearned income |  |  | 62 465 | 68 501 |
| Borrowings |  |  | 18 833 381 | 24 167 993 |
| Superannuation liability (c) |  |  |  |  |
| Total administered liabilities | 53 160 | 61 344 | 27 224 380 | 24 324 585 |
|  |  |  |  |  |
| Net administered assets | 1 946 195 | 1 569 899 | (16 469 489) | (22 640 482) |

Notes:

(a) In the prior year, payables included an amount owed to the State Electricity Commission of Victoria (SECV) under a deed of indemnity from the Treasurer. The Department, on behalf of the State, was obliged under the deed to fund the shortfall relating to the SECV’s obligations under electricity supply agreements with the aluminium smelters at Portland. The final payment under the deed was made in June 2017. Also included in prior year payables is an amount owed to the Treasury Corporation of Victoria (TCV) under a Treasurer’s indemnity relating to a swap arrangement. The arrangement was settled in September 2016.

(b) Net payable to other government departments relating to (i) Parliamentary appropriations applied, from which funds have not been issued from the Consolidated Fund, net of Public Account advances; and (ii) Trust Fund amounts held on their behalf.

(c) On behalf of the State, the Department records the State’s superannuation liability with respect to superannuation funds operated principally for general government sector employees and the liability for accrued benefits arising from constitutionally protected pension entitlements principally in respect of judges and other judicial office holders.

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| Deliver efficient whole of government common services to the Victorian public sector | | Guide government actions to increase Victoria’s productivity and competitiveness | | Other – Not  attributable | | Departmental total | |
| 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| $’000 | $’000 | $’000 | $’000 | $’000 | $’000 | $’000 | $’000 |
|  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |
|  |  |  |  | 233 556 | 256 735 | 2 464 001 | 1 706 798 |
| 230 690 | 230 936 | 81 700 | 81 675 | 488 195 | 374 212 | 2 953 267 | 2 552 106 |
|  |  |  |  |  |  | 8 271 119 | – |
|  |  |  |  | 98 935 760 | 95 955 474 | 98 935 760 | 95 955 474 |
|  |  |  |  | 12 500 | – | 12 500 | – |
|  |  |  |  |  |  | 100 000 | – |
| **230 690** | **230 936** | **81 700** | **81 675** | **99 670 011** | **96 586 421** | **112 736 647** | **100 214 378** |
|  |  |  |  |  |  |  |  |
|  |  |  |  |  |  | – | – |
| 19 | 23 |  |  |  |  | 19 | 23 |
| 19 | 23 | – | – | – | – | 19 | 23 |
| **230 709** | **230 959** | **81 700** | **81 675** | **99 670 011** | **96 586 421** | **112 736 666** | **100 214 401** |
|  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |
| 21 188 | 16 509 | 17 425 | 20 809 | 18 781 | 352 176 | 122 708 | 490 627 |
|  |  |  |  |  |  | 8 271 119 | – |
|  |  |  |  | 9 512 192 | 8 945 261 | 9 512 192 | 8 945 261 |
| 265 | 223 |  |  |  |  | 45 526 | 48 526 |
|  |  |  |  |  |  | 62 465 | 68 501 |
| 226 312 | 226 316 |  |  |  |  | 19 059 693 | 24 394 309 |
|  |  |  |  | 24 900 518 | 29 288 956 | 24 900 518 | 29 288 956 |
| **247 765** | **243 048** | **17 425** | **20 809** | **34 431 491** | **38 586 393** | **61 974 221** | **63 236 180** |
|  |  |  |  |  |  |  |  |
| **(17 056)** | **(12 089)** | **64 275** | **60 866** | **65 238 520** | **58 000 028** | **50 762 445** | **36 978 221** |

#### Administered assets and liabilities

##### Receivables

Receivables mainly comprises receivables relating to taxation, dividends, grants and the Department’s finance lease arrangements relating to the State’s motor vehicle fleet. Finance lease receivables are initially recorded at amounts equal to the present value of the minimum lease payments receivable plus the present value of any unguaranteed residual value expected to accrue at the end of the lease term. Finance lease payments are allocated between interest revenue and reduction of the lease receivable over the term of the lease in order to reflect a constant periodic rate of return on the net investment outstanding in respect of the lease.

##### Advances paid

These are advances from the Victorian Transport Fund paid to the Port Lessor Pty Ltd, an entity within the Department of Economic Development, Jobs, Transport and Resources (DEDJTR) portfolio under a formal loan/advance agreement at an agreed commercial rate of interest. Advances are initially measured at fair value and subsequently measured at amortised cost.

##### Investment in controlled entities

This relates to the State’s equity investment in entities controlled by the State, in its capacity as owner and is carried at cost.

##### Investment in associate entity

On 1 July 2016, investment in an associate entity, Property Exchange Australia Limited (PEXA) (formerly known as National E‑Conveyancing Development Limited) was transferred from the Department of Environment, Land, Water and Planning (DELWP) to the Department of Treasury and Finance. PEXA was established in January 2010 to develop a single national electronic conveyancing system for settling property transactions. While the State’s ownership interest in PEXA is less than 20 per cent, the investment is accounted for using the equity method as the State has significant influence through its representation on the Board of Directors and participation in policy making processes.

Under this method, the State’s share of the post‑acquisition profits or losses of associates is recognised in the net result as other economic flows. The share of post‑acquisition movements in revaluation surpluses and any other reserves is recognised in both the comprehensive operating statement and the statement of changes in equity. The cumulative post acquisition movements are adjusted against the cost of the investment.

##### Other investments

Other investments are ‘available for sale’ financial instrument assets.

Such assets are initially recognised at fair value. Subsequent to initial recognition, they are measured at fair value with gains and losses arising from changes in fair value, recognised in ‘other economic flows – other comprehensive income’ until the investments are disposed. Movements resulting from impairment are recognised in the net result as other economic flows. On disposal, the cumulative gain or loss previously recognised in ‘other economic flows – other comprehensive income’ is transferred to other economic flows in the net result.

##### Public Account SAU liability

These are the outstanding liabilities to other Departments in respect of (a) amounts appropriated from the Consolidated Fund but remaining undrawn at the end of the year, net of Public Account advances to other departments, and (b) Trust Account funds held on their behalf within the Public Account.

##### Unearned income

This mainly represents the upfront payment of a 30‑year lease obligation resulting from the sale of the State’s hydro electricity scheme – Southern Hydro Limited as part of the State’s privatisation policy. Revenue is recognised on a straight line method over the lease period.

##### Borrowings

Borrowings are recorded initially at fair value, being the cost of the borrowings, net of transaction costs. The measurement basis subsequent to initial recognition is at amortised cost. Any difference between the initial recognised amount and the redemption value is recognised in the net result over the period of the borrowings using the effective interest rate method.

Borrowings refer to interest bearing liabilities mainly the Budget Sector Debt Portfolio, finance leases and other interest bearing arrangements. Borrowings exclude liabilities raised from other government entities, which are classified as advances received.

Management of the Budget Sector Debt Portfolio (BSDP) is based on the key objectives of achieving relative certainty of interest cost over the budgeting period while minimising net borrowing costs, and conservatively managing the financial and operational risks of the budget sector treasury operations.

The BSDP is primarily composed of fixed rate borrowing facilities that have an even maturity profile. This ensures that a relatively small proportion of the BSDP is subject to re‑pricing in any one period, with the effect that BSDP interest costs are not subject to large fluctuations as a result of movements in market interest rates. Since borrowings in the BSDP are held to maturity, the BSDP is accounted for on an historical cost basis. This is categorised as financial liabilities carried at amortised cost.

##### Advances received

Advances received are from the Port Lessor Pty Ltd. The advance received is under a loan agreement based on similar terms and conditions as the advances paid from the Victorian Transport Fund with a small interest rate spread and is categorised as financial liabilities at amortised cost.

##### Superannuation liability

A liability or asset in respect of defined benefit superannuation plans is recognised in the statement of administered assets and liabilities, and is determined in accordance with AASB 119 *Employee Benefits*, with actuarial valuations being carried out at each reporting date. Accrued benefits are measured as the net present value of estimated future benefit payments to members arising from their membership of the scheme up to the end of the reporting period. Remeasurements of the liability are recognised in full in the statement of administered income and expenses in the period in which they occur. Past service cost is recognised immediately to the extent that the benefits are already vested, and otherwise is amortised on a straight‑line basis over the average period until the benefits become vested.

The superannuation liability recognised in the administered balance sheet represents the present value of the defined benefit obligation, adjusted for unrecognised past service cost, net of the fair value of the plan assets. This liability mainly represents the State’s superannuation liability with respect to superannuation funds operated principally for general government sector employees, being the State’s share of the shortfall between the total net assets of the State’s general government sector superannuation funds at 30 June 2017 and the present value of total benefits that members have accrued up to that date, as determined by an actuarial assessment. The balance of the superannuation liability with respect to these funds is to be met by Commonwealth funded agencies. In addition, the State also recognises a liability for accrued benefits arising from constitutionally protected pension entitlements principally in respect of judges and other judicial office holders. No assets are held in respect of these liabilities and pensions are paid from the Consolidated Fund.

Government policy is that the superannuation liability for the entire general government sector should be recognised and disclosed in the administered balance sheet of the Department.

The Department manages the State’s superannuation liability by:

* conducting regular actuarial valuations of the State’s public sector superannuation schemes;
* monitoring the performance of the associated superannuation assets, the majority of which are required to be invested through the Victorian Funds Management Corporation (VFMC);
* prudentially supervising VFMC; and
* providing advice to government on a wide range of superannuation issues.

The State’s superannuation liability with respect to superannuation funds operated principally for general government sector employees was $24 901 million as at 30 June 2017 (2016 – $29 289 million). In accordance with the *State Superannuation Act* *1988*, the Government, through the Consolidated Fund, is primarily responsible for meeting the employer’s share of the superannuation liability of the State Superannuation Fund section of the Emergency Services Superannuation Scheme. However, under the terms of that Act, the responsible Minister can effectively pass this liability to individual authorities.

The liability also includes $1 002 million (2016 – $890 million) for accrued benefits arising from constitutionally protected pension entitlements, principally in respect of judges and other judicial office holders.

|  |  |  |
| --- | --- | --- |
|  | **2017 $m** | **2016 $m** |
| Reconciliation of the present value of the defined benefit obligation |  |  |
| Balance at the start of the period | 49 321 | 45 991 |
| Current service cost | 836 | 766 |
| Interest cost | 1 154 | 1 564 |
| Contributions by plan participants | 220 | 219 |
| Actuarial (gains)/losses | (2 854) | 2 864 |
| Benefits paid | (2 132) | (2 083) |
| Balance at the end of the period | 46 545 | 49 321 |
|  |  |  |
| Reconciliation of fair value of superannuation plan assets |  |  |
| Balance at the start of the period | 20 032 | 20 044 |
| Interest income | 462 | 686 |
| Expected return on plan assets excluding interest income | 1 006 | 787 |
| Actuarial gains/(losses) | 506 | (1 143) |
| Employer contributions | 1 550 | 1 522 |
| Contributions by plan participants | 220 | 219 |
| Benefits paid (including tax paid) | (2 132) | (2 083) |
| Balance at the end of the period | 21 644 | 20 032 |
|  |  |  |
| Reconciliation of assets and liabilities disclosed in the administered statement of assets and liabilities |  |  |
| State Superannuation Fund/Emergency Services Superannuation Scheme | 23 803 | 28 298 |
| Other funds | 1 098 | 991 |
| Total superannuation liability | 24 901 | 29 289 |

|  |  |  |
| --- | --- | --- |
|  | **2017 %** | **2016 %** |
| Actuarial assumptions |  |  |
| *State Superannuation Fund/Emergency Services Superannuation Scheme* |  |  |
| Expected return on assets | 8.0 | 8.0 |
| Discount rate | 3.0 | 2.4 |
| Wages growth | 3.4 | 3.1 |
| Inflation rate | 1.9 | 1.6 |
| *Constitutionally Protected Pensions* |  |  |
| Discount rate | 3.0 | 2.4 |
| Wages growth | 3.4 | 3.1 |
| Inflation rate | n/a | n/a |
| *Health Superannuation Fund* |  |  |
| Expected return on assets | 5.7 | 5.8 |
| Discount rate | 3.0 | 2.4 |
| Wages growth | 3.4 | 3.1 |
| Inflation rate | 1.9 | 1.6 |

The expected return on assets assumption is determined by weighting the expected long‑term return for each asset class by the target allocation of assets to each class.

|  |  |  |
| --- | --- | --- |
| **Categories of plan assets** | **2017 %** | **2016 %** |
| The major categories of plan assets are as follows: |  |  |
| Domestic equity | 27.7 | 26.7 |
| International equity | 27.7 | 26.7 |
| Domestic debt assets | 17.6 | 17.5 |
| Property | 7.6 | 7.6 |
| Cash | 4.1 | 4.2 |
| Other | 15.3 | 17.3 |
|  | 100.0 | 100.0 |

1. Key assets available to support output delivery

#### Introduction

The Department controls property, plant and equipment that are utilised in fulfilling its objectives and conducting its activities. They represent the key resources that have been entrusted to the Department to be utilised for delivery of services.

#### Judgement required

Where the assets included in this section are carried at fair value, additional information is disclosed in Note 8.3 in connection with how those fair values were determined.

In addition, judgements have also been applied in assessing the useful lives of property, plant and equipment.

#### Structure

[5.1 Property, plant and equipment 34](#_Toc492652593)

[5.2 Intangible assets 34](#_Toc492652594)

* 1. Property, plant and equipment

|  |  |  |
| --- | --- | --- |
|  | **2017 $’000** | **2016 $’000** |
| Land |  |  |
| At valuation | 603 512 | 421 860 |
|  |  |  |
| Buildings (including heritage buildings) |  |  |
| At independent valuation | 181 173 | 170 812 |
| At cost | 2 064 | 18 518 |
| Less: accumulated depreciation | (72) | (68 748) |
|  | 183 165 | 120 582 |
|  |  |  |
| Construction in progress – at cost | 6 267 | 247 |
|  |  |  |
| Total buildings | 189 432 | 120 829 |
|  |  |  |
| Leasehold improvements |  |  |
| Leasehold improvements – at cost | 10 542 | 10 542 |
| Less: accumulated depreciation | (8 992) | (8 798) |
| Total leasehold improvements | 1 550 | 1 744 |
|  |  |  |
| Plant and equipment |  |  |
| Office and computer equipment – at valuation | 11 842 | 11 932 |
| Less: accumulated depreciation | (11 720) | (11 168) |
|  | 122 | 764 |
|  |  |  |
| Motor vehicles under finance lease | 5 650 | 5 618 |
| Less: accumulated depreciation | (1 468) | (1 752) |
|  | 4 182 | 3 866 |
|  |  |  |
| Total plant and equipment | 4 304 | 4 630 |
|  |  |  |
| Total property, plant and equipment | 798 798 | 549 063 |

#### Initial recognition

Property, plant and equipment are recognised initially at cost and subsequently measured at fair value less accumulated depreciation and impairment. The initial cost for non‑financial physical assets under a finance lease is measured at amounts equal to the fair value of the leased assets or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease.

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

#### Subsequent measurement

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

The latest revaluations of building assets were based on independent assessments as at 30 June 2017, which resulted in a net revaluation increase of $250 292 000. The revaluation was carried out by Valuer‑General Victoria, Urbis Valuation Pty Ltd, Dominion Group Pty Ltd and Value IT Pty Ltd. The Department’s land assets were managerially revalued in accordance with FRD 103F in 2015‑16 using indices supplied by the Victorian Valuer‑General with a resultant revaluation surplus that amounted to $72 126 000.

#### Restricted nature of heritage assets and specialised land

During, and at the end of, the reporting period, the Department held heritage assets and specialised land (note 8), which are deemed worthy of preservation for the social rather than financial benefits they provide to the community. Consequently there are certain limitations and restrictions imposed on their use and/or disposal.

The carrying amount of buildings listed as heritage assets is $107 million (2016 – $78 million). These heritage assets cannot be modified nor disposed of without formal Ministerial approval.

#### Revaluation of non‑financial physical assets

Non‑financial physical assets are measured at fair value in accordance with the Financial Reporting Directions issued by the Minister for Finance. A full revaluation normally occurs every five years, based on the asset’s government purpose classification, but may occur more frequently if fair value assessments indicate material changes in values. Scheduled revaluations and any interim revaluations are conducted by independent valuers as determined in accordance with the requirements of the Financial Reporting Directions. Revaluation increases or decreases arise from differences between an asset’s carrying value and fair value.

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

Net revaluation decreases are recognised in ‘other economic flows – other comprehensive income’ to the extent that a credit balance exists in the asset revaluation surplus in respect of the same class of property, plant and equipment. Otherwise, the net revaluation decreases are recognised immediately as other economic flows in the net result. The net revaluation decrease recognised in ‘other economic flows – other comprehensive income’ reduces the amount accumulated in the asset revaluation surplus.

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

Refer to Note 8.3 for additional information on fair value determination of property, plant and equipment.

* + 1. Depreciation and amortisation

|  |  |  |
| --- | --- | --- |
|  | 2017 | 2016 |
|  | **$’000** | **$’000** |
| Buildings – structures and ground development | 7 451 | 7 393 |
| Buildings – other building components | 5 094 | 4 788 |
| Leasehold improvements | 194 | 868 |
| Office and computer equipment | 661 | 1 303 |
| Motor vehicles under finance lease | 1 119 | 1 234 |
| Municipal valuations database | 5 000 | 15 538 |
| Capitalised software development | 4 105 | 4 298 |
| Total depreciation | 23 624 | 35 422 |

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

All buildings, plant and equipment and other non‑financial physical assets, excluding assets held for sale, that have finite useful lives are depreciated. Depreciation is calculated on a straight line basis at rates that allocate the asset’s value, less any estimated residual value, over its expected useful life. Leasehold improvements are depreciated over the period of the lease or estimated useful life, whichever is the shorter, using the straight line method. Intangible produced assets with finite useful lives are depreciated as an expense from transactions on a straight line basis over the asset’s useful life.

Depreciation begins when the asset is available for use, that is, when it is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Estimated useful lives applicable for the years ended 30 June 2017 and 30 June 2016 are as follows:

|  |  |
| --- | --- |
| Buildings – structures (including heritage buildings) and ground development (a) | 12–257 years |
| Buildings (including heritage buildings) – other building components | 5–186 years |
| Leasehold improvements | 4–10 years |
| Office and computer equipment | 2–10 years |
| Motor vehicles under finance lease | 1–5 years |
| Municipal valuations database | 2 years |
| Capitalised software development | 3–7 years |

Note:

(a) Certain heritage buildings owned by the Department have been determined to have useful lives of up to 257 years. The majority of the buildings have useful lives of below 60 years. There are two buildings with a useful life in the range of 94 to 98 years and another five buildings with a useful life in the range of 207 to 257 years. Ground development has a useful life of 12 years and includes landscaping improvements, fencing, gates, external storm water and sewer drainage, outbuildings and covered ways.

The estimated useful lives, residual values and depreciation method are reviewed at least annually.

#### Impairment of non‑financial assets

All non‑financial physical assets and intangible assets, except non‑financial physical assets held for sale, are assessed annually for indications of impairment. If there is an indication of impairment, the assets concerned are tested as to whether their carrying value exceeds their recoverable amount. Where an asset’s carrying value exceeds its recoverable amount, the difference is written off to other economic flows except to the extent that the write‑down can be debited to an asset revaluation surplus amount applicable to that class of asset.

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

* + 1. Reconciliations of the carrying amounts of each class of property, plant and equipment at the beginning and end of the year are set out below

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  | Public Administration Purpose Group | | | | | | |
|  | Land | Buildings  (including heritage buildings) | Building construction in progress | Leasehold improvements | Office and computer equipment | Motor  vehicles under  finance lease | Total |
|  | $’000 | $’000 | $’000 | $’000 | $’000 | $’000 | $’000 |
| 2017 |  |  |  |  |  |  |  |
| Carrying amount at the start of the year | 421 860 | 120 582 | 247 | 1 744 | 764 | 3 866 | 549 063 |
| Additions |  | 1 958 | 6 267 |  | 19 | 2 752 | 10 996 |
| Disposals |  |  |  |  |  | (1 317) | (1 317) |
| Transfers between classes |  | 247 | (247) |  |  |  | – |
| Transfers through contributed capital | (51) |  |  |  |  |  | (51) |
| Net transfers from/(to) property held for sale | 4 338 |  |  |  |  |  | 4 338 |
| Machinery of government transfers |  |  |  |  |  |  | – |
| Net transfers free of charge |  | (4) |  |  |  |  | (4) |
| Revaluation increment (net) | 177 365 | 72 927 |  |  |  |  | 250 292 |
| Depreciation expense (note 5.1.1) |  | (12 545) |  | (194) | (661) | (1 119) | (14 519) |
| Carrying amount at the end of the year | 603 512 | 183 165 | 6 267 | 1 550 | 122 | 4 182 | 798 798 |
|  |  |  |  |  |  |  |  |
| 2016 |  |  |  |  |  |  |  |
| Carrying amount at the start of the year | 366 191 | 124 494 | 672 | 2 439 | 2 116 | 4 192 | 500 104 |
| Additions |  |  | 8 810 |  |  | 1 856 | 10 666 |
| Disposals |  |  |  |  | (11) | (857) | (868) |
| Transfers between classes |  | 9 235 | (9 235) |  |  |  | ‑ |
| Transfers through contributed capital | (554) | (962) |  |  |  |  | (1 516) |
| Net transfers from/(to) property held for sale | (15 903) |  |  |  |  | (93) | (15 996) |
| Machinery of government transfers |  |  |  | 173 |  |  | 173 |
| Net transfers free of charge |  | (4) |  |  | (38) | 2 | (40) |
| Revaluation increment (net) | 72 126 |  |  |  |  |  | 72 126 |
| Depreciation expense (note 5.1.1) |  | (12 181) |  | (868) | (1 303) | (1 234) | (15 586) |
| Carrying amount at the end of the year | 421 860 | 120 582 | 247 | 1 744 | 764 | 3 866 | 549 063 |

* 1. Intangible assets

|  |  |  |
| --- | --- | --- |
|  | **2017 $’000** | **2016 $’000** |
| Municipal valuations database | 19 721 | 21 086 |
| Less: accumulated depreciation | (5 000) | (21 086) |
|  | 14 721 | – |
|  |  |  |
| Capitalised software development | 59 624 | 57 889 |
| Less: accumulated depreciation | (49 425) | (45 351) |
|  | 10 199 | 12 538 |
|  |  |  |
| Intangible assets under development | 2 671 | 1 696 |
|  |  |  |
| Total intangible assets | 27 591 | 14 234 |
|  |  |  |
| Reconciliations of carrying amounts |  |  |
|  |  |  |
| Municipal valuations database |  |  |
| Carrying amount at the start of the year | – | 13 161 |
| Additions | 19 721 | 2 377 |
| Depreciation expense (Note 5.1.1) | (5 000) | (15 538) |
| Carrying amount at the end of the year | 14 721 | – |
|  |  |  |
| Capitalised software development |  |  |
| Carrying amount at the start of the year | 12 538 | 13 822 |
| Additions | 1 766 | 3 014 |
| Depreciation expense (Note 5.1.1) | (4 105) | (4 298) |
| Carrying amount at the end of the year | 10 199 | 12 538 |
|  |  |  |
| Intangible assets under development |  |  |
| Carrying amount at the start of the year | 1 696 | 2 530 |
| Additions | 2 671 | 2 180 |
| Transfers to capitalised software development | (1 696) | (3 014) |
| Carrying amount at the end of the year | 2 671 | 1 696 |

### Initial recognition

Intangible assets represent identifiable non‑monetary assets without physical substance. Purchased intangible assets are initially recognised at cost. Subsequently, purchased intangible assets with finite useful lives are carried at cost less accumulated depreciation and impairment. Depreciation and amortisation begins when the asset is available for use, that is, when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. The Department’s internally generated produced assets comprise capitalised software development.

When the recognition criteria in AASB 138 *Intangible Assets* are met, internally generated intangible assets are recognised and measured at cost less accumulated depreciation/amortisation and impairment. An internally generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following are demonstrated:

(a) the technical feasibility of completing the intangible asset so that it will be available for use or sale;

(b) an intention to complete the intangible asset and use or sell it;

(c) the ability to use or sell the intangible asset;

(d) the intangible asset will generate probable future economic benefits;

(e) the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and

(f) the ability to measure reliably the expenditure attributable to the intangible asset during its development.

### Subsequent measurement

Intangible assets with finite useful lives, are depreciated as an ‘expense from transactions’ on a straight line basis over their useful lives.

### Impairment of intangible assets

Costs incurred subsequent to initial acquisition are capitalised when it is expected that additional future economic benefits will flow to the Department. Purchased intangible assets include costs incurred in acquiring databases, software and licences that will contribute to future economic benefits. Intangible assets with finite useful lives are tested for impairment whenever an indication of impairment is identified. The policy in connection with testing for impairment is outlined in section 5.1.1.

1. Other assets and liabilities

#### Introduction

This section sets out the receivables, assets held for sale and payables that arise from the Department’s controlled operations.

#### Structure

[6.1 Receivables 34](#_Toc492652595)

[6.2 Payables 34](#_Toc492652596)

[6.3 Non‑financial assets classified as held for sale 34](#_Toc492652597)

[6.4 Unearned income 34](#_Toc492652598)

[6.5 Advances for capital works 34](#_Toc492652599)

* 1. Receivables

|  |  |  |
| --- | --- | --- |
|  | 2017 $’000 | 2016 $’000 |
| Current: |  |  |
| Contractual |  |  |
| Debtors | 17 147 | 22 875 |
|  | 17 147 | 22 875 |
| Statutory |  |  |
| Amounts owing from Victorian Government (a) | 256 331 | 185 260 |
| GST recoverable | 2 650 | 2 013 |
|  | 258 981 | 187 273 |
| Total current receivables | 276 128 | 210 148 |
|  |  |  |
| Non‑current: |  |  |
| Statutory |  |  |
| Amounts owing from Victorian Government (a) | 2 713 | 2 320 |
| Total non‑current receivables | 2 713 | 2 320 |
|  |  |  |
| Total receivables | 278 841 | 212 468 |

Note:

(a) Represents balance of appropriations relating to the provision of outputs and for additions to the net asset base, for which payments had not been disbursed at balance date, and accordingly had not been drawn from the Consolidated Fund.

Receivables consist of:

* statutory receivables predominantly include amounts owing from the Victorian Government and GST input tax credits recoverable; and
* contractual receivables mainly include debtors in relation to goods and services, loans to third parties, and accrued investment income.

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

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

Debtors are generally due for settlement no more than 30 days from the date of recognition. Collectability of debtors is reviewed on an ongoing basis. A provision for doubtful debts is raised when there is objective evidence that the debts may not be collected. Bad debts are written off when identified.

* + 1. Ageing analysis of receivables

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  | **Past due but not impaired** | | | | |
|  | Carrying amount  $’000 | Neither past due nor impaired  $’000 | Less than 1 month  $’000 | 1–3 months  $’000 | 3 months–1 year  $’000 | 1–5 years  $’000 | Greater than 5 years  $’000 |
| **2017** |  |  |  |  |  |  |  |
| Receivables | 17 147 | 17 147 |  |  |  |  |  |
|  |  |  |  |  |  |  |  |
| **2016** |  |  |  |  |  |  |  |
| Receivables | 22 875 | 22 875 |  |  |  |  |  |

### Impairment of financial assets

The Department assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. All financial assets, except those measured at fair value through profit or loss, are subject to annual review for impairment.

Bad and doubtful debts are assessed on a regular basis. Those bad debts considered as written off by mutual consent are classified as an expense. The allowance for doubtful receivables and bad debts not written off by mutual consent are adjusted as other economic flows.

* 1. Payables

|  |  |  |
| --- | --- | --- |
|  | **2017 $’000** | **2016 $’000** |
| Current: |  |  |
| Contractual |  |  |
| Creditors and accruals | 33 283 | 31 981 |
|  |  |  |
| Statutory |  |  |
| Amounts payable to other government agencies | 15 346 | 12 573 |
|  |  |  |
| Total payables | 48 629 | 44 554 |

Payables consist of:

* contractual payables, such as accounts payable. Accounts payable represent liabilities for goods and services provided to the Department prior to the end of the financial year that are unpaid, and arise when the Department becomes obliged to make future payments in respect of the purchase of those goods and services; and
* statutory payables, amounts owing to government agencies.

Contractual payables are classified as financial instruments and categorised as financial liabilities at amortised cost. Statutory payables are recognised and measured similarly to contractual payables, but are not classified as financial instruments and not included in the category of financial liabilities at amortised cost. The amounts are unsecured and are usually paid within 30 days of recognition.

#### Financial guarantees

Payments that are contingent under financial guarantee contracts are recognised as a liability at the time the guarantee is issued. The liability is initially measured at fair value, and if there is a material increase in the likelihood that the guarantee may be exercised, then it is measured at the higher of the amount and the amount initially recognised less cumulative amortisation, where appropriate.

In the determination of fair value, consideration is given to factors including the overall capital management / prudential supervision framework in operation, the protection provided by the State Government by way of funding should the probability of default increase, probability of default by the guaranteed party and the likely loss to the Department in the event of default.

The value of loans and other amounts guaranteed by the Treasurer is disclosed in contingent liabilities and contingent assets.

* + 1. Maturity analysis of contractual payables

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  | Maturity dates(a) | | | | |
|  | Carrying amount | Nominal amount | Less than 1 month | 1–3 months | 3 months– 1 year | 1–5 years | Greater than 5 years |
| 2017 | $’000 | $’000 | $’000 | $’000 | $’000 | $’000 | $’000 |
| Payables | 33 283 | 33 283 | 33 283 |  |  |  |  |
|  |  |  |  |  |  |  |  |
| 2016 |  |  |  |  |  |  |  |
| Payables | 31 981 | 31 981 | 31 981 |  |  |  |  |

Note:

(a) The amounts disclosed are the contractual undiscounted cash flows.

* 1. Non‑financial assets classified as held for sale

|  |  |  |
| --- | --- | --- |
|  | 2017 $’000 | 2016 $’000 |
|  |  |  | |
|  |  |  | |
| Vehicles held for sale | 21 | 93 | |
| Properties held for sale | 4 555 | 8 893 | |
|  |  |  | |
| Total non‑financial assets classified as held for sale | 4 576 | 8 986 | |

Non‑financial assets classified as held for sale comprise property and vehicles that the Department no longer utilises and which it intends to dispose of within the next 12 months. No impairment losses were recognised on reclassification of the property as held for sale or at balance date.

Non‑financial physical assets are classified as held for sale and treated as current assets if their carrying amount will be recovered through a sale transaction rather than continuing use. This condition is regarded as met only when the asset is available for immediate use in the current condition and the sale is highly probable and is expected to be completed within one year from the date of classification. Non‑financial assets classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell, and are not subject to depreciation.

Surplus land and buildings that fall within the Government’s asset sales program, and which are not controlled by the Department, are reported by the relevant agency and not by this Department. Reporting responsibility for these assets remains with the relevant agency until the total sale price is fully discharged.

* 1. Unearned income

Unearned income relates mainly to accommodation rentals on government owned buildings invoiced in advance to tenants.

* 1. Advances for capital works

Funds received in advance for capital works managed on behalf of other departments and agencies are recognised as current liabilities until the associated capital expenditure is incurred. Advances for capital works are managed through the Finance Agency Trust.

1. Financing our operations

#### Introduction

This section provides information on the sources of finance utilised by the Department during its operations, along with interest expenses (the cost of borrowings) and other information related to financing activities of the Department.

This section includes disclosures of balances that are financial instruments (such as borrowings and cash balances). Notes 8.2 and 8.3 provide additional, specific financial instrument disclosure.

#### Structure

[7.1 Borrowings 34](#_Toc492652600)

[7.2 Cash flow information 34](#_Toc492652601)

[7.3 Trust account balances 34](#_Toc492652602)

[7.4 Commitments for expenditure 34](#_Toc492652603)

* 1. Borrowings

|  |  |  |
| --- | --- | --- |
|  | **2017 $’000** | **2016 $’000** |
|  |  |  |
| Current: |  |  |
| Unsecured |  |  |
| Bank overdraft (note 7.2) | 529 | 933 |
| Secured |  |  |
| Finance lease liabilities | 1 698 | 2 297 |
|  | 2 227 | 3 230 |
|  |  |  |
| Non‑current: |  |  |
| Secured |  |  |
| Finance lease liabilities | 2 519 | 1 685 |
|  | 2 519 | 1 685 |
|  |  |  |
| Aggregate carrying amount of borrowings |  |  |
| Current | 2 227 | 3 230 |
| Non‑current | 2 519 | 1 685 |
|  |  |  |
| Total borrowings | 4 746 | 4 915 |
|  |  |  |
| Lease liabilities are effectively secured as the rights to the leased assets revert to the lessor in the event of default. |  |  |
|  |  |  |
| Assets pledged as security |  |  |
| The carrying amounts of non‑current assets pledged as security are: |  |  |
| * Motor vehicles under finance lease | 4 182 | 3 866 |

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

Finance leases are recognised as assets and liabilities of the Department at amounts equal to the fair value of the lease property or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The leased asset is depreciated over the shorter of the estimated useful life of the asset or the term of the lease. Lease assets held at the reporting date, being motor vehicles, are depreciated over one to five years.

Minimum finance lease payments are apportioned between finance charges and reduction of the lease liability. Finance charges are calculated using the interest rate implicit in the lease and charged directly to the comprehensive operating statement.

* + 1. Maturity analysis of borrowings

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  | Maturity dates(a) | | | | |
|  | Carrying amount | Nominal amount | Less than 1 month | 1–3 months | 3 months– 1 year | 1–5 years | Greater than 5 years |
| 2017 | $’000 | $’000 | $’000 | $’000 | $’000 | $’000 | $’000 |
| Finance leases | 4 217 | 4 386 | 480 | 232 | 1 097 | 2 577 |  |
| Bank overdrafts | 529 | 529 | 529 |  |  |  |  |
|  | 4 746 | 4 915 | 1 009 | 232 | 1 097 | 2 577 |  |
| 2016 |  |  |  |  |  |  |  |
| Finance leases | 3 982 | 4 132 | 480 | 420 | 1 500 | 1 732 |  |
| Bank overdrafts | 933 | 933 | 933 |  |  |  |  |
|  | 4 915 | 5 065 | 1 413 | 420 | 1 500 | 1 732 |  |

Note:

(a) Maturity analysis is presented using the contractual undiscounted cash flows.

* 1. Cash flow information

|  |  |  |
| --- | --- | --- |
|  | **2017 $’000** | **2016 $’000** |
|  |  |  |
| Cash at bank and on hand | 2 | 2 |
| Funds held in trust | 80 763 | 75 606 |
|  |  |  |
| Total cash and deposits disclosed in the balance sheet | 80 765 | 75 608 |
|  |  |  |
| The above figures are reconciled to cash and cash equivalents at the end of the year as shown in the cash flow statement as follows: |  |  |
|  |  |  |
| Balances as above | 80 765 | 75 608 |
| Less: bank overdrafts (note 7.1) | (529) | (933) |
|  |  |  |
| Cash and cash equivalents per cash flow statement | 80 236 | 74 675 |

Cash and deposits comprise cash on hand and cash at bank, deposits at call and short‑term deposits, with original maturities of three months or less, that are held for the purpose of meeting short‑term cash commitments rather than for investment purposes, and which are readily convertible to known amounts of cash and are subject to an insignificant risk of change in value. Cash and deposits with original maturities of three months or less, that are held for the purpose of meeting long‑term funding management are classified as other financial assets.

Due to the State of Victoria’s investment policy and government funding arrangements, the Department does not hold a large cash reserve in its bank accounts. Cash received by the Department from the generation of income is generally paid into the State’s bank account, known as the Public Account. Similarly, any departmental expenditure, including that in the form of cheques drawn by the Department for the payment of goods and services to its suppliers and creditors, are made via the Public Account. The process is such that the Public Account remits to the Department the cash required for the amount drawn on the cheques. This remittance by the Public Account occurs upon the presentation of the cheques by the Department’s suppliers or creditors.

The above funding arrangements often result in the Department having a notional shortfall in the cash at bank (or a notional bank overdraft) required for payment of unpresented cheques at balance date. The Department’s bank overdraft balance was totally represented by unpresented cheques.

* + 1. Reconciliation of net result to net cash flows from operating activities

|  |  |  |
| --- | --- | --- |
|  | **2017 $’000** | **2016 $’000** |
|  |  |  |
| Net result | 5 080 | 1 464 |
|  |  |  |
| Depreciation expense | 23 624 | 35 422 |
| Net gain on disposal of property, plant and equipment | (43) | (126) |
| Net transfers free of charge | 4 | 40 |
| Change in operating assets and liabilities, net of effects of restructuring |  |  |
| * (Increase)/decrease in receivables | (1 373) | (31 794) |
| * (Increase)/decrease in other operating assets | (1 141) | 428 |
| * Increase/(decrease) in payables | 4 074 | 14 849 |
| * Increase/(decrease) in other operating liabilities | 5 986 | 2 985 |
|  |  |  |
| Net cash flows from operating activities | 36 211 | 23 268 |

* + 1. Non‑cash financing and investing activities

During the reporting period, motor vehicles with a fair value of $ 2 752 000 (2016 – $1 856 000) were acquired by means of finance leases.

During the reporting period, assets amounting to $4 000 (2016 – $40 000) were transferred out from the Department to other organisations. These transfers were recognised in the comprehensive operating statement as resources transferred/received free of charge.

* 1. Trust account balances

The financial statements include the transactions and balances of the following controlled trusts accounts:

| Trust account | Purpose |
| --- | --- |
| Finance Agency Trust – *Financial Management Act 1994* | To record the receipt of funds from client departments and agencies pending disbursement for fitout works, minor and major capital works, construction and construction related works and general projects undertaken on their behalf. |
| Government Accommodation Trust – *Financial Management Act 1994* | To receive all rents and pay all outgoings associated with the management of properties administered by the Department and to fund minor capital works. |
| Industry Supervision Fund – *Financial Sector Reform (Victoria) Act 1999* | To facilitate the registration of financial institutions made under the Financial Sector Reform Act. |
| Shared Corporate Services Trust Account – *Financial Management Act 1994* | To record receipts and payments for shared corporate services, including, but not limited to, the operations of the Shared Service Provider. |
| Treasury Trust – *Financial Management Act 1994* | To record the Department’s receipt and disbursement of unclaimed and unidentified monies and other funds held in trust. |
| Vehicle Lease Trust – *Financial Management Act 1994* | To record transactions relating to the Department’s vehicle pool. |
| Master Agency Media Services Trust (MAMS) – *Financial Management Act 1994* | To record the receipt of service fees and disbursement of media related expenses under the MAMS contract. |

The administered activities of the Department include the following administered trust accounts:

| Trust account | Purpose |
| --- | --- |
| Asset Sales Deposit Trust Account – *Financial Management Act 1994* | To record the receipt of deposits lodged in connection with asset sales and their disbursement in accordance with the terms of settlement. |
| Cattle Compensation Fund – *Livestock Disease Control Act 1994* | To receive stamp duties paid by agents relating to sale of cattle, and fines and monies received from the Commonwealth; and make payments including compensation claims from graziers, and costs of transportation and destruction of condemned cattle. |
| Community Support Fund Trust – *Gaming Machine Control Act 1991* | To record the receipt (under special appropriations) of certain gambling revenues and the disbursement of these funds in accordance with the requirements of the Act, including the funding of gambling research and various community programs. |
| Debt Portfolio Trust – *Financial Management Act 1994* | To facilitate the recording of the cash transactions associated with Public Account borrowings and their management, aimed at enhancing administrative and operational efficiency. |
| Land Acquisition and Compensation Trust – *Land Acquisition and Compensation Act 1986* | To hold land compensation monies where claimant not found. |
| Public Service Commuter Club Trust – *Financial Management Act 1994* | To record the receipt and payment of amounts relating to the purchase of rail tickets and associated reimbursement from Club members. |
| Security Trust – *Financial Management Act 1994* | To hold securities lodged by contractors to various departments as a guarantee of satisfactorily fulfilling contractual obligations. |
| Sheep And Goat Compensation Fund – *Livestock Disease Control Act 1994* | To receive stamp duties paid by agents relating to sale of sheep and goats, and fines and monies received from the Commonwealth; and make payments including compensation claims from graziers, and costs of transportation and destruction of condemned sheep and goats. |
| Swine Compensation Trust – *Livestock Disease Control Act 1994* | To receive stamp duties, penalties and other monies relating to the sale of pigs and to make payments including compensation claims and costs of transportation and destruction of condemned pigs. |
| Treasury Trust – *Financial Management Act 1994* | To record, on behalf of the State, the receipt and disbursement of unclaimed and unidentified monies and other funds held in trust. |
| Vehicle Lease Trust – *Financial Management Act 1994* | To record transactions relating to the Government’s vehicle pool and fleet management operations. |
| Victorian Natural Disasters Relief Account – *Financial Management Act 1994* | To record the receipt and disbursement of funds in connection with natural disasters in Victoria. |
| Victorian Transport Fund – *Delivering Victorian Infrastructure (Port of Melbourne Lease Transaction) Act 2016* | To fund infrastructure projects for or in relation to public transport, roads, rail, the movement of freight, ports or other infrastructure (including regional infrastructure). |
| 2017 Bourke Street Fund Trust Account – *Financial Management Act 1994* | To receive donations and other contributions to assist the immediate families of the deceased and injured individuals and their immediate families affected by the 2017 Bourke St tragedy. |
| Victorian Social Housing Growth Fund – *Financial Management Act 1994* | To support innovative approaches to increase the supply of social housing either directly through dedicated construction of social and affordable housing or by subsidising rental properties in the private market. |

During the year, the Bourke Street Fund and the Victorian Social Housing Growth Fund were established under the *Financial Management Act 1994.* The medium‑term lease of the Port of Melbourne concluded on 31 October 2016 with proceeds of approximately $9.7 billion. The proceeds were paid into the Victorian Transport Fund to fund infrastructure projects.

Trust account balances relating to trust accounts controlled and/or administered by the Department

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | **2017** | | | | **2016** | | | | |
|  |  | | | |  | | | | |
|  | Opening balance | Inflows | Outflows | Closing balance | Opening balance | Machinery of government changes | Inflows | Outflows | Closing balance |
|  | $’000 | $’000 | $’000 | $’000 | $’000 | $’000 | $’000 | $’000 | $’000 |
|  |  |  |  |  |  |  |  |  |  |
| Controlled trusts |  |  |  |  |  |  |  |  |  |
| Finance Agency Trust | 54 315 | 84 764 | (78 148) | 60 931 | 49 728 |  | 58 688 | (54 101) | 54 315 |
| Government Accommodation Trust | 3674 | 39 778 | (38 834) | 4 618 | 6 176 |  | 35 892 | (38 394) | 3 674 |
| Shared Corporate Services Trust Account | 11070 | 79 719 | (84 087) | 6 702 | 896 |  | 72 997 | (62 823) | 11 070 |
| Treasury Trust | 5959 | 3 722 | (1 265) | 8 416 | 9 621 |  | 521 | (4 183) | 5 959 |
| Master Agencies Media Services Trust | 577 | 4 760 | (5 280) | 57 | – | 976 | 3 214 | (3 613) | 577 |
| Vehicle Lease Trust | 11 | 45 | (17) | 39 | (7) |  | 32 | (14) | 11 |
| Total controlled trusts | 75 606 | 212 788 | (207 631) | 80 763 | 66 414 | 976 | 171 344 | (163 128) | 75 606 |
|  |  |  |  |  |  |  |  |  |  |
| Administered trusts |  |  |  |  |  |  |  |  |  |
| Asset Sales Deposit Trust Account | 5 | – | (5) | – | – |  | 5 | – | 5 |
| Cattle Compensation Fund | – | 4 690 | (4 690) | – | – |  | 5 045 | (5 045) | – |
| Community Support Fund Trust | 32 791 | 97 007 | (101 894) | 27 904 | 37 853 |  | 99 513 | (104 575) | 32 791 |
| Debt Portfolio Trust | 1 363 | 450 000 | – | 451 363 | 451 363 |  | – | (450 000) | 1 363 |
| Land Acquisition and Compensation Trust | – | – | – | – | 146 |  | – | (146) | – |
| Public Service Commuter Club Trust | (168) | 578 | (615) | (205) | (145) |  | 521 | (544) | (168) |
| Security Trust | 30 430 | 84 039 | (102 318) | 12 151 | 27 247 |  | 16 574 | (13 391) | 30 430 |
| Sheep And Goat Compensation Fund | – | 1 187 | (1 187) | – | – |  | 1 296 | (1 296) | – |
| Swine Compensation Trust | – | 196 | (196) | – | – |  | 190 | (190) | – |
| Treasury Trust | 7 709 | 3 049 811 | (3 047 445) | 10 075 | (145) |  | 2 843 332 | (2 835 478) | 7 709 |
| Vehicle Lease Trust | 22 115 | 159 344 | (155 444) | 26 015 | 16 217 |  | 179 340 | (173 442) | 22 115 |
| Victorian Natural Disasters Relief Account | 128 306 | 10 293 | (48 824) | 89 775 | 144 566 |  | 16 546 | (32 806) | 128 306 |
| Victorian Transport Fund | – | 11 269 562 | (11 260 332) | 9 230 | – |  | – | – | – |
| 2017 Bourke Street Fund Trust Account | – | 1 594 | (1 568) | 26 | – |  | – | – | – |
| Victorian Social Housing Growth Fund | – | 100 000 | – | 100 000 | – |  | – | – | – |
| Total administered trusts | 222 551 | 15 228 301 | (14 724 518) | 726 334 | 677 102 |  | 3 162 362 | (3 616 913) | 222 551 |

#### Victorian Natural Disasters Relief Account

The Victorian Natural Disasters Relief Account was established to provide natural disaster relief in accordance with the Commonwealth‑State Natural Disaster Arrangements. Monies from the Trust are paid to individuals, small businesses, primary producers and local councils by appropriate service delivery departments, following the approval of the Treasurer or his delegate. The following assistance measures are provided from the trust:

* grants for the relief of personal hardship and distress;
* loan assistance and grants provided by the Bendigo and Adelaide Bank;
* grants for emergency protection and asset restoration works; and
* restoration of municipal and other public assets.

The cash and cash equivalents of the Trust for the reporting period were:

|  |  |  |
| --- | --- | --- |
|  | **2017 $’000** | **2016 $’000** |
| Opening balance | 128 306 | 144 566 |
| Inflows |  |  |
| Appropriation revenue | 8 000 | 16 546 |
| Clean up costs recoveries | 2 293 |  |
|  | 138 599 | **161 112** |
| Outflows |  |  |
| Grants to other government departments, agencies and authorities | 3 809 | 8 853 |
| Grants to local government | 26 955 | 12 768 |
| Grants to not‑for‑profit organisations and rural communities | 2 228 | 1 749 |
| Disaster clean-up costs | 15 043 | 8 972 |
| Audit fees | 15 | – |
| Other operating costs | 774 | 464 |
|  | 48 824 | 32 806 |
| Closing balance | **89 775** | **128 306** |

* 1. Commitments for expenditure

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

|  |  |  |
| --- | --- | --- |
|  | **2017 $’000** | **2016 $’000** |
| Capital commitments  Contracted commitments for capital expenditure on building improvements, fitouts and IT development, at the reporting date but not recognised as liabilities, and payable: |  |  |
| * within one year | 29 111 | 15 125 |
| * later than one year but not later than five years | 4 011 | – |
|  | 33 122 | 15 125 |
|  |  |  |
| Outsourcing commitments |  |  |
| Commitments under outsourcing contracts for human resource, property management and security services, and payable: |  |  |
| * within one year | 3 887 | 15 189 |
| * later than one year but not later than five years | – | 2 686 |
|  | 3 887 | 17 875 |
| In addition, the outsourcing of information technology services is subject to an open‑ended memorandum of understanding with an annual cost to the Department of $7 197 066. |  |  |
|  |  |  |
| Operating lease commitments |  |  |
| Commitments for minimum lease payments in relation to non‑cancellable operating leases, not recognised as liabilities, are payable as follows: |  |  |
| * within one year | 6 255 | 6 552 |
| * later than one year but not later than five years | 18 788 | 22 467 |
| * later than five years | 1 371 | 2 306 |
|  | 26 414 | 31 325 |

1. Risks, contingencies and valuation judgements

#### Introduction

The Department is exposed to risk from its activities and outside factors. In addition, it is often necessary to make judgements and estimates associated with recognition and measurement of items in the financial statements. This section sets out financial instrument specific information, (including exposures to financial risks) as well as those items that are contingent in nature or require a higher level of judgement to be applied, which for the Department related mainly to fair value determination.

#### Structure

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[8.2 Contingent assets and contingent liabilities 34](#_Toc492652605)

[8.3 Fair value determination 34](#_Toc492652606)

* 1. Financial instruments specific disclosures

Financial instruments arise out of contractual agreements that give rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Due to the nature of the Department’s activities, certain financial assets and financial liabilities arise under statute rather than a contract. Such financial assets and financial liabilities do not meet the definition of financial instruments in AASB 132 *Financial Instruments: Presentation*. However, guarantees issued by the Treasurer on behalf of the Department are financial instruments because, although authorised under statute, the terms and conditions for each financial guarantee may vary and are subject to an agreement.

For note disclosure purposes, a distinction is made between those financial assets and liabilities that meet the definition of financial instruments in accordance with AASB 132 and those that do not. The following refers to financial instruments unless otherwise stated.

#### Categories of non‑derivative financial instruments

##### Loans and receivables

Loans and receivables are financial instrument assets with fixed and determinable payments that are not quoted on an active market. These assets are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial measurement, loans and receivables are measured at amortised cost using the effective interest method, less any impairment. The loans and receivables category includes cash and deposits, term deposits with maturity greater than three months, trade receivables, loans and other receivables, but not statutory receivables.

##### Financial assets and liabilities at fair value through profit and loss

Financial assets are categorised as fair value through profit or loss at trade date if they are classified as held for trading or designated as such upon initial recognition. Financial instrument assets are designated at fair value through profit or loss on the basis that the financial assets form part of a group of financial assets that are managed by the entity based on their fair values, and have their performance evaluated in accordance with documented risk management and investment strategies.

Financial instruments at fair value through profit or loss are initially measured at fair value and attributable transaction costs are expensed as incurred. Subsequently, any changes in fair value are recognised in the net result as other economic flows. Any dividend or interest on a financial asset is recognised in the net result from transactions. Financial assets and liabilities at fair value through profit or loss include the majority of the Department’s equity investments, debt securities, and borrowings.

##### Financial liabilities at amortised cost

Financial instrument liabilities are initially recognised on the date they are originated. They are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial instruments are measured at amortised cost with any difference between the initial recognised amount and the redemption value being recognised in income and expenses over the period of the interest bearing liability, using the effective interest rate method. Financial instrument liabilities measured at amortised cost include all of the Department’s contractual payables, deposits held and advances received, and interest bearing arrangements other than those designated at fair value through profit or loss.

##### Offsetting financial instruments

Financial instrument assets and liabilities are offset and the net amount presented in the consolidated balance sheet when, the Department has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously. Some master netting arrangements do not result in an offset of balance sheet assets and liabilities. Where the Department does not have a legally enforceable right to offset recognised amounts, because the right to offset is enforceable only on the occurrence of future events such as default, insolvency or bankruptcy, they are reported on a gross basis.

##### Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised as an other economic flow in the comprehensive operating statement.

The Department currently holds a range of financial instruments that are recorded in the financial statements where the carrying amounts are a reasonable approximation of fair value, either due to their short‑term nature or with the expectation that they will be paid in full by the end of the 2016‑17 reporting period.

* + 1. Categorisation of financial instruments

##### Carrying amount of financial instruments by category:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **Note** | **Category** | **2017 $’000** | **2016 $’000** |
| Financial assets |  |  |  |  |
| Cash and deposits | 7.2 | Loans and receivables and cash | 80 765 | 75 608 |
| Receivables (a) | 6.1 | Loans and receivables and cash | 17 147 | 22 875 |
|  |  |  | 97 912 | 98 483 |
| Financial liabilities |  |  |  |  |
| Payables (a) | 6.2 | Financial liabilities at amortised cost | 33 283 | 31 981 |
| Borrowings | 7.1 | Financial liabilities at amortised cost | 4 746 | 4 915 |
|  |  |  | 38 029 | 36 896 |

##### Net holding gain/(loss) on financial instruments by category:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  |  | **Category** | **2017 $’000** | **2016 $’000** |
| Financial assets |  |  |  |  |
| Cash and deposits |  | Loans and receivables and cash | – | 10 |
| Receivables (a) |  | Loans and receivables and cash | – | – |
|  |  |  | – | 10 |
| Financial liabilities |  |  |  |  |
| Payables (a) |  | Financial liabilities at amortised cost | – | – |
| Borrowings |  | Financial liabilities at amortised cost | (49) | (100) |
|  |  |  | (49) | (100) |

Note:

(a) Receivables and payables disclosed here exclude statutory receivables (i.e. amounts owing from Victorian Government and GST recoverable) and statutory payables (i.e. amounts payable to other government agencies).

The net holding gains or losses disclosed above are determined as follows:

* for cash and cash equivalents, loans or receivables, the net gain or loss is calculated by taking the interest revenue minus any impairment recognised in the net result; and
* for financial liabilities measured at amortised cost, the net gain or loss is the interest expense.

The Department’s main financial risks include credit risk, liquidity risk and interest rate risk. The Department manages these financial risks in accordance with its financial risk management policy. The Department uses different methods to measure and manage the different risks.

* + 1. Financial risk management objectives and policies

#### Financial instruments: Credit risk

Credit risk arises from the financial assets of the Department, which comprise cash and cash equivalents, and trade and other receivables. The Department’s exposure to credit risk arises from the potential default of counter parties on their contractual obligations, resulting in financial loss to the Department. Credit risk is measured at fair value and is monitored on a regular basis.

Credit risk associated with the Department’s financial assets is minimal because the main debtor is the Victorian Government. For debtors other than government, it is the Department’s policy to only deal with entities with high credit ratings and to obtain sufficient collateral or credit enhancements where appropriate. Management monitors credit risk in relation to receivables by reviewing the ageing of receivables on a monthly basis. In addition, the Department does not engage in hedging for its financial assets and mainly obtains financial assets that are on fixed interest.

Provision for impairment of financial assets is calculated based on past experience and current and expected changes in client credit ratings.

The carrying amount of financial assets recorded in the financial statements, net of any allowances for losses, represents the Department’s maximum exposure to credit risk without taking account of the value of any collateral obtained.

Credit quality of contractual financial assets that are neither past due nor impaired:

|  |  |  |  |
| --- | --- | --- | --- |
|  | **Other institutions (non‑rated)** | **Government agencies (triple‑A credit rating)** | **Total** |
|  | $’000 | $’000 | $’000 |
| 2017 |  |  |  |
| Receivables |  |  |  |
| Government departments/councils |  | 17 147 | 17 147 |
| Other entities |  |  |  |
|  |  | 17 147 | 17 147 |
| 2016 |  |  |  |
| Receivables |  |  |  |
| Government departments/councils |  | 22 875 | 22 875 |
| Other entities |  |  |  |
|  |  | 22 875 | 22 875 |

#### Financial instruments: Liquidity risk

Liquidity risk arises when the Department is unable to meet its financial obligations as they fall due. The Department operates under the Government’s fair payments policy of settling financial obligations within 30 days and, in the event of a dispute, make payments within 30 days from the date of resolution. It also continuously manages risk to ensure that short‑term funding needs can be met at all times and that the net interest cost on any short‑term borrowings is minimised. These objectives are achieved by negotiating funding arrangements to ensure that the maximum expected short‑term funding need can be met at all times and regular forecasting as a basis for borrowing or investing decisions.

The Department’s exposure to liquidity risk is deemed insignificant based on prior periods’ data and current assessment of risk. Maximum exposure to liquidity risk is the carrying amounts of financial liabilities.

#### Financial instruments: Market risk

The Department’s exposures to market risk are primarily through interest rate risk, which it manages by matching borrowing and investment decisions to projected forecasts. The Department has no exposure to foreign currency or other price risks.

##### Sensitivity disclosure analysis

The Department’s sensitivity to market risk is determined based on the observed range of actual historical data for the preceding five year period, with all variables other than the primary risk variable held constant. The Department’s fund managers cannot be expected to predict movements in market rates and prices. Sensitivity analyses shown are for illustrative purposes only. The following movements in market interest rates are ‘reasonably possible’ over the next 12 months – a movement of 100 (2016 – 100) basis points up and down.

The impact on net operating result and equity for each category of financial instruments held by the Department at year end, as presented to key management personnel, if the above movements were to occur, is immaterial for the 2017 and 2016 financial years.

##### Interest rate risk

Exposure to interest rate risk is insignificant and may arise primarily through the Department’s borrowings. Minimisation of risk is achieved by mainly undertaking fixed rate or non‑interest bearing financial instruments. For financial liabilities, the Department mainly undertakes financial liabilities with relatively even maturity profiles. The Department’s borrowings are managed by Treasury Corporation of Victoria and any movements in interest rates are monitored on a daily basis.

The Department’s exposure to interest rate risk is set out below:

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  |  |  | Interest rate exposure | | |
|  | Weighted average effective interest rate | Carrying amount | Fixed  interest rate | Variable interest rate | Non‑interest bearing |
| 2017 | % | $’000 | $’000 | $’000 | $’000 |
| Financial assets |  |  |  |  |  |
| Cash and deposits | – | 80 765 |  |  | 80 765 |
| Receivables | – | 17 147 |  |  | 17 147 |
|  |  | 97 912 |  |  | 97 912 |
| Financial liabilities |  |  |  |  |  |
| Payables | – | 33 283 |  |  | 33 283 |
| Bank overdrafts | – | 529 |  |  | 529 |
| Finance lease liabilities | 3.2 | 4 217 | 4 217 |  |  |
|  |  | 38 029 | 4 217 |  | 33 812 |
|  |  |  |  |  |  |
| 2016 |  |  |  |  |  |
| Financial assets |  |  |  |  |  |
| Cash and deposits | – | 75 608 |  |  | 75 608 |
| Receivables | – | 22 875 |  |  | 22 875 |
|  |  | 98 483 |  |  | 98 483 |
| Financial liabilities |  |  |  |  |  |
| Payables | – | 31 981 |  |  | 31 981 |
| Bank overdrafts | – | 933 |  |  | 933 |
| Finance lease liabilities | 5.3 | 3 982 | 3 982 |  |  |
|  |  | 36 896 | 3 982 |  | 32 914 |

* 1. Contingent assets and contingent liabilities

Contingent liabilities and contingent assets (including those administered on behalf of the State, where applicable) are not recognised in the balance sheet, and, if quantifiable, are measured at nominal value. Contingent liabilities and assets are presented inclusive of GST receivable or payable, respectively.

The following table summarises quantifiable contingent liabilities relating to the Department.

Quantifiable contingent liabilities

|  |  |  |
| --- | --- | --- |
|  | **2017 $m** | **2016 $m** |
| Specific guarantees and indemnities under statute | 227 | 263 |
| Guarantees for loans to water industry entities | 10 777 | 10 485 |
| Guarantees for loans to other entities | 558 | 572 |
| Litigation against State Revenue Office | 35 | 58 |
| Other | 31 | 89 |
| **Total** | 11 628 | 11 467 |

#### Non‑quantifiable contingent liabilities

The Department has a number of non‑quantifiable contingent liabilities as follows.

##### Land remediation – environmental concerns

In addition to properties for which remediation costs have been provided in the State’s financial statements, certain other properties have been identified as potentially contaminated sites. The State does not admit any liability in respect of these sites. However, remedial expenditure may be incurred to restore the sites to an acceptable environmental standard in the event a contamination risk has been identified.

##### Victorian Managed Insurance Authority – insurance cover

The Victorian Managed Insurance Authority (VMIA) was established in 1996 as an insurer for state government departments, participating bodies and other entities as defined under the *Victorian Managed Insurance Authority Act 1996*. The VMIA provides its clients with a range of insurance cover, including for property, public and products liability, professional indemnity, contract works and domestic building insurance for the Victorian residential builders. The VMIA reinsures in the private market for losses above $50 million arising out of any one occurrence, up to a limit of $1 billion for public and products liability, and for losses above $50 million arising out of any one event, up to a limit of $3.6 billion for property. The risk of losses above these reinsured levels is borne by the State.

The VMIA also insures the Department of Health and Human Services for all public sector medical indemnity claims incurred in each policy year from 1 July 2003, regardless of when claims are finally settled. Under the indemnity deed to provide stop loss protection for the VMIA, the Department of Treasury and Finance has agreed to reimburse the VMIA if the ultimate claims payouts in any policy year from 1 July 2003 exceed by more than 20 per cent of the initial estimate on which the risk premium was based.

##### 2016 flood and storm events

In September 2016, a severe flood and storm event impacted 51 local government areas across Victoria. The State of Victoria formally activated the Commonwealth Government – State Natural Disaster Relief and Recovery Arrangements (NDRRA) following this event. Local councils have commenced the restoration of damaged essential assets. To date the estimated cost of damage is $163 million. Financial assistance is provided jointly by the Victorian and Commonwealth Governments under the NDRRA. It is not possible to quantify the cost to the State until all claims have been received.

The State also activated NDRRA for a number of storm and flood events from July 2016 up to April 2017, however the financial impact of these events is still being assessed and are not expected to be as significant as the September 2016 events.

#### Other contingent liabilities not quantified

There are other commitments, made by Government, which are not quantifiable at this time, arising from:

* indemnities provided in relation to transactions, including financial arrangements and consultancy services, as well as for directors and administrators;
* performance guarantees, warranties, letters of comfort;
* deeds in respect of certain obligations; and
* unclaimed monies, which may be subject to future claims by the general public against the State.
  1. Fair value determination

Consistent with AASB 13 *Fair Value Measurement*, the Department determines the policies and procedures for both recurring fair value measurements such as property, plant and equipment and financial instruments and for non‑recurring fair value measurements such as non‑financial physical assets held for sale, in accordance with the requirements of AASB 13 and the relevant Financial Reporting Directions.

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

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

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

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

The Valuer‑General Victoria (VGV) is the Department’s independent valuation agency. The Department, in conjunction with the VGV, monitors changes in the fair value of its assets through relevant data sources to determine whether revaluation is required.

#### Description of significant unobservable inputs to Level 3 valuations

|  |  |  |
| --- | --- | --- |
|  | Valuation technique | Significant Unobservable Inputs |
| Specialised land | Market approach | Community service obligations (CSO) adjustment  Heritage adjustment |
| Non‑specialised land | Market approach | Direct cost per square metre(a)/direct cost per parcel |
| Buildings (including heritage buildings) | Market approach (Net market rentals ) | Rental income per square metre  Capitalisation rate  Useful life |
| Office and computer equipment | Depreciated replacement cost | Cost per unit  Useful life |

Note:

(a) Direct cost per square metre is a close approximation of the market cost per square metre.

The significant unobservable inputs remain unchanged from 2016.

#### Land and buildings (including heritage buildings)

Specialised and non‑specialised land, and buildings are valued based on the market approach.

Specialised land is adjusted for heritage and CSO to reflect the specialised nature of the land being valued.

The heritage and CSO adjustments are a reflection of the valuer’s assessment of the impact of restrictions associated with an asset to the extent that they are equally applicable to market participants. This approach is in light of the highest and best use consideration required for fair value measurement, and takes into account the use of the asset that is physically possible, legally permissible, and financially feasible.

For non‑specialised land, the assets are compared to sales of comparable assets which are considered to have nominal or no added improvement value.

For buildings (including heritage buildings), fair value is determined by applying an appropriate capitalisation rate based on factors such as building design, location, tenancy size on the average rental income of the building area.

#### Office and computer equipment

The fair value of office and computer equipment is normally determined by reference to the asset’s depreciated replacement cost. For the Department’s office and computer equipment, existing depreciated historical cost is generally a reasonable proxy for depreciated replacement cost because of the short lives of the assets concerned.

None of the classes of financial assets and liabilities are readily traded on organised markets in standardised form.

#### Vehicles

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

#### Plant and equipment

Plant and equipment is held at fair value. When plant and equipment is specialised in use, such that it is rarely sold other than as part of a going concern, fair value is determined using the depreciated replacement cost method.

There were no changes in valuation techniques throughout the period to 30 June 2017. For all assets measured at fair value, the current use is considered the highest and best use.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **Carrying amount** | **Fair value  measurement using:** | | |
|  |  | Level 1 | Level 2 | Level 3 |
| Fair value measurement hierarchy at 30 June 2017 | $’000 | $’000 | $’000 | $’000 |
| Land at fair value |  |  |  |  |
| Specialised land | 534 605 |  |  | 534 605 |
| Non‑specialised land | 68 907 |  | 68 907 |  |
| Total land at fair value | 603 512 |  | 68 907 | 534 605 |
|  |  |  |  |  |
| Buildings at fair value |  |  |  |  |
| Buildings (including heritage buildings) | 183 165 |  |  | 183 165 |
| Total buildings at fair value | 183 165 |  |  | 183 165 |
|  |  |  |  |  |
| Plant and equipment at fair value |  |  |  |  |
| Office and computer equipment | 122 |  |  | 122 |
| Total plant and equipment at fair value | 122 |  |  | 122 |
|  |  |  |  |  |
| Fair value measurement hierarchyat 30 June 2016 |  |  |  |  |
| Land at fair value |  |  |  |  |
| Specialised land | 404 558 |  |  | 404 558 |
| Non‑specialised land | 17 302 |  |  | 17 302 |
| Total land at fair value | 421 860 |  |  | 421 860 |
|  |  |  |  |  |
| Buildings at fair value |  |  |  |  |
| Buildings (including heritage buildings) | 120 582 |  |  | 120 582 |
| Total buildings at fair value | 120 582 |  |  | 120 582 |
|  |  |  |  |  |
| Plant and equipment at fair value |  |  |  |  |
| Office and computer equipment | 764 |  |  | 764 |
| Total plant and equipment at fair value | 764 |  |  | 764 |

Reconciliation of Level 3 fair value

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | Specialised land | Non‑ specialised land | Buildings (including heritage buildings) | Office and computer equipment |
| 2017 | $’000 | $’000 | $’000 | $’000 |
| Opening balance | 404 558 | 17 302 | 120 582 | 764 |
| Net purchases/(sales) |  |  | 1 958 | 19 |
| Transfers through contributed capital | (51) |  |  |  |
| Machinery of government transfers |  |  |  |  |
| Transfers out of level 3 |  | (17 302) |  |  |
| Transfers between classes |  |  | 247 |  |
| Transfers to intangible assets |  |  |  |  |
| Transfers from/(to) held for sale | 4 338 |  |  |  |
| Revaluation increment (net) | 125 760 |  | 72 927 |  |
| Net transfers free of charge |  |  | (4) |  |
| Depreciation |  |  | (12 545) | (661) |
| Closing balance | 534 605 | – | 183 165 | 122 |
|  |  |  |  |  |
| 2016 |  |  |  |  |
| Opening balance | 348 889 | 17 302 | 124 494 | 2 116 |
| Net purchases/(sales) |  |  |  | (11) |
| Transfers through contributed capital | (554) |  | (962) |  |
| Machinery of government transfers |  |  | – |  |
| Transfer between classes |  |  | 9 235 |  |
| Transfer to intangible assets |  |  |  |  |
| Transfer from/(to) held for sale | (15 903) |  |  |  |
| Net transfers free of charge | 72 126 |  |  |  |
| Revaluation increment (net) |  |  | (4) | (38) |
| Depreciation |  |  | (12 181) | (1 303) |
| Closing balance | 404 558 | 17 302 | 120 582 | 764 |

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

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | Carrying amount | Fair value  measurement using: | | |
|  |  | Level 1 | Level 2 | Level 3 |
| Fair value measurement hierarchy at 30 June 2017 | $’000 | $’000 | $’000 | $’000 |
| Land at fair value |  |  |  |  |
| Specialised land | 4 555 |  |  | 4 555 |
| Non‑specialised land | – |  |  | – |
| Total land at fair value | 4 555 |  |  | 4 555 |
|  |  |  | | |
| Fair value measurement hierarchy at 30 June 2016 |  |  |  |  |
| Land at fair value |  |  |  |  |
| Specialised land | 8 893 |  |  | 8 893 |
| Non‑specialised land | – |  |  | – |
| Total land at fair value | 8 893 |  |  | 8 893 |

1. Other disclosures

#### Introduction

This section includes additional material disclosures required by accounting standards or otherwise, for the understanding of this financial report.

#### Structure

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[9.2 Entities consolidated pursuant to section 53(1)(b) of the FMA 34](#_Toc492652608)

[9.3 Responsible persons 34](#_Toc492652609)

[9.4 Remuneration of executives 34](#_Toc492652610)

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[9.8 Australian Accounting Standards issued that are not yet effective 34](#_Toc492652614)

[9.9 Glossary of terms 34](#_Toc492652615)

* 1. Other economic flows included in net result

Other economic flows are changes in the volume or value of an asset or liability that do not result from transactions. Other gains/(losses) from other economic flows include the gains or losses from:

#### Net gain/(loss) on non‑financial assets

Net gain/(loss) on non‑financial assets includes realised and unrealised gains and losses from impairments, and disposals of all physical and intangible assets.

##### Disposal of non‑financial assets

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

#### Net gain/(loss) on financial instruments

Net gain/(loss) on financial instruments includes realised and unrealised gains and losses from revaluations of financial instruments that are designated at fair value through profit or loss or held for trading, impairment and reversal of impairment for financial instruments at amortised cost, and disposals of financial assets.

##### Revaluations of financial instruments at fair value

The revaluation gain/(loss) on financial instruments at fair value excludes dividends or interest earned on financial assets, which is reported as part of income from transactions.

#### Other gains/(losses) from other economic flows

Other gains/(losses) from other economic flows include the transfer of amounts from reserves and/or accumulated surplus to net result due to disposal or derecognition or reclassification, the revaluation of the present value of leave liabilities due to changes in bond interest rates and the revaluation of restoration costs provision.

* 1. Entities consolidated pursuant to section 53(1)(b) of the FMA

The results of the Registrar of Housing Agencies and the Victorian Government Purchasing Board have been consolidated into the Department’s financial statements pursuant to a determination made by the Minister for Finance under section 53(1)(b) of the FMA. These entities are not controlled by the Department.

The financial effects of the above entities were not material to the departmental consolidated group.

* 1. Responsible persons

The persons who held the positions of Ministers and Accountable Officer in the Department (from 1 July 2016 to 30 June 2017 unless otherwise stated) were as follows:

* Tim Pallas MP, Treasurer of Victoria
* Robin Scott MP, Minister for Finance
* Mr David Martine, Secretary

Robin Scott MP and Gavin Jennings MLC acted for the Treasurer during the absences of Tim Pallas MP.

Tim Pallas MP acted for the Minister for Finance during the absences of Robin Scott MP.

David Webster, Gayle Porthouse and Simon Hollingsworth acted in the office of Secretary during absences of David Martine.

Total remuneration received or receivable by the Accountable Officer, in connection with the management of the Department during the reporting period, was in the range: $600 000 – $610 000 ($580 000 – $589 999 in 2015‑16).

* 1. Remuneration of executives

The number of executive officers, other than Ministers and Accountable Officer, and their total remuneration during the reporting period are shown in the table below. Total annualised employee equivalents provides a measure of full‑time equivalent executive officers over the reporting period. Remuneration comprises employee benefits in all forms of consideration paid, payable or provided by the entity, or on behalf of the entity, in exchange for services

rendered, and is disclosed in the following categories:

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

**Post‑employment benefits** are employer contributions for members of both defined benefit and defined contribution superannuation plans.

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

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

Several factors affected total remuneration payable to executives over the year. A number of employment contracts were completed and renegotiated and a number of executive officers retired, resigned or were retrenched in the past year. This has had a significant impact on remuneration figures for the termination benefits category.

Remuneration of executive officers (including key management personnel   
other than Ministers disclosed in 9.5)

|  |  |  |
| --- | --- | --- |
|  | **Total remuneration $’000** | |
|  | 2017 | 2016(a) |
| Short‑term employee benefits | 14 269 |  |
| Post‑employment benefits | 1 667 |  |
| Other long‑term benefits | 663 |  |
| Termination benefits | 93 |  |
| Total remuneration(a)(b) | 16 692 |  |
| Total number of executives | 88 | 68 |
| Total annualised employee equivalents(c) | 71 | 62 |

Notes:

(a) No comparatives have been reported because remuneration in the prior year was determined in line with the basis and definition under FRD 21B. Remuneration previously excluded non-monetary benefits and comprised any money, consideration or benefit received or receivable, excluding reimbursement of out-of-pocket expenses, including any amount received or receivable from a related party transaction. Refer to the prior year’s financial statements for executive remuneration for the 2015-16 reporting period.

(b) The total number of executive officers includes persons who meet the definition of Key Management Personnel (KMP) of the entity under AASB 124 *Related Party Disclosures* (other than Ministers) and are also reported within the related parties note disclosure (Note 9.5).

(c) Annualised employee equivalent is based on the time fraction worked over the reporting period.

* 1. Related parties

The Department is a wholly owned and controlled entity of the State of Victoria.

Related parties of the Department, include:

* all key management personnel and their close family members and personal business interests (controlled entities, joint ventures and entities they have significant influence over);
* all cabinet ministers and their close family members; and
* all departments and public sector entities that are controlled and consolidated into the whole of state consolidated financial statements.

During the year, the Department on behalf of the State advanced approximately $9.7 billion from the Victorian Transport Fund to the Port Lessor Pty Ltd, an entity within the DEDJTR portfolio. At the same time, Port Lessor advanced approximately $9.7 billion to the Consolidated Fund via the Department, on behalf of the State, to maintain State debt at an efficient and prudent level. Both transactions were conducted on commercial terms pursuant to formally executed agreements.

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

Key management personnel of the Department includes the Portfolio Ministers, Tim Pallas MP, Robin Scott MP, the Secretary, David Martine, the Commissioner for the State Revenue Office, Paul Broderick, and members of the Senior Executive Team, which includes:

* Deputy Secretary, Commercial Division, David Webster
* Deputy Secretary, Budget and Finance Division, Simon Hollingsworth (commenced 10 October 2016)
* Deputy Secretary, Corporate and Government Services Division, Gayle Porthouse
* Deputy Secretary, Economic Division, Amy Auster (commenced 5 September 2016)

The compensation detailed below excludes the salaries and benefits of the Portfolio Ministers. The Ministers’ remuneration and allowances are set by the *Parliamentary Salaries and Superannuation Act 1968* and are reported within the Financial Report of the Department of Parliamentary Services.

Compensation of key management personnel

|  |  |
| --- | --- |
|  | **2017 $’000** |
| Short‑term employee benefits | 2 081 |
| Post‑employment benefits | 152 |
| Other long‑term benefits | 65 |
| Termination benefits | – |
| **Total remuneration** | **2 298** |

#### Transactions and balances with key management personnel and other related parties

Given the breadth and depth of State government activities, related parties transact with the Victorian public sector in a manner consistent with other members of the public e.g. stamp duty and other government fees and charges. Further employment of processes within the Victorian public sector occur on terms and conditions consistent with the *Public Administration Act 2004* and Codes of Conduct and Standards issued by the Victorian Public Sector Commission. Procurement processes occur on terms and conditions consistent with the Victorian Government Procurement Board requirements.

Outside of normal citizen type transactions with the Department, there were no related party transactions that involved key management personnel, their close family members and their personal business interests. No provision has been required, nor any expense recognised, for impairment of receivables from related parties.

* 1. Remuneration of auditors

|  |  |  |
| --- | --- | --- |
|  | **2017 $’000** | **2016 $’000** |
| Audit fees paid or payable to the Victorian Auditor‑General’s Office |  |  |
| Annual financial statements of the Department | 437 | 426 |
| Annual financial report for the State of Victoria | 393 | 384 |
| Annual budget for the State of Victoria | 446 | 434 |
| Commonwealth acquittals | 21 | – |
|  | 1 297 | 1 244 |

No other services were provided by the Victorian Auditor-General’s Office.

* 1. Other accounting policies

|  |  |  |
| --- | --- | --- |
|  | **2017 $’000** | **2016 $’000** |
| Operating lease receivables |  |  |
| The Department acts as a lessor for tenancies relating to its state‑owned properties. The tenancy arrangements detail the lease terms, including options negotiated with the occupying departments. All tenancy arrangements contain market reviews in line with the biennial market rental valuations completed on the state‑owned properties. The tenancy arrangements do not include an option to purchase the property at the expiry of the tenancy. These tenancy arrangements are not required to be recognised in the balance sheet and are based on a five-year lease term. |  |  |
|  |  |  |
| *Operating lease receivables* |  |  |
| Due within one year | 30 762 | 28 874 |
| Due later than one year but not later than five years | 118 146 | 115 496 |
| Due later than five years | 7 227 | – |
|  | 156 135 | 144 370 |

#### Events after reporting date

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

* 1. Australian Accounting Standards issued that are not yet effective

As at 30 June 2017, the following standards and interpretations (applicable to the Department) had been issued but were not mandatory for the 30 June 2017 reporting period. The Department of Treasury and Finance assesses the impact of these new standards and advises the Department of their applicability and early adoption where applicable.

AASB 9 *Financial Instruments,* applicable for reporting periods commencing 1 January 2018. The key changes include the simplified requirements for the classification and measurement of financial assets, a new hedging accounting model and a revised impairment loss model to recognise impairment losses earlier, as opposed to the current approach that recognises impairment only when incurred. While the Department’s assessment has not identified any material impact arising from AASB 9, there will be changes to the way financial instruments are disclosed.

AASB 2010‑7 *Amendments to Australian Accounting Standards arising from AASB 9 (December 2010),* applicable for reporting periods commencing 1 January 2018. The requirements for classifying and measuring financial liabilities were added to AASB 9. The existing requirements for the classification of financial liabilities and the ability to use the fair value option have been retained. However, where the fair value option is used for financial liabilities the change in fair value is accounted for as follows:

* the change in fair value attributable to changes in credit risk is presented in other comprehensive income; and
* other fair value changes are presented in profit or loss. If this approach creates or enlarges an accounting mismatch in the profit or loss, the effect of the changes in credit risk are also presented in profit or loss.

The assessment has indicated that there will be no significant impact for the Department.

AASB 2014‑1 *Amendments to Australian Accounting Standards [Part E Financial Instruments],* applicable for reporting periods commencing 1 January 2018. Amends various AASs to reflect the AASB’s decision to defer the mandatory application date of AASB 9 to annual reporting periods beginning on or after 1 January 2018; as a consequence of Chapter 6; and to amend reduced disclosure requirements. This amending standard will defer the application period of AASB 9 to the 2018-19 reporting period in accordance with the transition requirements.

AASB 2014‑7 *Amendments to Australian Accounting Standards arising from AASB 9,* applicable for reporting periods commencing 1 January 2018. Amends various AASs to incorporate the consequential amendments arising from the issuance of AASB 9. The assessment has indicated that there will be no significant impact for the Department.

AASB 15 *Revenue from Contracts with Customers*,applicable for reporting periods commencing 1 January 2018. The core principle of AASB 15 requires an entity to recognise revenue when the entity satisfies a performance obligation by transferring a promised good or service to a customer. The changes in revenue recognition requirements in AASB 15 may result in changes to the timing and amount of revenue recorded in the financial statements. The Standard will also require additional disclosures on service revenue and contract modifications. The assessment has indicated that there will be no significant impact for the Department.

AASB 2014‑5 *Amendments to Australian Accounting Standards arising from AASB 15*, applicable for reporting periods commencing 1 January 2017. Amends the measurement of trade receivables. Trade receivables, that do not have a significant financing component, are to be measured at their transaction price, at initial recognition.

Dividends are recognised in the profit and loss only when:

* the entity’s right to receive payment of the dividend is established;
* it is probable that the economic benefits associated with the dividend will flow to the entity; and the amount can be measured reliably.

The assessment has indicated that there will be no significant impact for the Department.

AASB 2016‑7 *Amendments to Australian Accounting Standards – Deferral of AASB 15 for Not-for-Profit Entities*, has been issued and has deferred the application period of AASB 15 for not-for-profit entities to the 2019‑20 reporting period in accordance with the transition requirements.

AASB 2016-3 *Amendments to Australian Accounting Standards – Clarifications to AASB 15,*applicable for reporting periods commencing 1 January 2018. This Standard amends AASB 15 to clarify the requirement on identifying performance obligations, as follows:

* a promise to transfer to a customer a good or service that is ‘distinct’ to be recognised as a separate performance obligation;
* for items purchased online, the entity is a principal if it obtains control of the good or service prior to transferring to the customer; and
* for licences identified as being distinct from other goods or services in a contract, entities need to determine whether the licence transfers to the customer over time (right to use) or at a point in time (right to access).

The assessment has indicated that there will be no significant impact for the Department.

AASB 16 *Leases*, applicable for reporting periods commencing 1 January 2019. The key changes introduced by AASB 16 include the recognition of most operating leases (which are currently not recognised) on balance sheet. The assessment has indicated that as most operating leases will come on balance sheet, recognition of the right-of-use assets and lease liabilities will cause net debt to increase. Rather than expensing the lease payments, depreciation of right-of-use assets and interest on lease liabilities will be recognised in the income statement with marginal impact on the operating surplus.

AASB 1058 *Income of Not-for-Profit Entities* applicable for reporting periods commencing 1 January 2019. This standard replaces AASB 1004 *Contributions* and establishes revenue recognition principles for transactions where the consideration to acquire an asset is significantly less than fair value to enable a not-for-profit entity to further its objectives. The assessment has indicated that revenue from capital grants that are provided under an enforceable agreement that have sufficiently specific obligations will now be deferred and recognised as performance obligations are satisfied. As a result, the timing recognition of revenue will change.

* 1. Glossary of terms

#### Actuarial gains or losses on superannuation defined benefit plans

Actuarial gains or losses reflect movements in the superannuation liability resulting from differences between the assumptions used to calculate the superannuation expense from transactions and actual experience.

#### Administered item

Administered item generally refers to a department lacking the capacity to benefit from that item in the pursuit of the Department’s objectives and to deny or regulate the access of others to that benefit.

#### Annualised employee equivalent

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

#### Borrowings

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

#### Comprehensive result

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

#### Controlled item

Controlled item generally refers to the capacity of a department to benefit from that item in the pursuit of the Department’s objectives and to deny or regulate the access of others to that benefit.

#### Capital asset charge

A charge levied on the written down value of controlled non-current physical assets in a department’s balance sheet which aims to: attribute to agency outputs the opportunity cost of capital used in service delivery; and provide incentives to departments to identify and dispose of underutilised or surplus assets in a timely manner. The capital asset charge is calculated on the budgeted carrying amount of applicable non-financial physical assets.

#### Commitments

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

#### Depreciation

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

#### Employee expenses

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

#### Ex gratia expenses

The voluntary payment of money or other non‑monetary benefit (e.g. a write off) that is not made either to acquire goods, services or other benefits for the entity or to meet a legal liability, or to settle or resolve a possible legal liability or claim against the entity.

#### Financial asset

A financial asset is any asset that is:

(a) cash;

(b) an equity instrument of another entity;

(c) a contractual right:

* + to receive cash or another financial asset from another entity; or
  + to exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity; or

(d) a contract that will or may be settled in the entity’s own equity instruments and is:

* + a non‑derivative for which the entity is or may be obliged to receive a variable number of the entity’s own equity instruments; or
  + a derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity’s own equity instruments.

#### Financial instrument

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

#### Financial liability

A financial liability is any liability that is:

(a) a contractual obligation:

* + to deliver cash or another financial asset to another entity; or
  + to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the entity; or

(b) a contract that will or may be settled in the entity’s own equity instruments and is:

* + a non‑derivative for which the entity is or may be obliged to deliver a variable number of the entity’s own equity instruments; or
  + a derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity’s own equity instruments. For this purpose the entity’s own equity instruments do not include instruments that are themselves contracts for the future receipt or delivery of the entity’s own equity instruments.

#### Financial statements

A complete set of financial statements comprises:

(a) a comprehensive operating statement for the period;

(b) a balance sheet as at the end of the period;

(c) a statement of changes in equity for the period;

(d) a cash flow statement for the period;

(e) notes, comprising a summary of significant accounting policies and other explanatory information;

(f) comparative information in respect of the preceding period as specified in paragraph 38 of AASB 101 *Presentation of Financial Statements*; and

(g) a balance sheet as at the beginning of the preceding period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements in accordance with paragraph 41 of AASB 101.

#### Grants expense

Transactions in which one unit provides goods, services, assets (or extinguishes a liability) or labour to another unit without receiving approximately equal value in return. Grants can either be operating or capital in nature. While grants to governments may result in the provision of some goods or services to the transferor, they do not give the transferor a claim to receive directly benefits of approximately equal value. Receipt and sacrifice of approximately equal value may occur, but only by coincidence. For example, governments are not obliged to provide commensurate benefits, in the form of goods or services, to particular taxpayers in return for their taxes. For this reason, grants are referred to by the AASB as involuntary transfers and are termed non‑reciprocal transfers.

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

#### Grants for on‑passing

All grants paid to one institutional sector (e.g. a state general government) to be passed on to another institutional sector (e.g. local government or a private non‑profit institution).

#### Intangible assets

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

#### Interest expense

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

#### Interest revenue

Interest revenue includes interest received on bank term deposits, interest from investments, and other interest received.

#### Investment properties

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

#### Net result

Net result is a measure of financial performance of the operations for the period. It is the net result of items of income, gains and expenses (including losses) recognised for the period, excluding those that are classified as ‘other economic flows – other comprehensive income’.

#### Net result from transactions/net operating balance

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

#### Non‑financial assets

Non‑financial assets are all assets that are not ‘financial assets’.

#### Other economic flows included in net result

Other economic flows included in net result are changes in the volume or value of an asset or liability that do not result from transactions. They include gains and losses from disposal or derecognition or reclassification, revaluation and impairment of non‑financial physical and intangible assets, and fair value changes of financial instruments. It also includes revaluation of the present value of leave liabilities due to changes in bond interest rates and from revaluation of restoration costs provisions.

#### Other economic flows – other comprehensive income

Other economic flows – other comprehensive income comprises items (including reclassification adjustments) that are not recognised in net result. The components of other economic flows – other comprehensive income include changes in physical asset revaluation surplus and changes arising from the remeasurement of defined benefit superannuation liabilities.

#### Payables

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

#### Receivables

Includes short and long‑term trade credit and accounts receivable, grants, taxes and interest receivable.

#### Sales of goods and services

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

#### Supplies and services

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

#### Transactions

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

# Appendices

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Appendix 1 Workforce data

## Public sector values and employment principles

The *Public Administration Act 2004* established the Victorian Public Sector Commission (VPSC). The VPSC’s role is to strengthen public sector efficiency, effectiveness and capability, and advocate for public sector professionalism and integrity.

The Department’s policies and practices are consistent with the VPSC’s employment standards and provide for fair treatment, career opportunities and the early resolution of workplace issues. The Department advises its employees how to avoid conflicts of interest, how to respond to offers of gifts and hospitality and how it deals with misconduct.

## People and culture strategic activities

In 2016‑17, the Department implemented a strategic action plan in response to the People Matter Survey results. The key focus areas identified were leadership, wellbeing, gender equity, diversity and inclusion, and flexible work practices. Each focus area had specific initiatives implemented, championed by a senior member of the executive team. The People and Culture team has also submitted a draft People Strategy to the Board for approval. The key priorities have been identified through feedback from managers and staff, the People Matter Survey and a gap analysis against best practice. The People Committee will play a critical role in supporting the implementation of the strategy, when it is approved.

## People development

Key focus areas in the Department throughout 2016‑17 have been wellbeing and resilience, leadership development, Aboriginal cultural awareness, bullying and sexual harassment education, workplace flexibility and career planning training. Executive one‑on‑one coaching is available if requested, and tailored development programs for departmental teams took place, such as the Executive Assistants’ Professional Program, as well as team‑building sessions.

The Victorian Leadership Academy was launched in late 2016 for all Executive Officers in the Victorian public service (VPS). The purpose of the Academy is to identify and develop a talent pipeline as well as provide every executive with an individualised development plan. To date, the Department has had 26 executives participate.

In addition, DTF approved 16 new studies assistance applications, supported one staff member in the Executive Masters of Public Administration and two staff members in the Executive Fellows Program.

## Employee relations

During 2016‑17, there were no industrial disputes lodged with Fair Work Australia.

The Department has a comprehensive grievance process to ensure employee concerns are dealt with fairly and promptly. The People and Culture team rolled out an extensive education program during the reporting period, which focused on bullying and sexual harassment awareness. The sessions included detailed information on how to report inappropriate behaviours and complaints. Two formal grievances were lodged by employees during the reporting period, and one by an external party. The Department appointed separate external investigators to review each matter. All investigation processes were held in accordance with the criteria as outlined by the VPSC, as well as the Public Administration (Review of Actions) Regulations 2015.

The Department has a full suite of policies covering recruitment and selection, issue resolution and grievance review, redeployment, unsatisfactory work, misconduct, probation and fair treatment (among others).

All human resources policies have been reviewed during the reporting period.

## Recruitment

The Department is committed to ensuring the best available people are recruited and selected for advancement. The selection processes ensure applicants are assessed and evaluated fairly and equitably on the basis of key selection criteria and other accountabilities, without discrimination.

During 2016‑17, the Department advertised externally for 88 roles. A number of additional vacancies were filled by internal appointment at level.

## Graduate recruitment scheme

The Department continued to support the recruitment and development of university graduates by participating in the VPS graduate scheme and managing the accounting and finance and the economist programs on behalf of the Victorian public service.

During the 2016‑17 period, nine graduates joined the Department (four economists, one generalist and four accounting and finance graduates). The Department also offers summer economist and accounting and finance internships to a small number of penultimate year university students. There were 11 internships offered last summer (six economist and five accounting and finance).

## Diversity

The Department strives to create an environment that supports a diverse, flexible and adaptive workforce.

We recognise the importance of attracting, retaining and advancing diverse individuals, and promoting inclusion at all levels of the organisation. DTF’s Diversity and Inclusion Action Plan 2016–18 recognises that a diverse workforce drives innovation, creativity, problem solving capabilities and productivity to help us serve and support the Government and the Victorian community.

In early 2017, DTF ran multiple focus groups with staff to gather feedback on supporting a more diverse and inclusive workforce. A diversity and inclusion intranet page was developed in June 2017 and within this sit six key focus areas, including disability, LGBTI, mature age, Aboriginal, gender equity and multicultural.

The Department’s diversity and wellbeing calendar was launched in late 2016. A number of events promoting diversity have been celebrated including Harmony Day, International Women’s Day, IDAHoBIT Day and the Pride Midsumma Carnival.

DTF promoted Autism Awareness Day, the VPS Network for People with a Disability and multiple networking events to all staff to support a positive workplace culture for people of all abilities.

The Mental Health and Wellbeing Charter was launched in March 2017 to support a holistic and inclusive approach to mental health in the workplace by promoting mental wellbeing, preventing mental injury and illness, and taking action to support recovery.

The Department continues to actively participate in LGBTI committees aimed at improving inclusiveness across the public sector. The LGBTI intranet page provides resources, information on internal and external LGBTI networks, and an LGBTI calendar of events. DTF is a member of Pride in Diversity and has utilised the network to deliver LGBTI awareness training for employees and managers.

The Department and its agencies provide a number of traineeships to young people, some from disadvantaged groups, through the Youth Employment Scheme. In 2016‑17, five new traineeships commenced and one trainee continued to undertake the program.

The Youth Cadetship Scheme, introduced in late 2016, builds on the existing Youth Employment Scheme by providing graduate trainees with a two‑year paid placement in the VPS, positioning them to be able to compete strongly for VPSG‑2 and VPSG‑3 positions. In 2016‑17, one new cadetship was confirmed within the Department’s Economic Division.

The Department’s Aboriginal Employment and Inclusion Action Plan 2015‑18 has three areas of focus: building pathways between education and employment, increasing awareness of Aboriginal culture and using procurement as a means of reducing barriers to building Aboriginal jobs and business growth.

DTF’s Aboriginal Working Group meets regularly to support implementing actions identified in the plan. Throughout 2016‑17, the Department celebrated a number of significant events such as National Reconciliation Week and NAIDOC Week, including a ‘raising of the flags’ ceremony and cultural performances and activities. There was also senior executive representation at the Aboriginal Remembrance Day event. The Department conducts Aboriginal cultural awareness training for all staff and as at 30 June 2017, 87 staff have attended. An Acknowledgment of Country is given at appropriate meetings and formal events and key meeting rooms now display unique plaques detailing an Aboriginal room name and image.

The Department continues to work with the VPSC Pathways program to support Aboriginal graduate recruitment. One Aboriginal graduate joined DTF as part of the 2017 intake through the Pathways program. The Department also supports the Victorian Government Purchasing Board to identify ways of assisting Aboriginal businesses to access available public service supply opportunities.

The Department is participating in the statewide Recruit Smarter initiative in collaboration with the University of Melbourne’s Centre for Ethical Leadership (CEL). Throughout 2017, DTF will provide CEL with data from field trials on CV de‑identification and unconscious bias training. This data will contribute to the findings and help shape ways that all organisations can reduce bias in organisational decision‑making, specifically recruitment, promotion and performance management.

## Human Rights Charter

Throughout 2016‑17, DTF’s employees continued to consider human rights in the course of their work on submissions to Cabinet on matters that would affect members of the public. A number of human rights training sessions were run by the Victorian Government Solicitor’s Office and updated information was published on the intranet.

Given the nature of its portfolio, the Department’s interactions with the public tend to focus on individuals who are either currently engaged, or are seeking to be engaged, by DTF for a specific purpose. These include individuals who are job applicants, employees, tenderers, contractors, Board appointees, and purchasers, landlords and tenants of government land.

To guide the interactions with these individuals, the Department has various policies and processes in place to protect the rights of those individuals. These include privacy, equal opportunity, occupational health and safety, protected disclosure and employment policies.

## Notes for all tables in Appendix 1

1. All figures reflect employment levels during the last pay period of June of each year unless otherwise stated.

2. Ongoing employees means people engaged on an open‑ended contract of employment and executives engaged on a standard executive contract who were active in the last pay period of June.

3. FTE means full‑time equivalent.

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

5. STS means senior technical specialist.

6. ‘Other’ means any employee classified as a Legal Officer under the VPS Aligned Adaptive Structures.

## Comparative workforce data

The following table discloses the head count and full‑time staff equivalent (FTE) of all active public service employees of the Department, employed in the last full pay period in June of the current reporting period, and in the last full pay period in June (2017) of the previous reporting period (2016).

#### Profile of Department of Treasury and Finance’s workforce: June 2017

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | June 2017 | | | | | | | June 2016 | | | | | | |
|  | All employees | | Ongoing | | | Fixed term and casual | | All employees | | Ongoing | | | Fixed term and casual | |
|  | Number (headcount) | FTE | Full‑time (headcount) | Part‑time (headcount) | FTE | Number (headcount) | FTE | Number (headcount) | FTE | Full‑time (headcount) | Part‑time (headcount) | FTE | Number (headcount) | FTE |
| **Gender** |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Male | 314 | 310.55 | 286 | 15 | 297.95 | 13 | 12.60 | 278 | 273.97 | 254 | 14 | 264.37 | 10 | 9.60 |
| Female | 295 | 271.57 | 201 | 80 | 257.97 | 14 | 13.60 | 265 | 242.25 | 185 | 69 | 232.12 | 11 | 10.13 |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| **Age** |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| 15–24 | 24 | 23.60 | 21 | 1 | 21.80 | 2 | 1.80 | 18 | 18.00 | 18 | – | 18.00 | – | 0.00 |
| 25‑34 | 172 | 165.68 | 142 | 20 | 155.88 | 10 | 9.80 | 144 | 139.48 | 126 | 12 | 133.48 | 6 | 6.00 |
| 35‑44 | 184 | 170.47 | 129 | 47 | 162.67 | 8 | 7.80 | 155 | 141.02 | 105 | 45 | 136.12 | 5 | 4.90 |
| 45‑54 | 116 | 113.35 | 101 | 12 | 110.35 | 3 | 3.00 | 115 | 111.61 | 98 | 12 | 106.61 | 5 | 5.00 |
| 55‑64 | 96 | 92.95 | 80 | 13 | 90.15 | 3 | 2.80 | 99 | 95.31 | 83 | 12 | 91.88 | 4 | 3.43 |
| Over 64 | 17 | 16.07 | 14 | 2 | 15.07 | 1 | 1.00 | 12 | 10.80 | 9 | 2 | 10.40 | 1 | 0.40 |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| **VPS1–6 Grade** | 530 | 504.76 | 416 | 87 | 478.56 | 27 | 26.20 | 471 | 446.29 | 377 | 77 | 429.79 | 17 | 16.50 |
| Grade 1 | – | – | – | – | – | – | – | – | – | – | – | – | – | – |
| Grade 2 | 18 | 17.20 | 14 | 2 | 15.40 | 2 | 1.80 | 20 | 19.70 | 18 | 1 | 18.80 | 1 | 0.90 |
| Grade 3 | 85 | 80.63 | 63 | 16 | 74.63 | 6 | 6.00 | 77 | 73.13 | 60 | 13 | 69.13 | 4 | 4.00 |
| Grade 4 | 121 | 116.26 | 91 | 17 | 103.46 | 13 | 12.80 | 99 | 95.62 | 84 | 11 | 91.62 | 4 | 4.00 |
| Grade 5 | 147 | 141.01 | 123 | 21 | 138.41 | 3 | 2.60 | 134 | 126.80 | 108 | 21 | 122.20 | 5 | 4.60 |
| Grade 6 | 159 | 149.66 | 125 | 31 | 146.66 | 3 | 3.00 | 141 | 131.04 | 107 | 31 | 128.04 | 3 | 3.00 |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| **Senior employees** | 78 | 76.36 | 70 | 8 | 76.36 | – | – | 68 | 66.70 | 60 | 6 | 64.70 | 2 | 2.00 |
| STS | 10 | 9.70 | 8 | 2 | 9.70 | – | – | 8 | 7.70 | 6 | 2 | 7.70 | – | – |
| Executives | 68 | 66.66 | 62 | 6 | 66.66 | – | – | 60 | 59.00 | 54 | 4 | 57.00 | 2 | 2.00 |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Other | 1 | 1.00 | 1 | – | 1.00 | – | 0.00 | 4 | 3.23 | 2 | – | 2.00 | 2 | 1.23 |
| **Total employees** | 609 | 582.12 | 487 | 95 | 555.92 | 27 | 26.20 | 543 | 516.22 | 439 | 83 | 496.49 | 21 | 19.73 |

The following table discloses the annualised total salary for senior employees of the Department, categorised by classification. The salary amount is reported as the full‑time annualised salary.

Annualised total salary, by $20 000 bands, for executives and other senior non‑executive staff – DTF

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| Income band (salary) | Executives | STS | PS | SMA | SRA | Other |
| <$160 000 |  | 1 |  |  |  |  |
| $160 000–$179 999 | 13(a) | 4(e) |  |  |  |  |
| $180 000–$199 999 | 16(b) | 3 |  |  |  |  |
| $200 000–$219 999 | 18(c) | 3(f) |  |  |  |  |
| $220 000–$239 999 | 6(d) |  |  |  |  |  |
| $240 000–$259 999 | 6 |  |  |  |  |  |
| $260 000–$279 999 | 6 |  |  |  |  |  |
| $280 000–$299 999 | 2 |  |  |  |  |  |
| $300 000–$319 999 | 4 |  |  |  |  |  |
| $320 000–$339 999 |  |  |  |  |  |  |
| $340 000–$359 999 | 2 |  |  |  |  |  |
| $360 000–$379 999 | 1 |  |  |  |  |  |
| $380 000–$399 999 | 1 |  |  |  |  |  |
| $400 000–$419 999 |  |  |  |  |  |  |
| $420 000–$439 999 | 1 |  |  |  |  |  |
| $440 000–$459 999 |  |  |  |  |  |  |
| $460 000–$479 999 |  |  |  |  |  |  |
| $480 000–$499 999 |  |  |  |  |  |  |
| Total | 76 | 11 |  |  |  |  |

Notes:

(a) There are four employees on a part‑time basis at a 0.9, 0.8, 0.8 and a 0.6 FTE rate respectively.

(b) There is one employee employed on a part‑time basis at a 0.86 FTE rate.

(c) There are three employees on a part‑time basis at a 0.9 and a 0.8 FTE rate respectively.

(d) There are two employees employed on a part‑time basis at a 0.8 FTE rate.

(e)There are two employees employed on a part‑time basis at a 0.9 and a 0.8 FTE rate respectively.

(f) There is one employee employed on a part‑time basis at a 0.8 FTE rate.

#### Profile of State Revenue Office’s workforce: June 2017

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | June 2017 | | | | | | | June 2016 | | | | | | |
|  | All employees | | Ongoing | | | Fixed term and casual | | All employees | | Ongoing | | | Fixed term and casual | |
|  | Number (headcount) | FTE | Full‑time (headcount) | Part‑time (headcount) | FTE | Number (headcount) | FTE | Number (headcount) | FTE | Full‑time (headcount) | Part‑time (headcount) | FTE | Number (headcount) | FTE |
| **Gender** |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Male | 278 | 275.00 | 212 | 15 | 224.00 | 51 | 51.00 | 257 | 254.00 | 218 | 12 | 227.00 | 27 | 27.00 |
| Female | 299 | 277.00 | 171 | 58 | 209.00 | 70 | 68.00 | 256 | 236.00 | 178 | 53 | 213.00 | 25 | 23.00 |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| **Age** |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| 15–24 | 25 | 24.00 | 3 | – | 3.00 | 22 | 21.00 | 14 | 13.00 | 3 | – | 3.00 | 11 | 10.00 |
| 25‑34 | 155 | 151.00 | 81 | 12 | 89.00 | 62 | 62.00 | 127 | 124.00 | 92 | 8 | 98.00 | 27 | 26.00 |
| 35‑44 | 161 | 148.00 | 107 | 31 | 126.00 | 23 | 22.00 | 145 | 134.00 | 107 | 29 | 125.00 | 9 | 9.00 |
| 45‑54 | 126 | 121.00 | 97 | 16 | 109.00 | 13 | 13.00 | 117 | 112.00 | 96 | 16 | 107.00 | 5 | 5.00 |
| 55‑64 | 99 | 97.00 | 84 | 14 | 95.00 | 1 | 1.00 | 99 | 96.00 | 87 | 12 | 96.00 | – | – |
| Over 64 | 11 | 11.00 | 11 | – | 11.00 | – | – | 11 | 11.00 | 11 | – | 11.00 | – | – |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| **VPS1–6 Grade** |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Grade 1 | – | – | – | – | – | – | – | – | – | – | – | – | – | – |
| Grade 2 | 63 | 58.00 | 16 | 11 | 23.00 | 36 | 35.00 | 42 | 37.00 | 20 | 10 | 26.00 | 12 | 11.00 |
| Grade 3 | 189 | 180.00 | 103 | 29 | 124.00 | 57 | 56.00 | 181 | 173.00 | 125 | 25 | 143.00 | 31 | 30.00 |
| Grade 4 | 132 | 127.00 | 104 | 16 | 115.00 | 11.6 | 12.00 | 109 | 105.00 | 92 | 14 | 102.00 | 3 | 3.00 |
| Grade 5 | 111 | 108.00 | 95 | 8 | 100.00 | 8 | 8.00 | 107 | 104.00 | 96 | 8 | 101.00 | 3 | 3.00 |
| Grade 6 | 49 | 47.00 | 43 | 5 | 46.00 | 1 | 1.00 | 47 | 46.00 | 41 | 4 | 44.00 | 2 | 2.00 |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| **Senior employees** |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| STS | 1 | 1.00 | 1 | – | 1.00 | – | – | 1 | 1.00 | 1 | – | 1.00 | – | – |
| Executives | 7 | 7.00 | 5 | 2 | 6.60 | – | – | 6 | 5.00 | 4 | 2 | 5.00 | – | – |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Other | 25 | 24.00 | 16 | 2 | 17.20 | 7 | 7.00 | 20 | 19.00 | 17 | 2 | 18.00 | 1 | 1.00 |
| **Total employees** | 577 | 552.00 | 383 | 73 | 433.20 | 120.6 | 119.00 | 513 | 490.00 | 396 | 65 | 440.00 | 52 | 50.00 |

Annualised total salary, by $20 000 bands, for executives and other senior non‑executive staff – State Revenue Office

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| Income band (salary) | Executives | STS | PS | SMA | SRA | Other |
| <$160 000 |  |  |  |  |  |  |
| $160 000–$179 999 | 3(a) |  |  |  |  |  |
| $180 000–$199 999 | 2 |  |  |  |  |  |
| $200 000–$219 999 |  | 1 |  |  |  |  |
| $220 000–$239 999 | 1(b) |  |  |  |  |  |
| $240 000–$259 999 |  |  |  |  |  |  |
| $260 000–$279 999 |  |  |  |  |  |  |
| $280 000–$299 999 |  |  |  |  |  |  |
| $300 000–$319 999 | 1 |  |  |  |  |  |
| $320 000–$339 999 |  |  |  |  |  |  |
| $340 000–$359 999 |  |  |  |  |  |  |
| $360 000–$379 999 |  |  |  |  |  |  |
| $380 000–$399 999 |  |  |  |  |  |  |
| $400 000–$419 999 |  |  |  |  |  |  |
| $420 000–$439 999 |  |  |  |  |  |  |
| $440 000–$459 999 |  |  |  |  |  |  |
| $460 000–$479 999 |  |  |  |  |  |  |
| $480 000–$499 999 |  |  |  |  |  |  |
| Total | 7 | 1 |  |  |  |  |

Notes:

(a) One employee employed on a part‑time basis 0.8 FTE.

(b) One employee employed on a part‑time basis 0.8 FTE.

#### Profile of Essential Services Commission: June 2017

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | June 2017 | | | | | | | June 2016 | | | | | | |
|  | All employees | | Ongoing | | | Fixed term and casual | | All employees | | Ongoing | | | Fixed term and casual | |
|  | Number (headcount) | FTE | Full‑time (headcount) | Part‑time (headcount) | FTE | Number (headcount) | FTE | Number (headcount) | FTE | Full‑time (headcount) | Part‑time (headcount) | FTE | Number (headcount) | FTE |
| **Gender** |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Male | 56 | 55.30 | 43 | 3 | 45.40 | 10 | 9.90 | 46 | 46.90 | 38 | 1 | 38.80 | 7 | 8.10 |
| Female | 52 | 48.39 | 37 | 9 | 43.35 | 6 | 5.04 | 45 | 39.97 | 32 | 3 | 33.77 | 10 | 6.20 |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| **Age** |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| 15–24 | 6 | 5.04 | 3 | – | 3.00 | 3 | 2.04 | 3 | 2.20 | 2 | – | 2.00 | 1 | 0.20 |
| 25‑34 | 41 | 40.20 | 34 | 3 | 36.20 | 4 | 4.00 | 38 | 37.80 | 29 | 1 | 29.80 | 8 | 8.00 |
| 35‑44 | 35 | 32.95 | 21 | 7 | 25.95 | 7 | 7.00 | 25 | 22.67 | 17 | 3 | 18.77 | 5 | 3.90 |
| 45‑54 | 21 | 20.90 | 19 | – | 19.00 | 2 | 1.90 | 21 | 20.20 | 18 | – | 18.00 | 3 | 2.20 |
| 55‑64 | 4 | 3.60 | 2 | 2 | 3.60 | – | – | 2 | 2.00 | 2 | – | 2.00 | – | – |
| Over 64 | 1 | 1.00 | 1 | – | 1.00 | – | – | 2 | 2.00 | 2 | – | 2.00 | – | – |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| **VPS1–6 Grade** | 90 | 86.75 | 66 | 12 | 74.75 | 12 | 12.00 | 74 | 72.27 | 59 | 4 | 61.57 | 11 | 10.70 |
| Grade 1 | – | – | – | – | – | – | – | – | – | – | – | – | – | – |
| Grade 2 | 4 | 4.00 | 4 | – | 4.00 | – | – | 4 | 4.00 | 4 | – | 4.00 | – | – |
| Grade 3 | 20 | 19.35 | 14 | 2 | 15.35 | 4 | 4.00 | 14 | 13.57 | 10 | 1 | 10.57 | 3 | 3.00 |
| Grade 4 | 22 | 21.20 | 15 | 3 | 17.20 | 4 | 4.00 | 21 | 20.60 | 18 | 1 | 18.60 | 2 | 2.00 |
| Grade 5 | 23 | 22.60 | 21 | 2 | 22.60 | – | 0.00 | 22 | 21.50 | 16 | 1 | 16.80 | 5 | 4.70 |
| Grade 6 | 21 | 19.60 | 12 | 5 | 15.60 | 4 | 4.00 | 13 | 12.60 | 11 | 1 | 11.60 | 1 | 1.00 |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| **Senior employees** | 15 | 15.00 | 14 | – | 14.00 | 1 | 1.00 | 11 | 11.00 | 11 | – | 11.00 | – | – |
| STS | 2 | 2.00 | 2 | – | 2.00 | – | – | 1 | 1.00 | 1 | – | 1.00 | – | – |
| SRA | 5 | 5.00 | 4 | – | 4.00 | 1 | 1.00 | 5 | 5.00 | 5 | – | 5.00 | – | – |
| Executives | 8 | 8.00 | 8 | – | 8.00 | – | – | 5 | 5.00 | 5 | – | 5.00 | – | – |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Other | 3 | 1.94 |  |  |  | 3 | 1.94 | 6 | 3.60 |  |  |  | 6 | 3.60 |
| **Total employees** | 108 | 103.69 | 80 | 12 | 88.75 | 16 | 14.94 | 91 | 86.87 | 70 | 4 | 72.57 | 17 | 14.30 |

#### Profile of CenITex’s workforce: June 2017

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | June 2017 | | | | | | | June 2016 | | | | | | |
|  | All employees | | Ongoing | | | Fixed term and casual | | All employees | | Ongoing | | | Fixed term and casual | |
|  | Number (headcount) | FTE | Full‑time (headcount) | Part‑time (headcount) | FTE | Number (headcount) | FTE | Number (headcount) | FTE | Full‑time (headcount) | Part‑time (headcount) | FTE | Number (headcount) | FTE |
| **Gender** |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Male | 104 | 99.94 | 81 | 13 | 90.34 | 10 | 9.60 | 100 | 95.75 | 79 | 16 | 90.75 | 5 | 5.00 |
| Female | 384 | 383.20 | 358 | 2 | 359.60 | 24 | 23.60 | 373 | 372.40 | 356 | 3 | 358.40 | 14 | 14.00 |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| **Age** |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| 15–24 | 3 | 3.00 | 2 | – | 2.00 | 1 | 1.00 | 10 | 10.00 | 10 | – | 10.00 | – | – |
| 25‑34 | 99 | 97.60 | 81 | 5 | 84.60 | 13 | 13.00 | 96 | 95.20 | 89 | 3 | 91.20 | 4 | 4.00 |
| 35‑44 | 179 | 177.26 | 168 | 5 | 171.66 | 6 | 5.60 | 172 | 170.27 | 162 | 7 | 167.27 | 3 | 3.00 |
| 45‑54 | 133 | 132.18 | 122 | 3 | 124.18 | 8 | 8.00 | 125 | 123.58 | 113 | 5 | 116.58 | 7 | 7.00 |
| 55‑64 | 69 | 68.30 | 62 | 1 | 62.70 | 6 | 5.60 | 64 | 63.30 | 56 | 3 | 58.30 | 5 | 5.00 |
| Over 64 | 5 | 4.80 | 4 | 1 | 4.80 | – | 0.00 | 6 | 5.80 | 5 | 1 | 5.80 | – | – |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| **VPS1–6 Grade** | 459 | 454.5 | 416 | 15 | 426.94 | 28 | 27.60 | 446 | 441.75 | 415 | 17 | 427.75 | 14 | 14.00 |
| Grade 1 | – | – | – | – | – | – | – | – | – | – | – | – |  |  |
| Grade 2 | 6 | 6 | 1 | – | 1.00 | 5 | 5.00 | 2 | 2.00 | 2 | – | 2.00 | – | – |
| Grade 3 | 87 | 85.24 | 72 | 6 | 76.24 | 9 | 9.00 | 96 | 93.52 | 84 | 9 | 90.52 | 3 | 3.00 |
| Grade 4 | 81 | 80.6 | 75 | 2 | 76.60 | 4 | 4.00 | 70 | 69.70 | 66 | 2 | 67.70 | 2 | 2.00 |
| Grade 5 | 152 | 151 | 144 | 3 | 146.00 | 5 | 5.00 | 145 | 144.40 | 141 | 2 | 142.40 | 2 | 2.00 |
| Grade 6 | 133 | 131.7 | 124 | 4 | 127.10 | 5 | 4.60 | 133 | 132.13 | 122 | 4 | 125.13 | 7 | 7.00 |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| **Senior employees** | 29 | 28.60 | 23 | – | 23.00 | 6 | 5.60 | 27 | 26.40 | 20 | 2 | 21.40 | 5 | 5.00 |
| STS | 24 | 24.00 | 23 | – | 23.00 | 1 | 1.00 | 22 | 21.40 | 20 | 2 | 21.40 |  |  |
| Executives | 5 | 4.60 | – | – | – | 5 | 4.60 | 5 | 5.00 | – | – | – | 5 | 5.00 |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Other | – | – | – | – | – | – | – | – | – | – | – | – | – | – |
| **Total employees** | 488 | 483.1 | 439 | 15 | 449.94 | 34 | 33.20 | 473 | 468.15 | 435 | 19 | 449.15 | 19 | 19.00 |

#### Profile of Emergency Services and State Super workforce: June 2017

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | June 2017 | | | | | | | June 2016 | | | | | | |
|  | All employees | | Ongoing | | | Fixed term and casual | | All employees | | Ongoing | | | Fixed term and casual | |
|  | Number (headcount) | FTE | Full‑time (headcount) | Part‑time (headcount) | FTE | Number (headcount) | FTE | Number (headcount) | FTE | Full‑time (headcount) | Part‑time (headcount) | FTE | Number (headcount) | FTE |
| **Gender** |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Male | 82 | 78.62 | 72 | 5 | 75.90 | 5 | 2.72 | 84 | 82.77 | 76 | 6 | 80.84 | 2 | 1.93 |
| Female | 83 | 75.79 | 59 | 22 | 74.59 | 2 | 1.20 | 80 | 71.38 | 52 | 26 | 69.38 | 2 | 2.00 |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| **Age** |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| 15–24 | 10 | 7.42 | 5 | – | 5.00 | 5 | 2.42 | 8 | 7.95 | 6 | 1 | 6.95 | 1 | 1 |
| 25‑34 | 40 | 38.73 | 34 | 5 | 37.73 | 1 | 1.00 | 40 | 38.43 | 34 | 5 | 37.43 | 1 | 1.00 |
| 35‑44 | 50 | 46.89 | 40 | 10 | 46.89 | – | – | 49 | 43.37 | 34 | 14 | 42.44 | 1 | 0.93 |
| 45‑54 | 36 | 33.81 | 29 | 7 | 33.81 | – | – | 41 | 39.40 | 34 | 6 | 38.40 | 1 | 1.00 |
| 55‑64 | 22 | 20.96 | 17 | 4 | 20.46 | 1 | 0.50 | 22 | 21.00 | 16 | 6 | 21.00 |  |  |
| Over 64 | 7 | 6.60 | 6 | 1 | 6.60 | – | – | 4 | 4.00 | 4 | – | 4.00 |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| **ESS1–4 grade** | 157 | 146.91 | 124 | 27 | 143.49 | 6 | 3.42 | 156 | 146.15 | 120 | 32 | 142.22 | 4 | 3.93 |
| ESS 1 | 38 | 33.01 | 25 | 7 | 29.59 | 6 | 3.42 | 39 | 35.44 | 26 | 11 | 33.44 | 2 | 2.00 |
| ESS 2 | 48 | 44.60 | 38 | 10 | 44.60 | – | – | 48 | 43.84 | 37 | 11 | 43.84 | – | – |
| ESS 3 | 46 | 44.90 | 40 | 6 | 44.90 | – | – | 42 | 41.10 | 37 | 5 | 41.10 | – | – |
| ESS 4 | 25 | 24.40 | 21 | 4 | 24.40 | – | – | 27 | 25.77 | 20 | 5 | 23.84 | 2 | 1.93 |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| **Senior employees** | 8 | 7.50 | 7 | – | 7.00 | 1 | 0.50 | 8 | 8.00 | 8 | – | 8.00 | – | – |
| Executives | 8 | 7.50 | 7 | – | 7.00 | 1 | 0.50 | 8 | 8.00 | 8 | – | 8.00 | – | – |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Other | – | – | – | – | – | – | – | – | – | – | – | – | – | – |
| **Total employees** | 165 | 154.41 | 131 | 27 | 150.49 | 7 | 3.92 | 164 | 154.15 | 128 | 32 | 150.22 | 4 | 3.93 |

Annualised total salary, by $20 000 bands, for executives and other senior non‑executive staff – Emergency Services and State Super

|  |  |  |
| --- | --- | --- |
| Income band (salary) | Executives | Senior  non‑executive |
| <$160 000 |  |  |
| $160 000–$179 999 | 1 | 1 |
| $180 000–$199 999 | 1 | 1 |
| $200 000–$219 999 | 3 |  |
| $220 000–$239 999 | 1 |  |
| $240 000–$259 999 |  |  |
| $260 000–$279 999 |  |  |
| $280 000–$299 999 |  |  |
| $300 000–$319 999 |  |  |
| $320 000–$339 999 |  |  |
| $340 000–$359 999 | 1 |  |
| $360 000–$379 999 |  |  |
| $380 000–$399 999 |  |  |
| $400 000–$419 999 |  |  |
| $420 000–$439 999 |  |  |
| $440 000–$459 999 |  |  |
| $460 000–$479 999 |  |  |
| $480 000–$499 999 |  |  |
| Total | 7 | 2 |

## Workforce inclusion policy

The Department is working towards creating a balanced working environment where equal opportunity and diversity are valued. As part of our People Matter Action Plan, DTF has a 50/50 target for the executive gender profile. The following table outlines the Department’s progress against this target for 2016‑17.

|  |  |  |  |
| --- | --- | --- | --- |
| Workforce inclusion policy initiative | Target | Actual progress in 2016‑17 | Actual progress in 2015‑16 |
| Gender diversity at executive levels | **Executive Officers:** | **Executive Officers:** | **Executive Officers:** |
| 50 per cent male;  50 per cent female by 2018 | 64 per cent male;  36 per cent female | 65 per cent male;  35 per cent female |

## 

## Executive officer data

For a Department, an executive officer (EO) is defined as a person employed as an executive under Part 3 of the *Public Administration Act 2004* (PAA). For a public body, an EO is defined as an executive under Part 3 of the PAA or a person to whom the Victorian Government’s Policy on Executive Remuneration in Public entities applies. All figures reflect employment levels at the last full pay period in June of the current and corresponding previous reporting year.

The definition of an EO does not include a statutory office holder or an accountable officer.

The following tables disclose the EOs of the Department and its portfolio agencies for 30 June 2017:

* Table 1 discloses the total numbers of EOs for the Department, broken down by gender;
* Table 2 provides a reconciliation of executive numbers presented between the report of operations and Note 9.8 ‘Remuneration of executives’ in the financial statements;
* Table 3 provides the total executive numbers for all of the Department’s portfolio agencies; and
* Tables 1 to 3 also disclose the variations, denoted by ‘var’, between the current and previous reporting periods.

Total number of EOs for the Department, broken down into gender

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | **All** | | **Male** | | **Female** | |
| Class | No. | Var. | No. | Var. | No. | Var. |
| EO‑1 | 5 | 3 | 3 | 2 | 2 | 1 |
| EO‑2 | 21 | 4 | 15 | 5 | 6 | ‑1 |
| EO‑3 | 41 | 1 | 25 | ‑2 | 16 | 3 |
| **Total** | 67 | 8 | 43 | 5 | 24 | 3 |

Table excludes the Essential Services Commission and the State Revenue Office.

Table excludes the Secretary (Accountable Officer).

Nine vacancies existed at the time of reporting (June 2016).

Var column indicates the variation between the current and previous reporting periods.

The number of executives in the Report of Operations is based on the number of executive positions that are occupied at the end of the financial year. Note 9.8 in the financial statements lists the actual number of EOs and the total remuneration paid to EOs over the course of the reporting period.

The financial statements note does not include the Accountable Officer, nor does it distinguish between executive levels or disclose separations. Separations are executives who have left the Department during the relevant reporting period. To assist readers, these two disclosures are reconciled below.

Reconciliation of DTF and SRO Executive Officer numbers: June 2017

|  |  |  |
| --- | --- | --- |
|  | 2017 | 2016 |
| Executives | 67 | 62 |
| Accountable Officer (Secretary) | 1 | 1 |
| Separations | ‑11 | ‑16 |
| Total executive numbers at 30 June | 57 | 47 |

DTF Portfolio Executives

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | **Total** | | **Male** | | **Female** | |
| Portfolio agencies | No. | Var. | No. | Var. | No. | Var. |
| State Electricity Commission of Victoria (Vicpower Trading) | 1 | ‑1 | 1 | ‑1 | – | – |
| State Trustees Limited | 4 | ‑2 | 1 | ‑1 | 3 | ‑1 |
| Transport Accident Commission(a) | 55 | 7 | 31 | 4 | 24 | 3 |
| Treasury Corporation of Victoria | 6 | – | 5 | – | 1 | – |
| Victorian Asbestos Eradication Agency(b) | 1 |  | – |  | 1 |  |
| Victorian Funds Management Corporation | 8 | – | 3 | ‑1 | 5 | 1 |
| Victorian Managed Insurance Authority(c) | 11 | ‑3 | 7 | ‑1 | 4 | ‑2 |
| Victorian WorkCover Authority (WorkSafe Victoria)(d) | 61 | ‑11 | 37 | ‑3 | 24 | ‑8 |
| Total | 147 | ‑10 | 85 | ‑3 | 62 | ‑7 |

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

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

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

Notes:

(a) Transport Accident Commission has 47 executives that they do not intend to report in their annual report (21 females and 26 males).

(b) Victorian Asbestos Eradication Agency has one female executive that they do not intend to report in their annual report.

(c) Victorian Managed Insurance Authority (VMIA) has five executives that they do not intend to report in their annual report (three females and two male).

(d) Victorian WorkCover Authority has seven executives that they do not intend to report in their annual report (two females and five males).

Appendix 2 DTF occupational health and safety report 30 June 2017

The Department has continued its commitment to occupational health and safety (OHS) during the financial year, with a number of key achievements:

* quarterly Health and Safety Committee (HSC meetings at the request of health and safety representatives (HSRs)). A quarterly OHS newsletter is produced and distributed to all staff;
* establishing a Safety Month program during October (in alignment with Safe Work Australia and WorkSafe Victoria). This program involved health and wellbeing seminars on fitness and mindfulness; an introduction to OHS for managers; St John Ambulance mobile CPR van on‑site; roving ergonomic assessments; and OHS awareness activities;
* introduction of DTF First Aid Officer information and support meetings. Two meetings were held in July 2016 and April 2017;
* provision of workstation ergonomic assessments. In total, 234 workstation ergonomic assessments were conducted (a 98 per cent increase on 2015‑16). These included 125 face‑to‑face assessments and 129 online assessments via DTF’s safe workstation setup online module;
* DTF has purchased and commissioned more than 60 portable sit‑stand desks to support office‑based workers adjust between a sitting and standing working posture;
* introduction of DTF motor vehicle accident and infringement reporting and monitoring to identify OHS incidents and investigate the root causes to prevent re‑occurrence;
* annual on‑site flu vaccination program held, with 305 employees receiving flu vaccinations (29 per cent increase on 2015‑16);
* provision of DTF’s eye testing procedure: 26 eyewear reimbursements claimed. This is a reduction of two reimbursements compared to 2015‑16; and
* promotion of DTF’s Employee Assistance Program. In total, 88 new referrals were made (51 per cent increase on 2015‑16).

## DTF’s performance against OHS management measures

| Measure | KPI | 2014‑15 | 2015‑16 | 2016‑17 |
| --- | --- | --- | --- | --- |
| Incidents | Number of incidents | 22 | 18 | 20 |
| Rate per 100 FTE | 4.34 | 3.49 | 3.44 |
| Claims | Number of standardised claims (a) | 4 | 1 | 2 |
| Rate per 100 FTE | 0.79 | 0.19 | 0.34 |
| Number of lost time claims (b) | 2 | 1 | 1 |
| Rate per 100 FTE | 0.39 | 0.19 | 0.17 |
| Number of claims exceeding 13 weeks | 2 | – | – |
| Rate per 100 FTE | 0.39 | – | – |
| Fatalities | Fatality claims | – | – | – |
| Claim costs | Average cost per standard claim (c) | $57 669  The increase in claims cost is associated with one claim being incorrectly coded by Workers Compensation Agent. This has not affected the 2015‑16 premium. | $5 108 | $66.50 |
| Return to work | Percentage of claims with return to work plan <30 days | n/a | 100 per cent | – |
| Management commitment | Evidence of OHS policy statement, OHS objectives, regular reporting to senior management on OHS, and OHS plans (signed by CEO or equivalent) | Statement of Commitment reviewed and revised and signed by Secretary.  Routine tabling of minutes from Health and Safety Committee (HSC) to People and Culture Committee (PCC).  Senior manager (Director, Corporate Services) assumed role of Chair of HSC from February 2015.  OHS plan included in human resources business plan. | Statement of Commitment signed by Secretary.  OHS issues are raised monthly with Directors.  Increased visibility of OHS reporting and issues for wider Department via OHS newsletter.  DTF participated in whole of Victorian government interdepartmental Health and Safety Sub‑committee, and Sub‑committee working group. | Statement of Commitment signed by Secretary.  Reinstatement of quarterly DTF Health and Safety Committee (HSC) meetings – following the HSC electing to stop meetings during 2015‑16. Head of People and Culture chairs HSC meetings. |
| Evidence of OHS criteria in purchasing guidelines (including goods, services and personnel) | Purchasing guidelines contain OHS criteria. | Staff engaged through a proactive approach towards workstation assessments, with subsequent purchase of ergonomic workstation related equipment. | Purchasing Guidelines contain OHS Criteria.  Staff have been engaged through a proactive approach towards workstation assessments. This has resulted in the subsequent purchase of ergonomic workstation‑related equipment. Sit‑stand desks were purchased that have been built to the appropriate standards. Chairs purchased for staff were minimum quality compliant chairs (Australasian Furnishing Research and Development Institute level 6).  Services and personnel engaged to support OHS program (i.e. flu vaccination program, training, etc.) have been required to provide evidence of competency and insurance information. |
| Consultation and participation | Evidence of agreed structure of designated work groups (DWGs), health and safety representatives (HSRs), and issue resolution procedures (IRPs) | Rationalisation of DWGs to better reflect workplaces.  Rebranding of OHS Committee to Health and Safety Committee (HSC) with charter reviewed and updated in consultation with HSC members.  HSR and manager engagement strategy developed and endorsed by HSC for implementation 2015‑16.  All scheduled HSC meetings conducted within one week of scheduled date. | Review of DTF consultation procedure resulted in replacement of quarterly HSC meeting with the co‑production of a quarterly OHS newsletter with input from HSRs, for wider departmental distribution. The first newsletter was released in March 2016 via the employee intranet. The new procedure allows for HSC meetings to be held if requested by a HSR or a DTF employee. In addition, at a minimum, one HSC meeting will be held during the reporting period.  Two HSC meetings were conducted during this period in August and November 2015.  HSRs involved in development of OHS newsletter. | The DTF HSC was re‑established in consultation with HSRs. The HSC Terms of Reference were reviewed as part of the August 2016 HSC Meeting.  During the January 2017 HSC meeting, DWGs were reviewed in line with the HSR election process. This review resulted in a rearrangement of DWGs to suit the location where newly elected HSRs were seated. |
| Compliance with agreed structure on DWGs, HSRs, and IRPs | All HSR positions filled in new DWG structure to ensure enhanced worker representation and consultation. | All HSR positions were filled throughout reporting period. | Re‑election of HSRs who had come to the end of their three‑year terms in February 2017. All HSR positions were filled.  DTF HSC meetings were held in August 2016, October 2016, January 2017 and April 2017. |
| Risk management | Percentage of internal audits/ inspections conducted as planned | >90 per cent of first aid kits inspected on a quarterly basis across the business and parts replaced within three weeks of ordering.  Workplace inspection form reviewed, and endorsed by HSC, due to detected low usage by HSRs. | >95 per cent of first aid kits inspected on a quarterly basis with parts replaced within two weeks of ordering.  Kit inspection checklist was amended to include quarterly assessment of defibrillators.  100 per cent completion of first aid room inspection.  Review of first aid capability at 121 Exhibition Street resulted in the relocation of a defibrillator from the Car Pool Office on ground floor, 1 Treasury Place to level 25, 121 Exhibition Street to ensure coverage for DTF employees.  60 per cent of workplace safety inspections undertaken across DTF workplaces, scheduled to be completed on a quarterly basis.  DTF OHS Advisory attended 100 per cent of the quarterly ESC OHS Committee meetings. After each meeting a workplace inspection was undertaken. 100 per cent of workplace inspections were completed at ESC.  DTF OHS Advisory and HSR addressed the Shared Service Provider forum on OHS on 29 June 2016.  118 ergonomic assessments were conducted: 62 face‑to‑face (53 per cent), including two for staff home based workstations, and 56 (47 per cent), using DTF’s ‘safe workstation setup’ online module. | 80 per cent of workplace inspections were completed within the scheduled quarter.  Workplace OHS inspections were completed at the following DTF locations: 1 Macarthur Street, 1 Treasury Place, 607 Sneydes Rd, Werribee and 121 Exhibition Street.  70 per cent of first aid kits were inspected on a quarterly basis, with first aid items replaced within two weeks of ordering.  100 per cent of first aid room inspections were completed.  The following annual internal audits were completed as planned: (i) OHS Management System Review; (ii) Register Audit; and (iii) Service Level Agreement Audit.  In total, 234 ergonomic assessments (workstation audits) were conducted representing a 98 per cent increase when compared to 2015‑16. Of these: (i) 125 were conducted face‑to‑face (53 per cent), and (ii) 109 were completed using DTF’s online training module: ‘safe workstation setup’ (47 per cent). |
|  | Percentage of issues identified actioned arising from: |  |  |  |
| * internal audits | * none undertaken | * annual audit of policies and procedures undertaken in January 2016. No non‑conformances identified. | A desktop annual audit of OHS policies and procedures was undertaken in January 2017. No non‑conformances identified. | |
|  | * HSR provisional improvement notices (PIN) | * nil issued | * nil issued | * nil issued |
|  | * WorkSafe notices | * nil issued | * nil issued | * nil issued |
| Training | Percentage of managers and staff that have received OHS training:   * induction * management training * contractors, temps and visitors | DTF’s online OHS learning modules were reviewed and revised and all DTF staff were required to successfully complete these. | 143 DTF employees and contractors have successfully completed online OHS learning modules in 2015‑16 through ComplianceNet.  16 DTF staff (including paid First Aid Officers) received first aid training. | 417 DTF employees and contractors have successfully completed the online OHS learning modules through ComplianceNet.  This reflects 72 per cent of DTF’s FTE. |
| Percentage of HSRs trained: |  | 100 per cent of HSRs are trained. | 100 per cent of DTF’s HSRs have completed the WorkSafe Approved HSR initial OHS training. |
| * acceptance of role | * no vacancies currently exist | * no vacancies currently exist | * no vacancies currently exist |
| * re‑training (refresher) | * 100 per cent HSRs provided with access to the five day initial HSR training on acceptance of the role * WorkSafe approved HSR refresher training scheduled for 14 July 2015. OHS Advisory provides HSRs with access to webinars (e.g. 16 June 2015, – WorkCover Webinar – Talking to your workers about health and safety) | * WorkSafe Approved HSR Refresher training delivered on 13 July 2015. | * 100 per cent of HSRs were provided with the opportunity to complete the WorkSafe Approved HSR refresher OHS training. All but one HSR attended the training session delivered internally in September 2016. External HSR refresher OHS training was offered to the HSR who did not attend the internal session, however this was not taken up by the HSR. |
| * reporting of incidents and injuries | * HSRs trained in reporting of incidents through OHS Committee. * HSRs alerted to encourage worker take‑up of online workstation setup. | * HSRs trained in reporting of incidents through OHS Committee and HSR refresher training. * HSRs alerted to encourage staff take up of online workstation setup. | * Reviewing the Incident Register is part of the HSC meeting agenda. Investigations are led by OHS Advisory in consultation with the HSRs. |

Notes:

(a) VWA supplied data. Data for standardised claims, time lost claims and death claims is at 30 June 2017. Standardised claims are those that have exceeded the employer excess or are registered as a standard claim and are open with no payments at the time of extraction.

(b) VWA supplied data. A time lost claim is one with one or more days compensated by the VWA (after employer excess) at the time of extraction. They are a subset of standardised claims.

(c) VWA supplied data based on claims reported between 1 July 2016 and 30 June 2017. Claims include payments to date plus an estimate of outstanding claims costs (further costs as calculated by the VWA’s statistical case estimate model).

Appendix 3 Environmental reporting

### Office‑based environmental impacts

DTF monitored the environmental impacts of its operations during 2016‑17 via DTF’s office‑based environmental management system (EMS), which is based on international standard AS/NZS ISO14001, Environmental Management Systems Requirements.

The office‑based EMS controls all operational activities within DTF’s offices and aims to minimise the generation of waste and the use of energy, water, paper, travel, vehicle fleet and greenhouse emissions in the course of operations.

The suite of environmental indicators presented below is based on the Financial Reporting Direction 24C.

#### Energy

The Department’s energy consumption comprises its CBD office facilities. Core DTF staff were located at 1 Treasury Place, 1 Macarthur Street and 2 Lonsdale Street.

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Indicator | 2016‑17 | | | | 2015‑16 | | | |
|  | Electricity | Natural gas | Green power | Total | Electricity | Natural gas | Green power | Total |
| Total energy usage segmented by primary source (MJ) | 2 933 114 |  |  | 2 933 114 | 2 949 182 |  |  | 2 949 182 |
| Greenhouse gas emissions associated with energy use, segmented by primary source and offsets (t CO2‑e) | 1 027 |  |  | 1 027 | 1 032 |  |  | 1 032 |
| Percentage of electricity purchased as green power | – |  |  | – | – |  |  | – |
| Units of energy used per FTE (MJ/FTE) | 4 831 |  |  | 4 831 | 5 156 |  |  | – |
| Units of energy used per unit of office area (MJ/m2) | 192 |  |  | 192 | 193 |  |  | – |
| **Actions undertaken** |  |  |  |  |  |  |  |  |
| Earth Hour | DTF participated in the 2017 Earth Hour event. | | | | | | | |

##### Result

* Energy consumption was down 0.54 per cent on 2015‑16.

##### Explanatory notes

* Billing data was used to calculate the Department’s energy use. Where billing data is unavailable, average consumption from the previous billing period is used.
* The decrease in units of energy used per FTE (MJ/FTE) was attributed to a consolidation of DTF FTE to the Treasury Reserve and replacement of end of life atmospheric boilers.

#### Paper

Paper use covered staff located in 1 Treasury Place, 1 Macarthur Street and 121 Exhibition Street and 2 Lonsdale Street.

|  |  |  |
| --- | --- | --- |
| Indicator | 2016‑17 | 2015‑16 |
| Total units of copy paper used (reams) | 7 347 | 5 826 |
| Units of copy paper used per FTE (reams/FTE) | 12.0 | 10.2 |
| Percentage of 75–100 recycled content copy paper purchased | 71 | 38 |
| Percentage of 50–75 recycled content copy paper purchased | 0 | 0 |
| Percentage of 0–50 recycled content copy paper purchased | 29 | 62 |
| Greenhouse gas emissions related to paper use (t CO2‑e) | 28.52 | 22.3 |
| Optional indicators |  |  |
| Total units of A4 equivalent paper used in publications (reams) | 1 917 | 2 395 |
| Actions undertaken |  |  |
| e‑Reviewing | DTF expanded the number of publications managed by e‑Reviewing (eDrafts), reducing the requirement to print hard copy drafts. | |
| Review of requirement for hard copy publications | DTF as part of planning for major publications continues to review the number of hard copy versions required and directs stakeholders to online versions as an alternative. | |

##### Result

* Paper use increased by 1.8 reams per FTE from 2015‑16 result, due to an increase in the number of government publications produced.

##### Explanatory notes

* Paper use is calculated using the information provided under the whole of government office stationery contract.
* Where data is unavailable, average use from the previous billing period is used.
* The Department has increased purchase of higher recycled content paper by 40 per cent from 2015‑16.

#### Water

Water data covered staff located in 1 Treasury Place, 1 Macarthur Street.

|  |  |  |
| --- | --- | --- |
| Indicator | 2016‑17 | 2015‑16 |
| Total units of metered water consumed by usage types (kilolitres) | 10 937 | 8 647 |
| Units of metered water consumed in offices per FTE (litres/FTE) | 18 015 | 15 170 |
| Units of metered water consumed in offices per unit of office area (litres/m2) | 716 | 566 |
| Actions undertaken | | |
| DTF continues to make improvements to the plumbing infrastructure on the reserve. | |  | |

##### Explanatory notes

* The data for 2016‑17 was calculated using billing data. Where billing data is unavailable, average consumption from the previous billing period is used.
* Water data covers staff located in 1 Treasury Place, 1 Macarthur Street and 2 Lonsdale Street.
* Water consumption increased due to the major plumbing works undertaken on Treasury Reserve.

#### Transport

The Department utilises vehicles from the State Government Vehicle Pool for its operational car travel.

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Operational vehicles** | 2016‑17 | | | | | 2015‑16 | | | | |
|  | ULP | LPG | Diesel | | Total | ULP | LPG | | Diesel | Total |
| Total energy consumption by vehicles (MJ) | 78 904 | 4 318 | 15 263 | | 98 485 | 53 400 |  | |  | 53 400 |
| Total vehicle travel associated with entity operations (km) | 29 353 | 1 340 | 4 443 | | 35 126 | 21 609 |  | |  | 21 609 |
| Total greenhouse gas emissions from vehicle fleet (t CO2‑e) | 5.34 | 0.13 | 1.07 | | 6.54 | 3.6 |  | |  | 3.6 |
| Greenhouse gas emissions from vehicle fleet per 1 000km travelled (t CO2‑e) | 0.19 | 0.11 | 0.25 | | 0.55 | 0.17 |  | |  | 0.17 |
|  |  |  |  | |  |  |  | |  |  |
|  | | | | 2016‑17 | | | | 2015‑16 | | |
| Total distance travelled by aeroplane (km) | | | | 261 056 | | | | 230 221 | | |
| Total greenhouse gas emissions from air travel  (t CO2‑e) | | | | 75.12 | | | | 54.4 | | |
|  | | | |  | | | |  | | |
| Percentage of employees regularly (>75 per cent of work attendance days) using public transport, cycling, walking, or car pooling to and from work or working from home, by locality type. | | | | 90 | | | | 90 | | |
| **Actions undertaken** | | | |  | | | |  | | |
| To encourage staff to ride to work, DTF provided end‑of‑trip facilities. | | | |  | | | |  | | |

##### Explanatory notes

* The vehicle travel data includes DTF hire car usage from the Shared Service Provider Vehicle Pool and was provided by the Shared Service Provider.
* Air travel was provided by the State Government booking agency.

#### Waste

The waste data in the indicators below, includes data from the three kitchen waste streams (landfill, recycling and compost) as well as data from paper and cardboard bins.

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Waste generation | 2016‑17 | | | | 2015‑16 | | | |
|  | Landfill | Co‑mingled recycling | Compost | Total | Landfill | Co‑mingled recycling | Compost | Total |
| Total units of waste by destination (kg/year) | 6 642 | 37 413 | 5 391 | 49 446 | 7 039 | 38 479 | 5 048 | 50 566 |
| Units of waste per FTE by destination (kg/year) | 10.9 | 61.6 | 8.9 | 81.4 | 12.3 | 67.3 | 8.8 | 88.4 |
| Greenhouse gas emissions from waste to landfill (t CO2‑e) | 9.3 | | | | 8.4 | | | |
| Recycling rate (per cent of total waste) | 87 | | | | 86 | | | |
| Actions undertaken |  | | | |  | | | |
| Signage | Signage in kitchens has been updated to encourage staff to place waste in the correct waste stream. | | | | | | | |

##### Targets

The following target was set for 2016‑17:

* Improve communication and signage to decrease contamination levels in kitchen waste bins.

##### Result

* Units of waste to landfill by FTE has decreased from 12.3 to 10.9.

##### Explanatory notes

* Waste data was collected from waste audits conducted at 1 Treasury Place and 1 Macarthur Street, which covers 98 per cent of staff.

#### Greenhouse gas emissions

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

|  |  |  |
| --- | --- | --- |
| Indicator | 2016‑17 | 2015‑16 |
| Total greenhouse gas emissions associated with energy use (t CO2‑e) | 1 027 | 1 032 |
| Total greenhouse gas emissions associated with vehicle fleet (t CO2‑e) | 6.5 | 3.6 |
| Total greenhouse gas emissions associated with air travel (t CO2‑e) | 75.1 | 54.5 |
| Total greenhouse gas emissions associated with waste production (t CO2‑e) | 9.3 | 8.4 |
| Total greenhouse gas emissions associated with paper use (t CO2‑e) | 28.5 | 22.3 |
| Total greenhouse gas emissions (t CO2‑e) | 1 146 | 1 121 |

#### Procurement

DTF has undertaken procurement activities that are environmentally responsible and support the objectives of DTF and the whole of government.

These include:

* environmental requirements are addressed in tender specifications and tender evaluation criteria, as applicable;
* supplier compliance to environmental sustainability requirements monitored on an ongoing basis through the contract management process; and
* Victorian Government Purchasing Board guidance material was updated to reinforce the inclusion of environmental factors and commitments in market engagement documents.

#### Targets for 2017‑18

The following targets have been set for 2017‑18:

* energy – reduce energy consumption through better use of IT.
* waste – improve communication and signage to decrease contamination levels in kitchen waste bins.
* transport – involvement in Ride to Work and Walk to Work days.

#### Glossary

|  |  |
| --- | --- |
| FTE | Full time equivalent employee |
| kg | Kilograms |
| kL | Kilolitres |
| km | Kilometres |
| L | Litres |
| LPG | Liquefied petroleum gas |
| m2 | Metres squared |
| MJ | Megajoules |
| Ream | 500 sheets of A4 paper |
| t CO2–e | Tonnes of CO2 equivalent |
| ULP | Unleaded petrol |

#### Trend charts

Appendix 4 Statutory compliance and other information

Legislation administered by DTF portfolios

During the 2016‑2017 financial year, there has been one change to the General Orders dated 23 May 2016, being the Supplement to the General Order dated 15 September 2016.

Since 15 September 2016, the General Orders have been read together with the Supplement to the General Orders. The Supplement to the General Order amends certain arrangements specified in the General Orders and provides for new arrangements to reflect the Government’s administrative arrangements.

For reporting purposes, the legislation administered by DTF’s portfolios as per the General Order dated 23 May 2016 and Supplement to the General Order dated 15 September 2016 have been included in the *2016‑17 Annual Report*.

## 30 June 2016 – 15 September 2016

### Treasurer

In accordance with the General Order dated 23 May 2016, the Treasurer was responsible for the administration of the following Acts during the time period of 30 June 2016 – 30 June 2017.

*Alcoa (Portland Aluminium Smelter) Act 1980*

Appropriation Acts (passed annually)

*Back to Work Act 2015*

*Bank Integration Act 1992*

*Borrowing and Investment Powers Act 1987*

*Business Franchise (Petroleum Products) Act 1979*

*Commonwealth Places (Mirror Taxes Administration) Act 1999*

*Competition Policy Reform (Victoria) Act 1995*

*Congestion Levy Act 2005*

*Constitution Act 1975 –*

* Section 88 in so far as it relates to the appointment of the Commissioner for Better Regulation and the Red Tape Commissioner

(The Act is otherwise administered by the Attorney‑General, the Minister for Training and Skills, the Premier and the Special Minister of State)

*Co‑operative Housing Societies Act 1958*

*Duties Act 2000*

*Educational Institutions (Guarantees) Act 1976*

*Electricity Industry (Residual Provisions) Act 1993*

*Financial Agreement Act 1994*

*Financial Management Act 1994* – except:

* Sections 1, 2, 3 and 7 (these provisions are jointly administered with the Minister for Finance)

Sections 5, 6, 8, 13–16, 18‑23(1) and 27A–27C; Part 7; Part 7A; Part 7B; Part 8; and sections 62‑63 (these provisions are administered by the Minister for Finance)

*Financial Sector Reform (Victoria) Act 1999*

*Fire Services Property Levy Act 2012*

*First Home Owner Grant Act 2000*

*Gambling Regulation Act 2003 –*

* Section 3.4.33
* Section 4.3.12
* Division 1 of Part 3 of Chapter 10

(The Act is otherwise administered by the Minister for Consumer Affairs, Gaming and Liquor Regulation and the Minister for Racing)

*Gas and Fuel Corporation (Heatane Gas) Act 1993*

*Gas Industry (Residual Provisions) Act 1994*

*Grain Handling and Storage Act 1995* – except:

* Part 3 (this Part is administered by the Minister for Agriculture)

*Land Tax Act 2005*

*Loy Yang B Act 1992*

*Melbourne Cricket Club Act 1974*

*Monetary Units Act 2004*

*Mutual Recognition (Victoria) Act 1998*

*National Taxation Reform (Consequential Provisions) Act 2000*

*New Tax System Price Exploitation Code (Victoria) Act 1999*

*Occupational Licensing National Law Act 2010*

Occupational Licensing National Law (Victoria)

*Payroll Tax Act 2007*

*Planning and Environment Act 1987* –

* Part 9B (this Part is jointly and severally administered with the Minister for Planning)

(The Act is otherwise administered by the Minister for Planning)

*Port Management Act 1995 –*

* Sections 160, 171 and 173

(The Act is otherwise administered by the Minister for Finance and the Minister for Ports)

*Public Authorities (Dividends) Act 1983*

*Rural Finance Act 1988*

*Snowy Hydro Corporatisation Act 1997*

*State Bank (Succession of Commonwealth Bank) Act 1990*

*State Electricity Commission Act 1958 – except:*

* Section 107 (this section is administered by the Minister for Energy, Environment and Climate Change)

*State Owned Enterprises Act 1992* – except:

* Division 2 of Part 2 in so far as it relates to the CenITex (in so far as they relate to that matter, these provisions are administered by the Minister for Finance)
* Division 2 of Part 2 in so far as it relates to the Victorian Plantations Corporation (in so far as they relate to that matter, these provisions are administered by the Minister for Energy, Environment and Climate Change)
* Division 2 of Part 2 in so far as it relates to the Water Training Centre (in so far as they relate to that matter, these provisions are administered by the Minister for Energy, Environment and Climate Change)
* Division 2 of Part 2, and Part 3, in so far as they relate to the Victorian Interpreting and Translating Service (in so far as they relate to that matter, these provisions are administered by the Minister for Multicultural Affairs)

*State Trustees (State Owned Company) Act 1994* – except:

* Part 4 (this Part is jointly and severally administered by the Minister for Families and Children and the Minister for Housing, Disability and Ageing)

Supply Acts (passed annually)

*Taxation Administration Act 1997*

*Taxation (Interest on Overpayments) Act 1986*

*Trans Tasman Mutual Recognition (Victoria) Act 1998*

*Treasury Corporation of Victoria Act 1992*

*Trustee Companies Act 1984 –*

* The Act is jointly administered with the Attorney‑General

*Victorian Funds Management Corporation Act 1994*

*Workers Compensation Act 1958 –*

* Division 8 of Part 1

(The Act is otherwise administered by the Minister for Finance)

*Young Farmers’ Finance Council Act 1979*

#### Minister for Finance

In accordance with the General Order dated 23 May 2016, the Minister for Finance was responsible for the administration of the following Acts during the time period of 30 June 2016 – 30 June 2017.

*Accident Compensation Act 1985*

*Accident Compensation (Occupational Health and Safety) Act 1996*

*Asbestos Diseases Compensation Act 2008*

*Audit Act 1994* –

* Sections 8‑10, 16A, 16B, 16D, 16E and 16G
* Sections 13, 16C and 21 (these sections are jointly and severally administered with the Special Minister of State)

(The Act is otherwise administered by the Special Minister of State)

*Casino Control Act 1991 –*

* Section 128K(2)

(The Act is otherwise administered by the Minister for Consumer Affairs, Gaming and Liquor Regulation and the Minister for Planning)

*Coal Mines (Pensions) Act 1958*

*Crown Land (Reserves) Act 1978* –

* In so far as it relates to the land shown as:
  + Crown Allotments 2A, 3 and 4 of Section 5, City of Melbourne, Parish of Melbourne North (Parish Plan No. 5514C) and known as the Treasury Reserve
  + Crown Allotments 4A and 4B on Certified Plan 111284 lodged with the Central Plan Office and to be known as the Old Treasury Building Reserve

(The Act is otherwise administered by the Minister for Corrections, the Minister for Energy, Environment and Climate Change, the Minister for Health, the Minister for Ports, the Minister for Sport and the Premier)

*Dangerous Goods Act 1985*

*Equipment (Public Safety) Act 1994*

*Emergency Services Superannuation Act 1986*

*Essential Services Commission Act 2001*

*Financial Management Act 1994* –

* Sections 5, 6, 8, 13 16, 18–23(1) and 27A–27C; Part 7; Part 7A; Part 7B; Part 8; and sections 62–63
* Sections 1–3 and 7 (these provisions are jointly administered with the Treasurer)

(The Act is otherwise administered by the Treasurer)

*Government Superannuation Act 1999*

*Housing Act 1983 –*

* Divisions 1–5 and Divisions 7–9 of Part VIII
* Schedules 7 and 8
* Sections 143(1), 143(2)(d), 143(2)(e), 143(2)(f), 143(2)(i) and 143(3) (these provisions are jointly and severally administered with the Minister for Housing, Disability and Ageing)

(The Act is otherwise administered by the Minister for Housing, Disability and Ageing)

*Land Act 1958* –

* In so far as it relates to the exercise of powers relating to leases and licences under Subdivisions 1 and 2 of Division 9 of Part I in respect of:
  + land in the Melbourne Casino area within the meaning of Part 9A of the *Casino Control Act 1991*
  + Crown land coloured brown on Plans numbered LEGL./93–211, LEGL./93–212, LEGL./93–213, LEGL./93–214 and   
    LEGL./93–215 lodged in the Central Plan Office
  + land shown as Crown Allotment 32E, section 7 on Certified Plan No. 108871 lodged in the Central Plan Office
  + land shown as Crown Allotment 4A, section 1A on Certified Plan No. 75050 lodged in the Central Plan Office
  + land shown as Crown Allotment 4D, section 1A on Certified Plan No. 112128 lodged in the Central Plan Office
  + The area of 3643 square metres of land in the city of Port Melbourne as shown on Plan LEGL./96–216 lodged in the Central Plan Office
  + land shown as Crown Allotment 4, section 1A on Certified Plan No. 109991 lodged in the Central Plan Office
* Division 6 of Part I, Subdivision 3 of Division 9 of Part I, section 209, and the remainder of the Act where it relates to the sale and alienation of Crown Lands as set out in Administrative Arrangements Order No. 58
* Sections 201, 201A and 399 except in so far as they relate to the land described as Crown Allotment 16 of Section 5, at Elwood, Parish of Prahran being the site of the former Elwood Police Station (except in so far as they relate to that land, these provisions are jointly administered with the Minister for Energy, Environment and Climate Change)
* Sections 201, 201A and 399 in so far as they relate to the land described as Crown Allotment 16 of Section 5, at Elwood, Parish of Prahran being the site of the former Elwood Police Station (in so far as they relate to that land, these provisions are jointly administered with the Attorney‑General)

(The Act is otherwise administered by the Attorney‑General, the Minister for Corrections, the Minister for Energy, Environment and Climate Change, the Minister for Health, the Minister for Ports and the Minister for Roads and Road Safety)

*Occupational Health and Safety Act 2004*

*Parliamentary Salaries and Superannuation Act 1968* –

* Part 3

(The Act is otherwise administered by the Special Minister of State)

*Petroleum Products Subsidy Act 1965*

*Police Regulation (Pensions) Act 1958* –

* Part III

(The Act is otherwise administered by the Minister for Police)

*Port Management Act 1995* –

* Sections 63A–63J

(The Act is otherwise administered by the Minister for Ports and the Treasurer)

*Project Development and Construction Management Act 1994* –

* Part 4

(The Act is otherwise administered by the Minister for Planning, the Minister for Major Projects and the Premier)

*State Employees Retirement Benefits Act 1979*

*State Owned Enterprises Act 1992* –

* Division 2 of Part 2 in so far as it relates to the CenITex

(The Act is otherwise administered by the Minister for Energy, Environment and Climate Change, the Minister for Multicultural Affairs and the Treasurer)

*State Superannuation Act 1988*

*Superannuation (Portability) Act 1989*

*Transport Accident Act 1986* – except

* Sections 11 to 14 in so far as they relate to road safety (in so far as they relate to those matters, these sections are jointly and severally administered with the Minister for Roads and Road Safety)
* Sections 15 to 18, 25 and 29 (these sections are jointly administered with the Minister for Roads and Road Safety)

*Transport Superannuation Act 1988*

*Unclaimed Money Act 2008*

*Victorian Managed Insurance Authority Act 1996*

*Workers Compensation Act 1958 – except*:

* Division 8 of Part 1 (this Division is administered by the Treasurer)

*Workplace Injury Rehabilitation and Compensation Act 2013 – except*:

* Division 1 of Part 6 (this Division is administered by the Attorney General)

### 15 September 2016 – 30 June 2017

#### Treasurer

In addition to his responsibilities under the General Order dated 23 May 2016, the Treasurer became responsible for the administration of the following Act pursuant to the Supplement to the General Order dated 15 September 2016.

##### Delivering Victorian Infrastructure (Port of Melbourne Lease Transaction) Act 2016

In addition to his responsibilities under the General Order dated 23 May 2016, pursuant to the Supplement to the General Order dated 15 September 2016 the Treasurer became responsible for the administration of the following provisions of Acts and functions in place of the arrangements specified in the General Order of 23 May 2016.

*State Owned Enterprises Act 1992* – except:

* Division 2 of Part 2 in so far as it relates to the CenITex (in so far as they relate to that matter, these provisions are administered by the Minister for Finance)
* Division 2 of Part 2 in so far as it relates to the Victorian Plantations Corporation (in so far as they relate to that matter, these provisions are administered by the Minister for Energy, Environment and Climate Change)
* Division 2 of Part 2 in so far as it relates to the Water Training Centre (in so far as they relate to that matter, these provisions are administered by the Minister for Water)
* Division 2 of Part 2, and Part 3, in so far as they relate to the Victorian Interpreting and Translating Service (in so far as they relate to that matter, these provisions are administered by the Minister for Multicultural Affairs)

The Treasurer did not become responsible for the administration of any other additional Acts of Parliament, provisions of Acts and functions during the time period of 15 September 2016 – 30 June 2017.

#### Minister for Finance

In addition to his responsibilities under the General Order dated 23 May 2016, pursuant to the Supplement to the General Order dated 15 September 2016 the Minister for Finance became responsible for the administration of the following provisions of Acts and functions in place of the arrangements specified in the General Order of 23 May 2016.

*Land Act 1958* –

* In so far as it relates to the exercise of powers relating to leases and licences under Subdivisions 1 and 2 of Division 9 of Part I in respect of:
  + land in the Melbourne Casino area within the meaning of Part 9A of the *Casino Control Act 1991*
  + Crown land coloured brown on Plans numbered LEGL./93‑211, LEGL./93‑212, LEGL./93‑213, LEGL./93‑214, and LEGL./93‑215 lodged in the Central Plan Office
  + land shown as Crown Allotment 32E, section 7 on Certified Plan No. 108871 lodged in the Central Plan Office
  + land shown as Crown Allotment 4A, section 1A on Certified Plan No. 75050 lodge din the Central Plan Office
  + land shown as Crown Allotment 4D, section 1A on Certified Plan No. 112128 lodged in the Central Plan Office
  + the area of 3643 square metres of land in the city of Port Melbourne as shown on Plan LEGL./96‑216 lodged in the Central Plan Office
  + land shown as Crown Allotment 4, section 1A on Certified Plan No. 109991 lodged in the Central Plan Office
* Division 6 of Part I, Subdivision 3 of Division 9 of Part I, section 209, and the remainder of the Act where it relates to the sale and alienation of Crown Lands as set out in Administrative Arrangements Order No. 58
* Sections 201, 201A and 399 except in so far as they relate to the land described as Crown Allotment 16 of Section 5, at Elwood, Parish of Prahran being the site of the former Elwood Police Station (except in so far as they relate to that land, these provisions are jointly administered with the Minister for Energy, Environment and Climate Change)
* Sections 201, 201A and 399 in so far as they relate to the land described as Crown Allotment 16 of Section 5, at Elwood, Parish of Prahran being the site of the former Elwood Police Station (in so far as they relate to the land, these provisions are jointly administered with the Attorney‑General)

(This Act is otherwise administered by the Attorney‑General, the Minister for Corrections, the Minister for Creative Industries, the Minister for Energy, Environment and Climate Change, the Minister for Health, the Minister for Ports, the Minister for Roads and Road Safety and the Special Minister of State)

*Parliamentary Salaries and Superannuation Act 1968* –

* Sections 8A and 8B
* Part 3

(This Act is otherwise administered by the Special Minister of State)

*State Owned Enterprises Act 1992* –

* Division 2 of Part 2 in so far as it relates to the CenITex

(This Act is otherwise administered by the Minister for Energy, Environment and Climate Change, the Minister for Multicultural Affairs, the Minister for Water and the Treasurer)

The Minister for Finance did not become responsible for the administration of any additional Acts of Parliament, provisions of Acts and functions during the time period of 15 September 2016 – 30 June 2017.

Local Jobs First – Victorian Industry Participation Policy

The *Victorian Industry Participation Policy Act 2003* requires departments and public sector bodies to report on the implementation of Local Jobs First – Victorian Industry Participation Policy (Local Jobs First – VIPP). Departments and public sector bodies are required to apply Local Jobs First – VIPP in all procurement activities valued at:

* $3 million or more in metropolitan Melbourne and for statewide projects; or
* $1 million or more for procurement activities in regional Victoria.

During 2016‑17, this Department(a) did not commence or complete any contracts to which a VIPP Plan or Local Industry Development Plan (LIDP) was required.

This Department is the lead agency for a number of State Purchase Contracts (SPCs). During 2016‑17 the Department entered into one SPC to which a VIPP plan was not required as the procurement is local by nature. This new SPC was a replacement for an SPC which was completed during 2016‑17 and provided statewide coverage.

(a) VIPP reporting of DTF agencies is contained in the relevant agency’s annual report.

Disclosure of government advertising expenditure

Details of government advertising expenditure (campaigns with   
a media spend of $100 000 or greater) ($ thousand)

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  | 2016‑17 | | | | | |
| Name of campaign | Campaign summary | Start/ end date | Advertising (media) expenditure  (ex. GST) | Creative and campaign development expenditure  (ex. GST) | Research and evaluation expenditure  (ex. GST) | Print and collateral expenditure  (ex. GST) | Other campaign expenditure  (ex. GST) | Total |
| Nil | Nil | n/a | n/a | n/a | n/a | n/a | n/a | n/a |

Consultancy expenditure

## Details of consultancies (valued at $10 000 or greater)

In 2016‑17 there were 70 consultancies where the total fees payable to the consultants were $10 000 or greater. The total expenditure incurred during 2016‑17 in relation to these consultancies is $63 077 114 (excluding GST). Details of individual consultancies can be viewed at [www.dtf.vic.gov.au](http://www.dtf.vic.gov.au).

## Details of consultancies under $10 000

In 2016‑17, there were four consultancies engaged during the year, where the total fees payable to the individual consultancies was less than $10 000. The total expenditure incurred during 2016‑17 in relation to these consultancies was $26 540 (excl. GST).

Information and communication technology expenditure

## Disclosure of Information and Communication Technology (ICT) expenditure

For the 2016‑17 reporting period, the Department had a total Information and Communication Technology (ICT) expenditure of $31 245 000, with the details shown below.

|  |  |
| --- | --- |
|  | $’000 |
| Business as usual (BAU) ICT expenditure | 27 118 |
| Non‑business as usual (non‑BAU) ICT expenditure consisting of: | 4 127 |
| Operational expenditure | 1 310 |
| Capital expenditure | 2 817 |

ICT expenditure refers to the Department’s costs in providing business‑enabling ICT services. It comprises business as usual (BAU) ICT expenditure and non‑business as usual (non‑BAU) ICT expenditure. Non‑BAU ICT expenditure relates to extending or enhancing the Department’s current ICT capabilities. BAU ICT expenditure is all remaining ICT expenditure, which primarily relates to ongoing activities to operate and maintain the current ICT capability.

Disclosure of major contracts

The Department has disclosed, in accordance with the requirements of Victorian Government policy and accompanying guidelines, all contracts greater than $10 million in value which it entered into during the year ended 30 June 2017. Details of contracts that have been disclosed can be viewed at [contracts.vic.gov.au](http://www.contracts.vic.gov.au).

Freedom of Information

The Department of Treasury and Finance is an ‘agency’ for the purposes of the *Freedom of Information Act 1982* (the Act) and is therefore subject to the Act.

The Department’s website (below) provides additional information that might assist in making a request. The Department’s Part II Statement is also published on this website as required by the Act.

dtf.vic.gov.au/About/Legal/Freedom of Information

The Department’s Freedom of Information (FOI) Officers are authorised to deal with requests for access to documents in the possession of the Department.

This authorisation does not extend to documents in the possession of the State Revenue Office (SRO) and any such requests should be sent directly to the SRO.

During 2016‑17, the Department received 42 FOI requests. Of those, 23 were from Members of Parliament, six were from media organisations and 13 were from members of the public.

## Timeliness

The Department made 31 FOI decisions during the 12 months ended 30 June 2017.

Seven decisions were made within the statutory 45‑day time period, 13 decisions were made within 46 to 90 days and 11 decisions were made in greater than 90 days.

The average time taken to finalise requests in 2016‑17 was 78 days.

Information about other aspects of the Department’s FOI performance is available in the *2016‑17 FOI Annual Report*, prepared by the Office of the Freedom of Information Commissioner.

Section 17 of the Act sets out the formal requirements for making a request. In summary, the requirements for making a request are that:

* it should be in writing;
* it should identify as clearly as possible what document is being requested; and
* it should be accompanied by an application fee.

Requests for documents in the possession of DTF should be addressed as follows:

Freedom of Information Officer   
Department of Treasury and Finance   
GPO Box 4379   
Melbourne VIC 3001

## Access charges

In addition to the application fee, certain other charges such as search fees and photocopying charges may apply in relation to the provision of documents as stipulated in the Freedom of Information (Access Charges) Regulations 2014.

## Further information

Further information regarding the operation and scope of FOI can be obtained from:

* the Act;
* regulations made under the Act; and
* foi.vic.gov.au.

## Freedom of Information contact

Mark Hamilton‑Smith, Ph: (03) 9651 1413

Community Support Fund

The Community Support Fund (CSF) is a trust fund that directs a portion of gaming revenue back into the community. It was established in 1991 and is governed by the *Gambling Regulation Act 2003*.

As prescribed by the legislation, the CSF receives revenue generated from electronic gaming machines in hotels less $45 million, which is retained in the Consolidated Fund each year to support government priorities. Any interest earned on the balance of the trust fund is retained by the CSF. In 2016‑17, the CSF received $97.27 million in revenue.

The Government can allocate funding from the CSF to a range of initiatives, which are administered by departments. Funded initiatives must be consistent with the purposes of the legislation.

Programs that tackle problem gambling are the first call on funds from the CSF. The *Victorian Responsible Gambling Foundation Act 2011* gives effect to the Government’s problem gambling policy. This legislation provides the basis on which funds will be transferred from the CSF to the Responsible Gambling Fund to reduce the prevalence and severity of gambling related harm and foster responsible gambling behaviour.

The CSF can also fund:

* drug education, treatment and rehabilitation;
* financial counselling and support for families in crisis;
* youth programs;
* sport and recreation;
* arts and tourism;
* community support or advancement; and
* costs associated with administering the CSF.

The funds provided to departments are generally used to provide grants to a wide range of community‑based organisations and councils, supporting them to build strong and sustainable communities.

The legislation also provides for the payment of one day’s revenue from the CSF to the Victorian Veterans Fund.

A total of $93.12 million in expenditure for 2016‑17 was paid out of the CSF through programs approved in prior years. Six new community projects were approved in 2016‑17 as tabled below.

The administration of the CSF forms part of the audited accounts of the Department.

For more information in relation to the CSF please refer to [www.dtf.vic.gov.au/communitysupportfund](http://www.dtf.vic.gov.au/communitysupportfund)

## Programs approved from 1 July 2016 to 30 June 2017

|  |  |  |
| --- | --- | --- |
| Program name | Portfolio | $ |
| Heyfield Museum Capital Program | Regional Development Victoria | 105 000 |
| Victorian Veterans Fund | Veterans’ Affairs | 100 000 |
| The Huddle | Community Sport and Recreation | 200 000 |
| Project Respect | Community Engagement | 225 000 |
| 3MBS Fine Music Melbourne | Creative Industry | 100 000 |
| Collingwood College Indoor Sports Facilities Redevelopment | Education | 1 150 000 |
| **Total program approvals** |  | 1 880 000 |

Note:

The list above shows total funding approved for each program in the 2016‑17 financial year. Expenditure has partially incurred in 2016‑17 and will continue to incur until 2018‑19.

Compliance with the *Building Act 1993*

## Standards for publicly owned buildings

The Department employs an external service provider to manage the government‑owned office accommodation portfolio and provide facilities management to ensure compliance with standards for publicly‑owned buildings and provide essential safety measures reporting. Since April 2014, UGL Services Pty Ltd (DTZ), now known as Cushman & Wakefield, has provided these services.

The Shared Service Provider (SSP) within DTF coordinates building projects through the engagement of registered building consultants and contractors. The conditions of engagement require compliance with the standards for publicly‑owned buildings.

At 30 June 2017, DTF was responsible for 17 department‑owned office buildings.

## Mechanisms to ensure that buildings conform with the building standards

DTF complies with the *Building Act 1993*, the Building Regulations 2006 and associated statutory requirements and amendments. An occupancy permit or a certificate of final inspection endorsed by a Registered Building Surveyor is obtained for all upgrades to existing facilities requiring a building permit.

DTF ensures that design consultants and building contractors engaged for building works are registered building practitioners and that registrations are maintained during the course of the work. Design consultants and building contractors are sourced from the government Construction Supplier Register maintained by DTF.

## Works projects (greater than $50 000)

|  |  |
| --- | --- |
| Treasury Reserve, East Melbourne | Security upgrade works, and building management system upgrade works |
| 1 Treasury Place, East Melbourne | Level 2 carpet and blind replacement |
| 1 Macarthur Street, East Melbourne | Forecourt investigative works |
| 2 Treasury Place, East Melbourne | Front door *Disability Discrimination Act 1992* compliance works |
| 20 Spring Street, East Melbourne | LED lighting replacement |
| 565 Lonsdale Street, Melbourne | Merritt’s Lane pavement rectification works |
| 21 MacLachlan St Horsham | Level 4 refurbishment works |

#### Major works (greater than $50 000) not subject to certification of plans, mandatory inspections of the works and issue of occupancy permits or certification of final inspection

All works are undertaken by registered building practitioners with certification that the work either complies with the existing occupancy permit, a revised permit, or a certificate of final inspection.

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

There are five main mechanisms established for inspecting, reporting, scheduling and performing rectification and maintenance works on the existing buildings.

1. Provision and management of maintenance service contracts for all owned buildings.
2. Six monthly property inspection reports, liaison with tenants and responses to identified issues.
3. Ensuring there is an annual essential safety measures report for each building.
4. Commissioning independent formal condition, maintenance and compliance audits on buildings every five years (last conducted 2011‑12). SSP undertakes the five‑year independent condition audits of the owned portfolio.
5. Commissioning engineering/consultant reports.

Cushman & Wakefield manages the service maintenance contracts for the DTF‑owned government office buildings. They are responsible for:

* undertaking breakdown, preventative and cyclical maintenance (point 1 above);
* identifying and prioritising works required in consultation with DTF (point 1 above);
* managing rectification works (point 1 above);
* conducting regular inspections to ensure works are performed to standard (point 2 above); and
* managing maintenance to support the issue of the annual essential safety measures reports (point 1 above).

Quality assurance, performance measures and governance are built into the contract with Cushman & Wakefield.

#### Number of emergency orders and building orders issued in relation to buildings

Nil

#### Number of buildings conforming with the building standards

17

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

Nil

#### Number of cases and circumstances where registered building practitioners became deregistered

Nil

National Competition Policy – Reporting against competitive neutrality principles

The Department continues to comply with the requirements of the National Competition Policy. Competitive neutrality requires government businesses to ensure where services compete, or potentially compete with the private sector, any advantage arising solely from their government ownership be removed if it is not in the public interest. Government businesses are required to cost and price these services as if they were privately owned and thus be fully cost reflective. Competitive neutrality policy provides government businesses with a tool to enhance decisions on resource allocation. This policy does not override other policy objectives of government and focuses on efficiency in the provision of service.

Following a review of National Competition Policy in 2005, the Council of Australian Governments agreed to annual reporting against enhanced competitive neutrality principles for incorporated government business entities engaged in significant business activities in competition with the private sector. Reports against these principles are made annually through the Heads of Treasuries and published on the Council on Federal Financial Relations’ website.

The Commissioner for Better Regulation is responsible for considering competitive neutrality complaints by individuals and businesses against government entities and reported to the Government on compliance with the policy. No competitive neutrality complaints were lodged against business activities operated by DTF.

Application of Protected Disclosure Act

The following information is required in the Annual Report pursuant to section 70 of the *Protected Disclosure Act 2012* (the Act).

## Message from the Secretary

The Department of Treasury and Finance is committed to the aims and objectives of the Act. It does not tolerate improper conduct by its employees, officers or members. Nor does the Department tolerate reprisals against those who come forward to disclose such conduct, and it is dedicated to protecting the welfare of such persons.

**David Martine  
Secretary**

## Compliance with the *Protected Disclosure Act 2012*

The *Protected Disclosure Act 2012* encourages and assists people in making disclosures of improper conduct by public officers and public bodies. The Act provides protection to people who make disclosures in accordance with the Act and establishes a system for the matters disclosed to be investigated and rectifying action to be taken.

The Department does not tolerate improper conduct by employees, nor the taking of reprisals against those who come forward to disclose such conduct. It is committed to ensuring transparency and accountability in its administrative and management practices and supports the making of disclosures that reveal corrupt conduct, conduct involving a substantial mismanagement of public resources, or conduct involving a substantial risk to public health and safety or the environment.

The Department will take all reasonable steps to protect people who make such disclosures from any detrimental action in reprisal for making the disclosure. It will also afford natural justice to the person who is the subject of the disclosure to the extent it is legally possible.

## Reporting procedures

Disclosures of improper conduct or detrimental action by the Department or any of its employees and/or officers may be made to any of the following Department personnel:

* the Protected Disclosure Coordinator;
* the Secretary of the Department;
* a Protected Disclosure Officer of the Department;
* a manager or supervisor of a person from the Department who chooses to make a disclosure; or
* a manager or supervisor of a person from the Department about whom a disclosure has been made.

Alternatively, disclosures of improper conduct or detrimental action by the Department or any of its employees and/or officers may also be made directly to the Independent Broad‑based Anti‑corruption Commission:

Level 1, North Tower, 459 Collins Street   
Melbourne VIC 3000

Phone: 1300 735 135   
Internet: [ibac.vic.gov.au](file:///C:\Documents%20and%20Settings\vict3v8\Local%20Settings\Temp\notesD72EE2\www.ibac.vic.gov.au)

## Further information

The Protected Disclosure Policy and Procedures, which outline the system for reporting disclosures of improper conduct or detrimental action by the Department or any of its employees and/or officers, are available on the Department’s website.

Disclosures under the *Protected Disclosure Act 2012*

|  |  |  |
| --- | --- | --- |
|  | 2016‑17  (number) | 2015‑16  (number) |
| The number of disclosures made by an individual to the Department and notified to the Independent Broad‑based Anti‑corruption Commission | 0 | 0 |

Information available on request

Financial Reporting Direction 22H provides for the information listed below to be retained by the Accountable Officer and to be made available on request subject to the provisions of the *Freedom of Information Act 1982*.

Information available on request:

* a statement that declarations of pecuniary interests have been duly completed by all relevant officers;
* details of shares held by a senior officer as nominee or held beneficially in a statutory authority or subsidiary;
* details of publications produced by the entity about itself, and how these can be obtained;
* details of changes in prices, fees, charges, rates and levies charged by the entity;
* details of any major external reviews carried out on the entity;
* details of major research and development activities undertaken by the entity;
* details of overseas visits undertaken including a summary of the objectives and outcomes of each visit;
* details of major promotional, public relations and marketing activities undertaken by the entity to develop community awareness of the entity and its services;
* details of assessments and measures undertaken to improve the occupational health and safety of employees;
* a general statement on industrial relations within the entity and details of time lost through industrial accidents and disputes;
* a list of major committees sponsored by the entity, the purposes of each committee and the extent to which the purposes have been achieved; and
* details of all consultancies and contractors including:
  + consultants/contractors engaged;
  + services provided; and
  + expenditure committed to for each engagement.

To ensure the Department is meeting its accountability and compliance requirements, some of the additional information has been included in this annual report where relevant.

This information is available on request from:

Director  
Corporate Delivery Services  
Department of Treasury and Finance  
GPO Box 4379  
Melbourne, Victoria, 3001  
Email [information@dtf.vic.gov.au](mailto:information@dtf.vic.gov.au) for the attention of the Director, Corporate Delivery Services.

Attestation for compliance with Ministerial Standing Direction 3.7.1

I, David Martine, certify that the Department of Treasury and Finance has complied with the Ministerial Standing Direction 3.7.1 – Risk Management Framework and Processes.

**David Martine  
Secretary**

Compliance with DataVic Access Policy

The Victorian Government DataVic Access Policy enables the sharing of government data at no, or minimal, cost to users. The policy’s intent is to support research and education, promote innovation, support improvements in productivity and stimulate growth in the Victorian economy as well as enhance sharing of, and access to, information‑rich resources to support evidence‑based decision making in the public sector.

Government data is progressively published in a machine‑readable format on the Victorian Data Directory [www.data.vic.gov.au](http://www.data.vic.gov.au), to encourage open access and reuse. As at the end of June 2017, 674 datasets had been made available by DTF and its portfolio entities on the site, including the Victorian State Budget in machine‑readable and geospatial formats.

Consistent with the DataVic Access Policy issued by the Victorian Government in 2012, the financial statements, performance statements and tables included in this annual report will be available at [www.data.vic.gov.au](http://www.data.vic.gov.au) in machine‑readable format.

Appendix 5 Disclosure index

## Ministerial Directions and Financial Reporting Directions

### Report of operations

|  |  |  |
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| **Other disclosures as required by FRDs in notes to the financial statements (a)** | |  |
| FRD 9B | Departmental disclosure of administered assets and liabilities by activity | 34–34 |
| FRD 11A | Disclosure of ex gratia expenses | n/a |
| FRD 13 | Disclosure of Parliamentary Appropriations | 34 |
| FRD 21C | Disclosures of responsible persons and executive officers in the financial report | 34–34 |
| FRD 103F | Non‑financial physical assets | 34–34 |
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| FRD 112D | Defined benefit superannuation obligations | 34 |
| Note:  (a) References to FRDs have been removed from the Disclosure Index if the specific FRDs do not contain requirements that are of the nature of disclosure. | | |
| Legislation | | **Page reference** |
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