

VicRoads

Annual Report
2015/16



Table of Contents

Chief Executive's message	4
Accountable officer's declaration	5
Section 1: Report of operations	6
Year in review	6
Key Financial Results	40
Governance and organisation	48
Section 2: Financial statements	68
Comprehensive operating statement	68
Balance sheet	69
Statement of changes in equity	70
Cash flow statement	71
Notes to the financial statements	72
For the financial year ended 30 June 2016	72
Appendix	139
Disclosure index	139

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Chief Executive's message



A year ago, VicRoads made a public promise to put communities at the heart of everything we do, and to be more caring, sharing and daring in how we do it.

Our vision is clear: to support liveable communities and economic prosperity, to get more people out of cars and into public transport and active transport, and to improve environments while making our roads safer for everyone

In the last 12 months we have been able to provide a much better picture to the travelling public of how the road system functions and its links with the public transport system, and how we can get it to work better together.

From daring to shrink the size of a major arterial road in Bayswater to support a more vibrant neighbourhood with the removal of level crossings, to improving travel times for trams on Smith Street, we are improving our understanding of the knock-on effects to make the entire network flow better.

Whether it's major investment to unblock Hoddle Street or widen the Chandler Highway Bridge, our planning and community engagement work is building a much richer understanding of how entire precincts work and what we can do to improve the lives of people along the route.

Victorians are great adaptors, and we are learning through the widening of the CityLink-Tulla project how agile the community can be. A network of hundreds of Bluetooth readers across the arterial network is giving us real time information of people's travel patterns, backed up by smart technology under our busiest freeways, to better manage peak time flows through what will be a decade of major construction on our roads.

With Transport for Victoria, the alignment of transport choices will be even greater, as generational projects including Melbourne Metro Rail, the Western Distributor and Monash Freeway upgrades and level crossing removals join up into a common picture of supporting a thriving Victoria.

On large highway duplications and small roadside projects, we are working alongside environmental groups to identify tree-by-tree how to improve our environmental performance and get better results for communities most affected.

In the biggest investment any government has made in road safety, the Towards Zero 2016-20 Road Safety Strategy and Action Plan is now seeing lives saved with the installation of wire-rope barriers along our most dangerous sections of road. The Hume Highway barriers have already been hit 75 times in the year, sparing families from untold road trauma.

We are also working hard to give our customers a contemporary experience, and living in the world where most people live – online. Our new digital-first space, Hub on Exhibition, opened to customers in the middle of the city this year, while our Registration and Licensing Group achieved an 90 per cent customer satisfaction rate while serving a record 25 million transactions in the financial year.

On top of supporting some 620 new drivers sitting a test every weekday, we are working hard to give people a lot more real-time information so they can plan ahead and make the best and safest travel choices.

A further challenge is maintaining 23,000 kilometres of road, much of it built after World War Two. This led us to bring together all our experience and knowledge of the road system with new contractors in Maintenance Alliances that are delivering better value for money across the state.

From the projects that are keeping our suburbs and regions flowing, including the Dingley Bypass and Traralgon to Sale road widening, to the major projects including the CityLink-Tulla Widening and the M80 upgrade, there is a fantastic amount of work going on to make our state function better.

Thanks to our staff who did amazing work over the Christmas period getting the West Gate resealed, and safely evacuating thousands of residents and holidaymakers during the New Year bushfires at Wye River.

Whether it is protecting scar trees, Powerful Owls or the embattled Montague Street Bridge, this is a complex business and our work affects the daily lives of many. In an environment where community views can be deeply divided, I thank everyone for their willingness to listen and engage with Victorians to find the best way forward.

Accountable officer's declaration

In accordance with the *Financial Management Act 1994*, I am pleased to present the Roads Corporation (VicRoads) Annual Report for the year ending 30 June 2016.



John Merritt

Chief Executive

2 September 2016

Section 1: Report of operations

Year in review

Vision and Values

Vision

We aim to make Victorian's lives better, through journeys that are safe, reliable, efficient and sustainable, judging our performance by our customers' experience.

'Behaviours

Our vision is supported by our Care, Share and Dare behaviours that underpin the way we approach our work:

We Care:

- About making a difference for our customers and communities now and into the future
- About everybody's safety, health and wellbeing
- About creating a positive and rewarding work environment
- About using public funds in ways that deliver the best value
- About upholding the highest standards technically and ethically
- About individuality and diversity.

We Dare:

- To tackle the tough challenges
- To seize opportunities and strive for excellence
- To trust each other to make good decisions and be supported when we have a go
- To live by our values and be accountable
- To challenge and do things differently.

We Share

- Our time and attention – to listen, understand and act
- Our thinking so that others can contribute and provide feedback
- What we are trying to do, our performance, successes and failures
- Our passion, knowledge and skills
- By being open, transparent and honest.

Public sector values

We recognise that the road system operates as part of a wider, integrated transport system. Our role is not only to deliver better roads and services, but to work with and collaborate with other transport bodies and public entities to ensure the transport system meets the needs of all users.

To earn and retain respect for providing a transport system that Victorians can depend on, we understand we need to be able to effectively respond to the challenges and meet our stated objectives

Integrity

We are honest, explain decisions, earn and keep public trust and avoid conflicts of interest.

Impartiality

We are fair and equitable in how we deal with people, business and how we make decisions.

Accountability

We meet our commitments, engage with communities and businesses on problems and trade-offs to get better results and we are open to scrutiny.

Respect

We treat everyone fairly and with respect, we don't tolerate discrimination, harassment or bullying and we listen to and seek the opinions of our customers.

Leadership

We explain our role, why it is important and what we are trying to achieve and demonstrate and promote our values and principles. We support our people to try things and learn from experience and fulfil their professional potential.

Responsiveness

We provide credible, objective and timely advice to government and respond to our customers.

Human rights

We serve the whole community now and into the future and make decisions that support human rights

Nature and range of services provided

VicRoads' core services are to plan, develop and manage the arterial road network, deliver road safety initiatives, and provide customer-focused registration and licensing services.

In addition, VicRoads administers several Acts and their related regulations, and develops policy relating to road management functions.

Purpose and functions

VicRoads' purpose is to support economic prosperity and liveability by shaping the development and use of Victoria's road system as an integral part of the overall transport system.

Purpose

VicRoads' primary objectives are outlined in section 86 of the *Transport Integration Act 2010*. They include:

- working with others to ensure that the road system operates as part of an integrated transport system that seeks to meet the needs of all transport system users
- managing the road system in a way that supports a sustainable Victoria, by encouraging sustainable transport modes, and seeking to improve the environmental performance while minimising adverse environmental impacts
- contributing to social wellbeing by providing access to opportunities and supporting liveable communities
- promoting economic prosperity through efficient and reliable movement of persons and goods
- working with others to reduce deaths and injuries arising from road crashes.

Functions

VicRoads' functions are outlined in section 87 of the *Transport Integration Act 2010*. They are:

- constructing and maintaining roads and roadsides
- planning for the road system as part of an integrated transport system
- leading the development and implementation of strategic and operational policies as well as plans to improve the safety of the road system for all users
- to actively contribute to environmental sustainability
- to develop and implement operational policies and plans, including through legislation, regulations, standards, guidelines and practices, for the road system and related matters
- operating the road system by managing access and controlling use
- providing registration, licensing and accreditation services for the transport system
- providing technical, project management, consultancy and information services relating to the transport system
- to protect future options for the improvement of the transport system including reserving land for future transport corridors
- developing and implementing effective environmental policies, strategies and management systems
- providing and disseminating information to Victorians about the road system.

Departmental objectives, indicators and progress

The 2015-16 Budget Paper No. 3 Service Delivery outlines objectives and indicators of the Department of Economic Development, Jobs, Transport and Resources (DEJTR) in relation to the roads network. VicRoads' progress on those indicators is presented in Table 1 below.

Table 1: Departmental objectives, indicators and progress

Departmental objectives	Indicators	2016-17 Target	2015-16 Actual	2014-15 Actual	2013-14 Actual
Safer transport services and infrastructure. Make safety improvements to transport infrastructure and systems, improve security management, and implement programs to promote safer transport user behaviour.	Fatalities and serious injuries on the road network.	Fewer than 200 fatalities by 2020	Fatalities: 270 Serious injuries: 4733 (2015 calendar year)	Fatalities: 254 Serious injuries: 5109 (2014 calendar year)	Fatalities: 242 Serious injuries: 5285 (2013 calendar year)
Well targeted improvements and maintenance of transport system assets.	Distressed freeway and arterial road surfaces.	Metropolitan: 7.5% Regional: 8.3%	Metropolitan: 8.1% Regional: 7.4%	Metropolitan: 7.52% Regional: 7.46%	Metropolitan: 7.4% Regional: 8.0%

Initiatives and key achievements

The focus for VicRoads 2014-15 has been on delivering our strategic commitment to *Making Lives Better* and judging our performance by our customers' experience. Some of our main initiatives and key achievements of this reporting period include:

Towards Zero 2016-2020—saving lives on Victorian roads

Victoria's new Road Safety Strategy and Action Plan, *Towards Zero 2016-2020*, was released earlier this year. The Victorian State Government announced it would invest \$1.1 billion with the aim of achieving our immediate five-year goal of reducing the number of lives lost on Victorian roads to 200 or below, by 2020.

Towards Zero 2016-2020 involves the biggest effort ever to make rural roads safer, because a disproportional number of country people are being killed on the road.

Worksite Traffic Management project

VicRoads has agreed to an 'in principle' adoption of a nationally harmonised approach to temporary traffic control at worksites, by signing the Austroads Principles agreement.

VicRoads also undertook a review of Worksite Traffic Management, which involved a series of industry workshops, stakeholder consultation and an online consultation hub.

As a result of the Worksite Traffic Management review, VicRoads incorporated the following findings into five focus areas, including them in the VicRoads Action Plan 2015-16:

1. Engineering and technology
2. Education
3. Auditing
4. Communication
5. Standards.

CityLink Tulla Widening

The \$496 million CityLink Tulla Widening project that began in October 2015 is now well underway, with the community adjusting to lane closures and changes as work continues. VicRoads reviewed its communication channels to ensure it was providing reliable quality information about travel times and recommended detours to help people make choices before they started driving. Communication has focussed on regular radio updates and information through our website and social media. This level of communication has set a new benchmark for customer communication about road closures and their impact on the road user.

Digital services and a new customer experience

In March 2016, we opened our first Melbourne digital service centre. The hub@exhibition has brought together the best of what we have learned about offering the right services to people where they are most needed.

The Hub offers optional levels of service; self service, fast lane or full counter service areas where customers receive assistance with their online transactions.

We also launched *myVicRoads*, a new online service where customers can renew their registration, update personal details and check their registration status.

Engaging the community

VicRoads is constantly delivering roads projects across the state, some stretching kilometres across towns and suburbs; others are smaller projects to address road safety and congestion. We are committed to engaging with the community in new ways to receive a broad range of views and feedback when we make decisions and design projects.

Some examples of successful community engagement include:

Chandler Highway upgrade

The Chandler Highway upgrade, a \$110 million project to address one of Melbourne's major traffic bottlenecks, has involved significant community consultation activities. Discussions have been focussed and we have received valuable community feedback.

This process will continue throughout 2016 in the lead up to construction commencement.

Streamlining Hoddle Street project

The Punt Road and Hoddle Street corridor is Melbourne's major north-south arterial road to the east of Melbourne.

Community feedback has shaped the first stage of the Streamlining Hoddle Street project, which will upgrade four major intersections at Swan Street, Brunton Avenue, Johnston Street and the Eastern Freeway.

Extensive and detailed feedback was also received from residents along Punt Road, before implementing 24-hour clearways. This feedback was essential for us to ensure that the clearways did not adversely affect those living in the area.

Western Highway upgrade

The Western Highway is one of Victoria's busiest rural highways and the main interstate link between Melbourne and Adelaide.

The highway is being upgraded and duplicated in sections, and work on the Beaufort to Ararat section is already underway. Part of this upgrade has involved the removal of large old trees, which attracted the attention and protest of local environmental groups.

In a highly collaborative and successful approach to engagement, VicRoads has worked closely with these groups to share challenges, modify designs, correct misinformation and design solutions.

Governance Transformation Program

At VicRoads, we think about the work that we are doing, the work that needs to be done, the type of leadership the organisation needs and the sort of culture that we want.

Over the past year, we have made significant progress in our Governance Transformation Program. All our key governance committees are now in place to provide a more organised structure from which to run our business and achieve our long-term visions.

Creating a 21st century workplace

In years to come, Melbourne's transport challenges will be partly helped by changes in the way we work—working from home or working from local hubs could significantly reduce the need for travel in peak periods. VicRoads wants to be a leader in exploring this change through our 21st century workplace.

The transition to a 21st century workplace is a vital part of our organisational cultural transformation program. Considerable research has taken place over the past 18 months to assist us in fully understanding the needs of the future workplace, and to ensure the right working conditions are provided to enable us to continue to deliver quality services.

KPMG was engaged to design a 21st century workplace around specific behaviours and ways of working. The behaviours that were identified were developed to be consistent with the constructive behaviours VicRoads are striving to achieve in the Organisational Culture Inventory Circumplex.

In early 2016, these behaviours and ways of working were communicated organisation-wide to commence the change program and prepare staff for the transition to the 21st century workplace.

During 2015-16, the VicRoads Relocation Program delivered the following

1 Spring Street, Melbourne CBD

In early 2016, VicRoads moved into Level 4, 1 Spring Street, the second VicRoads floor within the Spring Street complex with the design for the layout being based on 21st century workplace behaviours and ways of working.

Sunshine office relocation

In May 2015, a decision was made to relocate from 499 Ballarat Road and new premises were found at 10-14 Clark Street, Sunshine.

Plans have been approved for the transition to an agile 21st century workplace arrangement at Sunshine.

Transitioning to the 21st century in Kew

It is recognised that our future base is not in Kew; however, complete relocation from Kew is not likely to occur within the next 2 years.

Planning commenced in early 2016 to transition five separate areas within the Kew complex to an agile 21st century work arrangement. It is expected that these works will be undertaken in late 2016.

VicRoads' key operational initiatives and achievements are outlined on the following pages.



Operational and budgetary objectives and performance against those objectives

VicRoads' corporate plan sets out ongoing initiatives that support objectives outlined in the *Transport Integration Act 2010* and align with key government strategies for the transport sector. A new corporate plan outlining the strategic direction for 2016-20 has been developed. The current annual report focuses on key objectives outlined in the Corporate Plan 2015-19.

These key objectives are described in the following 4 sections:

- Customer and Community
- Journeys
- Wellbeing
- Productivity

Customer and Community

Create solutions with our customers and community

While everything we do is aimed at improving road journeys for Victorians, we appreciate that our projects are often not welcomed by local commuters who face temporary or permanent changes to their neighbourhood from new or improved roads, bridges and bike paths. We aim to work with those affected, to understand the impact and to do everything practical to reduce the logistical effect on the commuter.

Chandler Highway upgrade

Some of the most significant engagement work over the past year includes the Chandler Highway upgrade; a \$110 million project to address one of Melbourne's major traffic bottlenecks. The design involves adding six lanes to the Chandler Highway, building a new bridge to the west of the existing Chandler Highway bridge and improving cycling and pedestrian paths for a more direct route to nearby trails.

In 2015 we ran community consultation activities on the proposed design options and received valuable community feedback about minimising local impact, active transport, working with Public Transport Victoria to ensure more frequent bus services in the area and the need for clearways along Grange Road in Heidelberg and Princess Street in Kew. We also asked the community to share their ideas on how we could transform two vacant areas into welcoming and safe public spaces.

Throughout 2016, VicRoads will continue to work with the community, in the lead up to construction, to help refine the project.

Drive digital engagement and online transactions

With Victoria's strong population growth of 1800 per week predicted to continue, VicRoads is experiencing an increase in demand for Registration and Licensing services. To ensure services are accessible to our customers, VicRoads has continued to invest in digital service deliveries. Some of the projects VicRoads has implemented, delivering digital services to its customers during 2015-16, include:

myVicRoads

VicRoads self-serve account, myVicRoads, is designed for both individual customers and VicRoads partners—companies that complete work on behalf of VicRoads—to easily access registration and licensing information and services. It offers choice and convenience in the way customers interact with VicRoads and assists in meeting the growing demand for services such as:

- Accessing and updating personal information in a secure environment.
- Receiving an email reminder when a registration is due.
- Self manage password reset and user access.
- A single system for partners to access approved transactions, for example:
 - transfer of vehicle registration
 - written-off vehicle register
 - new registration.

hub@exhibition

The first VicRoads digital service store, hub@exhibition, opened in March 2016 on Exhibition Street. This digital store supports the delivery of a longer term customer-based, multi-channel delivery strategy.

A concierge greets customers on arrival and directs them to parts of the store based on their needs for self service, fast lane or full counter service areas.

Customers are supported through transactions at digital kiosks to enable them to complete their own requests online, saving time and effort in the future.

engageVicRoads

The development of the VicRoads online engagement website, engageVicRoads, is an important component of the VicRoads engagement strategy and a powerful tool that enables communication with a broad cross-section of the community. The engageVicRoads website will help identify issues and allow us to work together with the community to develop solutions.

There is an increasing expectation from the community to be engaged and involved in decision-making and it is our aim for that engagement to be authentic and innovative both on and offline. VicRoads believes that a culture of engagement that respects and welcomes community involvement leads to better decisions, projects, policies and outcomes.

VicRoads website 'engageVicRoads' will be launched in July 2016.

Digital transaction usability

VicRoads online development has been focused on increasing the use of transactions currently available in a digital format.

Some of the progress achieved during 2015-16 includes:

- *Updates to the online* Learner Permit and Probationary Licence appointment booking system resulted in an additional 28 per cent of customers being able to complete their transactions digitally.
- An upgrade of The Check Vehicle Registration system, which allows customers to verify details of Victorian registered vehicles, has led to approximately 800,000 additional customers using the system.
- Upgrade to the online Driver History Report ordering system now allows customers to request an additional three report types online.

Social digital media

VicRoads Social Media presence has continued to grow during 2015-16. Within this period, followers of the VicRoads corporate Facebook page have increased from 14,743 to 48,300.

Our brand reaches an average of 66,544 people per day and is seen on the Facebook platform 85,480 times per day with an average 527 individuals interacting (like, comment, share, click) with our Facebook page.

Over 2015-16 our VicRoads website recorded a daily average of 52,537 sessions.

Serving as the direct connection between people and major projects, consultations, traffic news, surveys, policy changes, and corporate news, social media not only communicates information, but with the use of targeted advertising, ensures that localised news reaches those customers directly affected.

Journeys

Enable integrated transport choices and making journeys pleasant and predictable

As Victoria's population grows and pressure on our roads network and other modes of transport increases, VicRoads is challenged to extract the best possible performance from the road system. This includes supporting improved integration between roads and public transport and increasing infrastructure for cycling and walking.

Deliver more predictable journeys for our customers

In early 2015, VicRoads commissioned research to better understand customer expectations around the delivery of real time traffic information, before, during and after journeys.

This research revealed that 40 per cent of Victorian road users had accessed Victorian traffic information during the previous three months to help them plan their journeys and that in general, road users still wanted better communication of traffic information.

A communications strategy was developed and during the past 12 months, VicRoads has focused on providing a more detailed level of real time traffic information, particularly in the event of a major incident. The frequency of communication during a major incident has now increased to 30 minute updates with suggested alternative routes. VicRoads has also increased the use of social media channels to communicate planned and unplanned events.

Another result of the commissioned research was to identify radio as the second most popular channel by which customers received traffic and incident-related information. When planning their journey, 31 per cent of customers used the radio for traffic-related information and 38 per cent mid-journey. When experiencing a delay, radio was nominated as the top choice by 43 per cent of customers for information relating to the delay and 34 per cent rated radio as providing the most useful information source.

VicRoads now has a monthly spot on the 3AW Drive radio network, which also helps to communicate to the public, the level and type of work VicRoads does behind the scenes to keep the roads moving. Dealing with traffic congestion

Melbourne's strong population growth is predicted to continue, and is increasing the congestion on the arterial road network. Increased traffic congestion has the potential to cause delays and frustration for commuters and limit accessibility for all road users.

The following works are underway to tackle this issue.

Optimising Transport Network Performance - Congestion Package

An \$80 million congestion program to optimise network performance, called Optimising Transport Network Performance - Congestion Package, conducted a pilot for the implementation of traffic management, network monitoring and information dispersal devices in outer suburban and rural areas.

Some of the projects commenced under the *Optimising Transport Network Performance - Congestion Package* during 2015-16 include:

- A \$1.4 million minor works initiative to relieve 'pinch points', e.g. modify traffic signals and linemarking through route reviews, management of right turns, queue detections, improved public transport detection, phasing and timing changes and controller box upgrades.
- A \$1.3 million upgrade to reduce congestion on the Maroondah Highway at Oban Road.
- A \$3 million Intelligent Transport System partnership pilot.
- A \$1.4 million project – Phase 1 of the Dynamic Variable Speed Limit.
- A \$3.6 million implementation project to widen Grant Road at Williams Landing railway station.
- A \$480,000 initiative to display route travel times on Warrigal Road and the Monash Freeway.

Smith Street tram lane marking

In February 2016, VicRoads created a part-time tram lane along Smith Street, between Queens Parade and Alexandra Parade, which operates from 7am to 9am Monday to Friday.

Unlike other part-time tram lanes, the Smith Street tram lane markings appear at 25 metre intervals, with signage and kerbing at the start and chevron line marking at the finish to ensure motorist awareness.

This is the first time these tram line markings have been used in Melbourne and form part of a project designed to improve tram travel during peak times. Smith Street was selected to begin this trial because trams are the main mode of transport for 70 per cent of people going to the city.

Since the trial of the new line marking began, the average journey time for Route 86 trams has been reduced by 42 seconds during the morning peak and the variability of the tram service has been reduced by 24 per cent, which means more trams are arriving on time.

VicRoads recently won an award for innovation and design through the Master Painters Australia Association because of the line marking.

Level Crossing Removal package

The Victorian Government's commitment to removing the most dangerous and congested level crossings on the metropolitan rail network continued over 2015-16. The Level Crossing Removal Authority was established to deliver the program and oversee construction of each level crossing removal to ensure they would be delivered in a coordinated and efficient way.

A strategic plan was developed for the efficient removal of the 50 level crossings, which included the best way to deliver the project across the road and rail network. Designs for each level crossing site were developed and progressively released for community consultation.

VicRoads is assisting with the removal of selected level crossings and is currently involved with the work packages shown in the table below.

Table 2: Level Crossing Removals packages of works commenced 2015-16

Completion estimated end of 2016	Completion imminent	Completion estimated 2017
<ul style="list-style-type: none">- Mountain Highway Bayswater- Scoresby Road Bayswater- Main Road St Albans- Furlong Road St Albans	<ul style="list-style-type: none">- Burke Road Glen Iris- Centre Road Bentleigh- McKinnon Road McKinnon- North Road Ormond	<ul style="list-style-type: none">- Blackburn Road Blackburn- Heatherdale Road Mitcham

Key performance indicators

VicRoads uses several performance indicators to measure performance of the road network.

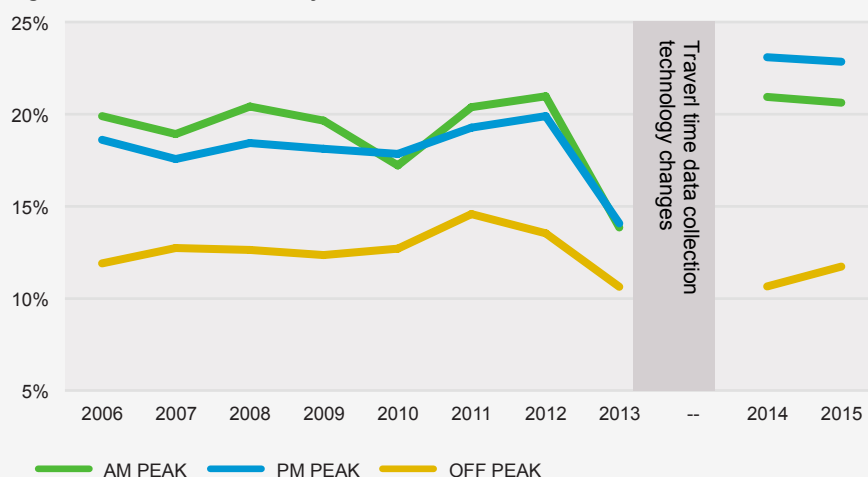
Travel time variability

Travel time variability is an indication of the difference in travel times on different days on the monitored network.

Due to a data collection technology change, data prior to 2014 is not comparable with results for the current reporting period.

The trend for 2014-15 shows that travel time variability is higher in the afternoon peak period than in the morning. This may be due to commuters staggering leave times in the evenings and having more consistency in their leave times in the mornings.

Figure 1: Travel time variability



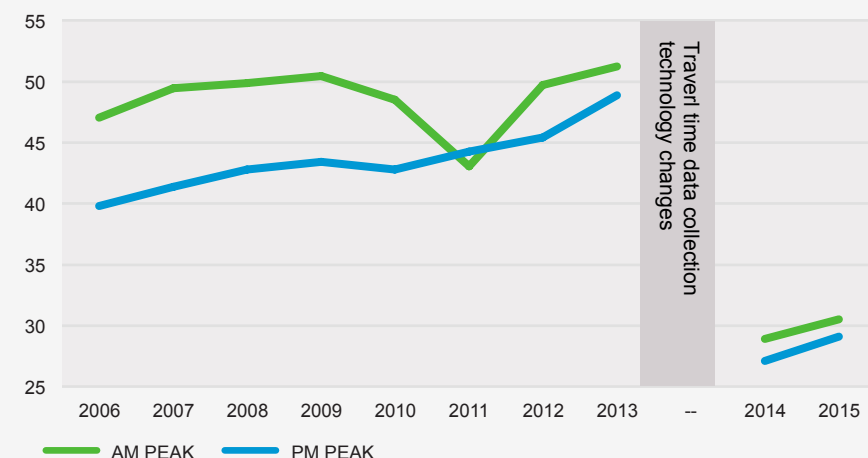
Travel time delay

Over the seven year period from 2006-13, the trend shows that average delay on the monitored network has increased during both peak and off-peak periods.

Due to a data collection technology change, data prior to 2014 is not comparable with results for the current reporting period.

In 2014-15, delays in the mornings are only slightly greater than in the evening.

Figure 2: Travel time delay



Wellbeing

Improve road safety, amenity and environmental outcomes

A key priority for VicRoads under the *Transport Integration Act 2010* is to improve the safety of the road system for all users, and to reduce deaths and injuries. Over the 2015-16 period, VicRoads has undertaken a broad range of activities aimed at ensuring all users of Victoria's roads arrive at their destination safely.

Safe speeds that are right for the road

Towards Zero Road Safety Strategy and Action plan

Victoria's new Road Safety Strategy and Action Plan, Towards Zero 2016-2020, was released by the Minister for Roads and Road Safety, the Hon Luke Donnellan in 2016. In his announcement, Minister Donnellan said that the Victorian State Government would invest \$1.1 billion to reduce the number of lives lost on Victorian roads to below 200 by 2020. Towards Zero 2016-2020 will address an alarming trend that saw the number of lives lost on Victorian roads increase to 270 in 2015-16. This is the second consecutive year in which fatalities on Victorian roads have increased

Fatalities

In 2015-16, there were 270 deaths on Victoria's roads as a result of 254 fatal crashes. This was an increase of 16 from the previous financial year. Of the 270 fatalities, some of the demographics include:

- 132 driver fatalities—an increase of 10 from the previous financial year
- 49 motorcyclist fatalities (including pillion passengers)—an increase of 18 from the previous financial year
- 135 fatalities within metropolitan Melbourne—an increase of 15 from the previous financial year.

Serious injuries

In 2015, there was a decrease in serious injuries reported, compared to 2014. Serious injuries on Victorian roads included:

- 4,733 serious injuries as a result of 4,173 crashes—a reduction of 388
- 3131 serious injuries in metropolitan Melbourne—a reduction of 188 (or six per cent)
- 1602 serious injuries in rural Victoria—a reduction of 200 (or 11 per cent).

Almost all road user groups showed a decrease in serious injuries reported in 2015 compared to 2014, including:

motorcyclists, 771 serious injuries—a reduction of 201

drivers, 2206 serious injuries—a reduction of 191.

Pedestrian serious injuries showed a slight increase from 492 in 2014, to 507 in 2015

To save as many lives as possible, *Towards Zero 2016-2020* is focused on a number of key road safety areas, with a particular focus on country Victoria. Country Victoria has a fatality rate four times that of metropolitan Melbourne, so the safety of people on our country roads is critical to the success of the strategy.

Key investment components include:

- \$340 million directly towards safety infrastructure improvements on rural and regional roads
- \$380 million on improvements to the road network across metropolitan and regional Victoria under the Safe System Road Infrastructure Program
- \$146 million to implement the Young Driver Safety package including additional booze and drug buses and drug testing
- \$100 million on improved infrastructure for pedestrians and cyclists
- \$60 million to support safer intersections at locations in the local street network.

Towards Zero 2016-2020 includes five new safety packages:

1. A 'Making rural roads safer' package will see over 2,500 kilometres of country roads treated with state-of-the-art safety features like flexible barriers and tactile centre and edge lines.
2. A 'Local and Busy Places' package will focus on saving lives in metropolitan Melbourne and the regional centres.
3. A safety package to support Victorians to travel at safer speeds (which will include a new phase of the Towards Zero campaign and new approaches to advising drivers about safe speeds).
4. Improving the safety standards of the vehicles Victorians drive is the focus of the 'Safer vehicles and technology' package.
5. There is also a safety package dedicated to ensuring Victorians are safer road users

Worksite Traffic Management project

In April 2016, VicRoads agreed to an 'in principle' adoption of a nationally harmonised approach to temporary traffic control at worksites, by signing the Austroads Principles agreement, which involved the following principles:

- Adopt a national harmonised approach to traffic management
- New guide for traffic management practices and AS1742.3
- National harmonised traffic control training program
- Investigation for a national registration for traffic controllers
- Investigate a national Pre-Qualification scheme for traffic management.

In addition, VicRoads, in conjunction with stakeholder and industry representatives undertook a review of Worksite Traffic Management, involving a series of industry workshops, stakeholder consultation and an online consultation hub.

As a result of the Worksite Traffic Management review, VicRoads received over 150 ideas on how to improve the management of worksite traffic, incorporating these ideas into the following five focus areas, and including them in the VicRoads Action Plan 2015-16:

1. Engineering and technology
2. Education
3. Auditing
4. Communication
5. Standards.

Safe System Road Infrastructure Program

The \$1 billion Safe System Road Infrastructure Program (SSRIP) announced in March 2013 together with the recent expansion of this program in the 2016-17 budget, has continued to fund projects designed to significantly improve the safety of all road users in both metropolitan Melbourne and regional Victoria.

These projects have been developed to maximise return on investment by having the greatest impact on reducing serious casualties.

In 2015, a total number of 108 improvement projects, valued at \$33.4 million, were submitted to the Australian Government under the Federal Black Spot Programme. These projects, which will target safety improvements for the local road network, are yet to be announced by the Federal Government and will be delivered in 2016-17

During the 2015-16 financial period;

- 51 projects were completed under the SSRIP
- 35 projects commenced under the SSRIP

Further details regarding a selection of SSRIP projects can be found over the page in;

- Table 2: Level Crossing Removals packages of works commenced 2015-16
- Table 3: SSRIP projects completed during 2015-16

Table 3: SSRIP projects completed during 2015-16

Projects over \$2 million	Projects under \$2 million
<ul style="list-style-type: none"> - A \$5.2 million safety upgrade on Craigieburn Road, Craigieburn. - A \$4 million safety upgrade on Healesville-Koo-Wee-Rup Road. - A \$3.4 million new roundabout at the intersection of Coolart Road and Hodgins Road, Tuerong. - A \$3.1 million safety upgrade on Strzelecki Highway, Berrys Creek, Boorool. - A \$2.9 million project to remodel the traffic signal and fully control the right turn, at the intersection of Palmers Road and Leakes Road. - A \$2.7 million safety upgrade on Princes Highway East from Forge Creek Road to Paynesville Road. - A \$2.4 million safety upgrade on Main Neerim Road, Drouin to Piedmont. - A \$2.1 million roundabout on Sunbury-Riddells Creek Road between Phillip Drive and Canterbury Avenue. - A \$2.1 million project to install a wire rope safety barrier and guard fence on the road side and centre median on the State (Bell/Springvale) Highway. 	<ul style="list-style-type: none"> - A \$1.9 million project to install a guard rail, shoulder seal and culvert extension and remove trees on the Lancaster-Mooroopna Road. - A \$1.8 million innovative safe system intersection trial, of raised safety platforms with traffic signals, at the Surf Coast Highway / Kidman Avenue intersection, Belmont. This is the first safe system signalised intersection in Victoria and the findings of the trial will be used to refine the design prior to a wider roll-out commencing in 2017. - A \$1.9 million safety upgrade on Waverly Road, Glen Waverly. - A \$1.7 million installation of a fully controlled right turn on three legs of the intersection on Mclvor Highway, Strathdale. - A \$1.6 million safety upgrade on Ballarat-Carngham Road, Bunkers Hill. - A \$1.5 million safety upgrade on Rushworth-Tatura Road, Rushworth. - A \$1.6 million safety upgrade on Murray Valley Highway. - A \$1.6 million safety upgrade on the Great Ocean Road between Fairhaven and Lorne. - A \$505,000 installation of wire rope on Melba Highway.

Table 4: SSRIP projects commenced during 2015-16

Projects over \$3 million	Projects under \$3 million
<ul style="list-style-type: none"> - An \$18.5 million safety upgrade on Goulburn Valley Highway, Molesworth to Killingworth, Yea. - A \$5 million safety upgrade on Mickleham Road between Somerton Road and Donnybrook Road. - A \$3.4 million innovative compact roundabout in Bass Coast Shire on the Wonthaggi-Korumburra Rd, which will provide a cost effective safety solution to a crash blackspot. - A \$3.2 million safety upgrade at the intersection of Melrose Drive and Mickleham Road, Tullamarine. 	<ul style="list-style-type: none"> - A \$2.3 million roundabout on Wimmera Highway and Ararat-St Arnaud Road. - A \$2.2 million new roundabout on Midland Highway and Fyansford-Geringhap Road, Geringhap. - A \$2 million safety upgrade on Inverloch-Venus Bay Road, Tarwin Lowerp. - A \$1.8 million safety upgrade on Northern Highway, Elmore to Rochester.

Other road safety initiatives

Other ongoing road safety initiatives include:

VicRoads Community Road Safety Grants Program

The VicRoads Community Road Safety Grants Program distributes \$1.46 million in funding to community groups to deliver road safety programs across Victoria. This funding enables road safety programs to be delivered to a wide range of age groups and to target local road safety issues.

L2P program

L2P is a learner driver mentor program that assists learners under 21 years of age to gain the 120 hours driving experience required to apply for a probationary licence. Under the program, young people who do not have access to a supervising driver or vehicle, are matched with a fully-licensed volunteer mentor who is trained, screened and given access to a sponsored vehicle in which to gain supervised driving experience.

The L2P program is now delivered in over 61 Local Government Areas, and 1500 mentors have provided supervised driving practice to 1900 learner drivers. The L2P Program continues to be funded by TAC and managed by VicRoads.

Keys Please

The Keys Please program is a free, 45-minute information session for Year 10 students, delivered by a trained school facilitator.

During the 2015-16 financial years, the Keys Please program was delivered to over 80 per cent of Year 10 students across Victoria. The aim of the Keys Please program is to encourage new learner drivers to gain maximum advantage from their 120-hour learner period and to ultimately become safe drivers.

School Crossing Program

VicRoads provides over \$11 million annually in local government subsidies to run the School Crossing Program. In 2015-16 VicRoads began a review of the School Crossing Program to ensure the funding model was sustainable and to ensure the continued safe passage to school for students. The review is due to be completed at the end of 2016.

Improve environmental sustainability of the transport system

Road transport is a major contributor to greenhouse gas emissions and consumer of natural resources. VicRoads is conscious of the need to develop innovative ways to improve resource efficiency and to promote low carbon transport operations to modify effects of:

- increased land consumption
- noise and air pollution.

More extreme weather and natural disasters are testing our emergency response and making it harder to predict and adapt asset maintenance regimes to maintain smooth and safe roads. We need to adapt the road system to minimise the impact of a changing climate and our emergency response to extreme weather and individual disasters.

VicRoads is serious about its environmental responsibility and is committed to ensuring our impact on the environment is minimised.

Within the 2015-16 reporting period, VicRoads developed a new Sustainability and Climate Change Strategy 2015-20, to support the environmental values and wellbeing of all Victorians, in the context of a growing population that is placing increasing demands on our transport system.

The Sustainability and Climate Change Strategy sets out a framework for the next five years to guide the delivery of activities contributing to the environmental sustainability and health and wellbeing objectives of the *Transport Integration Act 2010*, and the wellbeing outcomes outlined in the VicRoads Corporate Plan 2015-19.

The VicRoads Sustainability and Climate Change Strategy articulates VicRoads' vision of making lives better for all road users, while balancing the needs of all groups of society. The challenges identified include the need to protect health, wellbeing and community environmental values while continuing to drive environmental resilience.

Movement and Place

As Victoria's population grows, there is increasing pressure on the transport network to move people and goods efficiently across and around all parts of Victoria. Increasing the level of investment on an ever expanding road network is difficult to sustain and the management of our customers' journeys through non-infrastructure solutions and the more effective use of existing road space is becoming the priority for transport agencies. To meet the challenge of increasing numbers of people and goods on our networks, we need to be progressive in responding to the changing needs of customers and community.

VicRoads has integrated the Sustainability and Climate Change Strategy into the development of its Movement and Place framework. The Movement and Place framework considers local and network priorities and aims to guide operational, policy and investment decisions.

The Movement and Place framework sets out a new approach to network improvement planning, which acknowledges the important inter-relationship in supporting sustainable, long-term growth and prosperity for Victoria. Key performance indicators representing our sustainability challenges have been developed to ensure the impacts of 'movement' and the opportunities for 'place' can be identified early during strategic planning.

Movement and Place example: Bayswater

VicRoads has used the opportunity presented by the removal of the level crossing on the Mountain Highway in Bayswater to actively make Bayswater a more vibrant and safe place by:

- reducing the major highway from three lanes to two
- lowering the railway by three meters, while elevating the road in front of the busy shopping strip.

These changes will make it safer for people to shop, linger and connect with the train station and access the new bike paths.

VicRoads is listening to what matters most to families and communities and is committed to helping build better places and enabling a greater use of public transport, while encouraging walking and cycling.

Manage the road system to help reduce Victoria's carbon emissions

VicRoads has continued to plan, manage and develop the road system to help reduce Victoria's carbon emissions and to minimise the impact of our transport system on the environment.

In supporting the reduction of transport-related carbon emissions, VicRoads initiated a number of projects in 2015-16, including:

A long-term program to monitor the environmental performance of Melbourne's road network was initiated in November 2015.

- The monitoring of air quality and traffic noise emissions at six locations across metropolitan Melbourne will analyse long-term trends in pollution and noise emissions.
- Air quality is assessed by measuring the amount of nitrogen dioxide (NO₂) in traffic-related emissions.
- Traffic noise is measured using state-of-the-art noise monitoring equipment.
- The program is scheduled for at least twelve months and the data collected will provide critical information to assist in the planning and design of new roads and road upgrades.

Continuation of the long-term low noise pavement trial on the Mornington Peninsula Freeway.

- The sixth round of noise testing was conducted in 2015-16, confirming that the pavements continue to achieve significantly reduced noise levels.
- Replacing existing street lighting LEDs on the Monash freeway between Toorak Road and Pakenham and on a section of the Calder Freeway.

Protect and enhance cultural heritage and the natural environment

Protecting places of cultural importance and working with our Indigenous stakeholders continues to be a key priority.

In 2015–16, VicRoads completed a number of interpretive and recognition projects including

- Installing the first pedestrian crossing lanterns in Australia that depict a known person - the late Mary Rogers, who became the first female councillor in Victoria in 1920, now guides pedestrians across Bridge Road, Richmond near tram stop No. 17.
- Gazetting Baanip Boulevard (to the south of Geelong) after Willem Baanip, a local Wathaurung man well known to the Geelong community during the 1800s.
- Restoring and relocating the Strzelecki Monument in Traralgon East as part of the duplication of the Princes Highway.
- Rehabilitating the historic Winchelsea Bridge for use by pedestrians and cyclists and relocating a heritage clock tower as part of works associated with the Princes Highway duplication, Winchelsea.
- Heritage preservation and boulevard treatment as part of the Ringwood Station and Interchange Upgrade Project including relocating the historic signal box and street tree-planting in the centre and outer medians.
- Refurbishing the heritage listed Goods Shed relocated as part of the Warragul Rail Precinct Upgrade.
- Relocating and repurposing the historic rail signal box from the Burke Road level crossing to within the Gardiner station precinct for use as a bicycle storage facility.
- Installing Welcome to Country signs on the traditional lands of the people of the Yorta Yorta Nations and supporting DEDJTR to develop appropriate 'Welcome to the Country' signs for installation across the traditional lands of Aboriginal peoples represented by the Gunditj Mirring Traditional Owners Aboriginal Corporation and the Barengi Gadjin Land Council.
- Salvaging Aboriginal scarred trees from the Ravenswood Interchange project area for relocation at the Ulumbarra (which means 'gather together') theatre, Bendigo.
- Uncovering information through Aboriginal archaeological investigations on road projects that add significantly to our knowledge of how and when Aboriginal peoples lived in different environments in the past, including at Fulham in Gippsland, Warncoort and Ravenswood.

Protecting the biodiversity of Victoria's native plants and animals is a high priority, as is finding ways to conserve our natural resources.

In 2015–16, VicRoads completed a number of conservation projects including

- Extensive tree planting as part of the Narre Warren-Cranbourne Road duplication - the first project to implement VicRoads' Tree Planting Policy, which aligns with community expectations and emerging evidence regarding the benefits provided by trees, while meeting road safety objectives.
- Implementing measures to support Southern Brown Bandicoot populations including the construction of a roadway underpass, and undertaking predator control and extensive habitat planting as part of the Koo Wee Rup Bypass project.
- Constructing wetlands to provide habitat for the Growling Grass Frog populations at Princes Highway West and Koo Wee Rup bypass project areas.
- Engaging the University of Melbourne and Royal Botanic Gardens to design a coordinated fauna crossing strategy across 43km of the Highway between Beaufort and Ararat, which included installing rope bridges, gateway facilities and over 500 species-specific nest boxes.
- Managing St Albans Biosite to protect and enhance listed threatened species and communities, including the Spiny Rice-Flower and the Button Wrinklewort, in accordance with Department of the Environment approval for the Main Road level crossing removal.
- Providing a VicRoads-first landscape plan exhibition period of two weeks to seek direct input from the community and local experts on landscape design for sections of the Western Highway upgrade.
- Relocating significant pear trees located along the Essendon Fields frontage to allow for the CityLink-Tulla widening.
- Continuing support of the Adopt a Roadside program.

Support active transport

The Victorian Government and VicRoads share a commitment to making cycling and walking safer for all Victorians. The \$100 million Safer Cyclists and Pedestrians Fund has enabled continued investment in new, dedicated paths and routes across Victoria, keeping bicycles and pedestrians away from traffic. It has also enabled continued focus on improving routes to train stations and the CBD, creating new routes in regional areas, filling the gaps in the existing bicycle network, and updating pedestrian crossings, markings and signage, which has encouraged more people to ride bicycles.

Specifically, VicRoads, DEDJTR, local councils and key stakeholders have been working together over the past 12 months to define the strategic cycling corridors, which have been identified across Victoria. These corridors are intended to support the growing number of cyclists and provide safe and easy connections to enable cyclists to access important destinations such as employment, education and health centres, sports and entertainment precincts and public transport interchanges.

St Kilda Road has been identified as one of the priority strategic cycling corridors. A study is currently being undertaken to determine the feasibility of upgrading the existing bicycle facilities to protected bicycle lanes along the 5.2km of St Kilda Road, between Linlithgow Avenue and Carlisle Street. The Australian Government committed \$10.24 million for the Western Highway overpass and east-facing ramps at Halletts Way. The ramps will improve traffic flow and reduce congestion in the area as well as provide a new access point to Bacchus Marsh and a shared user path for pedestrians and bicycles.

During 2015-16, the following projects were delivered:

- A \$156 million 6.4km road from Dingley Bypass linking Warrigal Road at Moorabbin and Westall Road at Dingley Village is due for completion in 2016. The road will be three lanes each way with an adjacent shared bike and pedestrian path, as part of the completed Dingley Bypass works and High Street Road.
- A \$38.5 million West Gate Distributor project (Stage 1) involved widening Moreland Street to provide a four-lane divided road and the widening and strengthening of Shepherd Bridge together with a new bridge over the Maribyrnong River for pedestrians and cyclists.

Key performance indicators

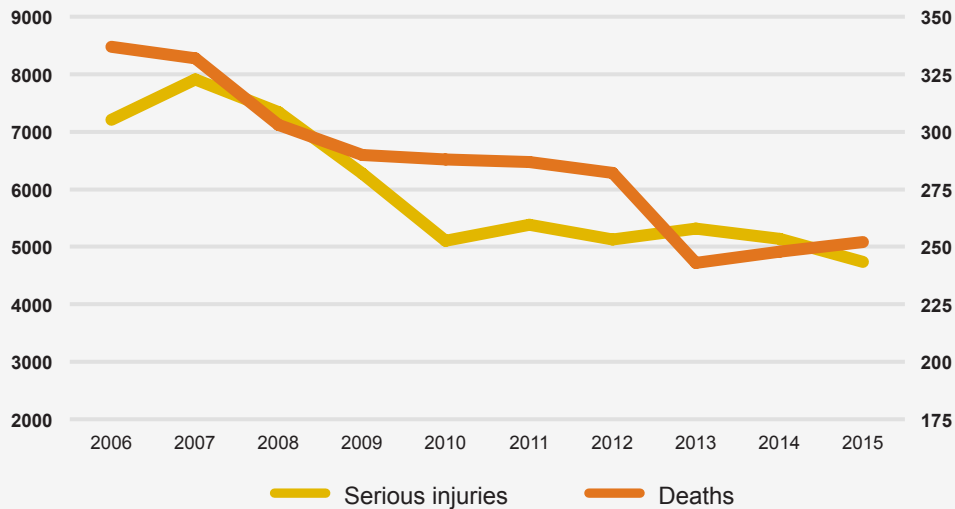
VicRoads uses several performance indicators to measure performance of the road network.

Deaths and serious injuries

It should be noted that there is a discontinuity of and variability in the serious injury data as a result of the implementation of the new Police Traffic Incident System (TIS) in December 2005. With the new data collection process, the serious injury definition is dependent on the ability to determine whether a person has been admitted to hospital.

It is unclear at this point whether the dip in serious injuries is a trend or simply a one-off event.

Figure 3: Deaths and serious injuries in Victoria from 2006

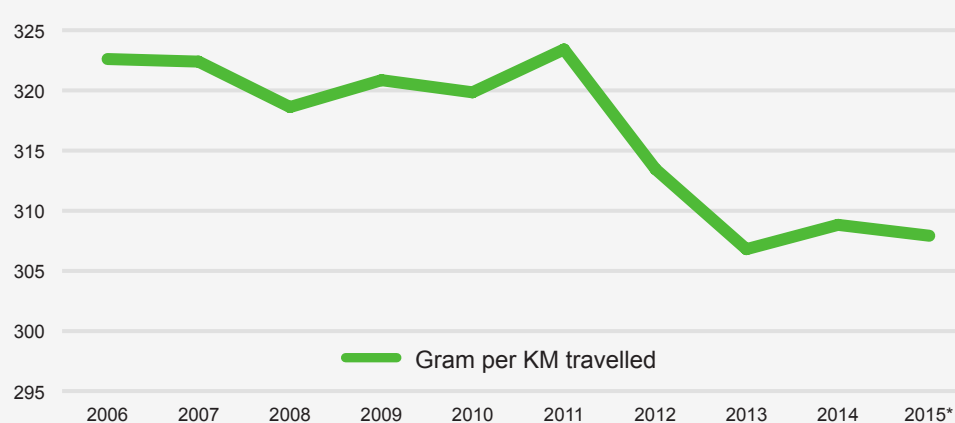


CO2 emissions per km travelled

The CO2 emissions have decreased overall since 2006, reaching the lowest level in 2013, and remained steady since.

This may reflect increasing proportions of vehicles on the roads, with greater fuel efficiency.

Figure 4: CO2 emissions



Source - VKT (Vehicle KM Travelled)(BITRE) : CO2 emission (National green house Inventory)
2015* is estimated based on available data

Productivity

Strengthen the economy through better use of roads and connections with land use

VicRoads understands that the economy is strengthened by making the best use of the transport network, and recognises its interdependence with land use. While maintaining and managing Victoria's arterial roads and freeways, we aim to provide a smart and efficient transport network that can continue to support a thriving economy.

Efficient road maintenance investment and delivery

VicRoads manages one of the largest State assets, Victoria's arterial roads and freeways.

This includes maintaining 12,308 lane kilometres of road pavement in the Metropolitan area and 41,495 lane kilometres of road pavement in regional areas. In addition to maintaining pavements, VicRoads is responsible for maintaining roadsides, structures (including bridges), traffic lights, freeway street lights and other electronic road assets. VicRoads also contributes 60 per cent of the cost of maintaining 80,000 arterial road street lights that provide communities with improved safety and amenity. In 2015-16, VicRoads spent \$459.9 million on asset maintenance to ensure that the road network remained safe and accessible for all members of the community.

Pavement rehabilitation

As part of its maintenance responsibility, VicRoads delivered an \$88.6 million pavement resurfacing upgrade, replacing damaged road surface layers with a new waterproof layer to protect the underlying pavement structure and to prevent further deterioration and delay expensive road rebuilding.

The Targeted Road Restoration Package-Pavement Rehabilitation initiative commenced 2015-16. This \$49.8 million pavement rehabilitation upgrade involved replacing the underlying pavement structure and surface. Over 2015-16, 67 projects totalling \$35.4 million were scheduled and all but five of them were completed within this period. Some of these projects included:

- South Gippsland Highway, Caldermeade
- Main Whittlesea Rd, Mernda
- Woolsthorpe-Heywood Road, Willatook
- Elmore-Raywood Road, Elmore
- Traralgon West Road, Maryvale
- Timboon-Colac Road, Jancourt East
- Melbourne-Lancefield Road, Lancefield
- Glenelg Highway, Dunkeld
- Hamilton Highway, Darlington
- Long Gully-White Hills Road, Long Gully
- Princes Highway East, Cann River
- Ballarat-Daylesford Road, Pootilla
- Skipton Road, Lake Goldsmith
- Ballarto Road, Koo Wee Rup
- Sybella Avenue, Koo Wee Rup
- Gladstone Street, Maryborough
- Princes Highway West, Mumbannar.

CityLink Tulla Widening project

When the \$496 million CityLink Tulla Widening project began in October 2015, the following initiatives were employed to minimise disruption to all transport modes:

- Freeway work zones were opened to enable safe access to the road network, and available route choices were retained, including cycling and pedestrian paths.
- Speed reductions were put in place and safe barriers were erected along the work zone.
- Traffic management plans that minimised disruption to drivers were implemented.
- Changes were made to the works program to reduce construction noise and disturbance at Strathmore Secondary College during school hours.
- The network incident response capacity was increased, to improve reliability and productivity of major freight and commuter routes, and to minimise travel times.
- A CityLink Tulla Widening project website was launched, a Twitter feed, advertising campaign and internal communications that focused on detailed and real-time journey information to enable customers to plan journeys.

Move more freight, more efficiently with less impact

The Australian Government committed \$150 million to upgrade the M80 Ring Road between Sunshine Avenue and Calder Freeway. This upgrade will include additional traffic lanes to increase capacity, in particular for freight, and enhanced freeway management systems to improve traffic flow, with improvements at interchanges for improved safety and amenity.

Planning and preconstruction for this project started in 2015-16 and the project is planned for commencement in 2016-17.

The Australian Government also committed \$10.24 million for the Western Highway overpass and east-facing ramps at Halletts Way. The ramps will improve traffic flow and reduce congestion in the area as well as provide a new access point to Bacchus Marsh and a shared user path for pedestrians and bicycles.

Planning and preconstruction for this project started in 2015-16 and the project is planned for commencement in 2016-17.

Projects that commenced in 2015-16 include:

- A \$496 million project to CityLink-Tulla widening project – CityLink Tunnel to Melbourne Airport will provide one additional lane in the median in both directions and the installation of a fully operational motorway, including land use management, freeway ramp signals and variable speed limit signs.
- A \$349 million upgrade of 35 kilometres of divided highway with two lanes in each direction, from Winchelsea to Colac. This upgrade began in June 2016, with the commencement of on-ground works on the first section and will include safer intersections and protected turn lanes extending from Hesse Street Winchelsea to Ballarat Road, Colac East.
- An \$86 million upgrade project, the Calder Highway/Ravenswood Interchange (Calder Highway/Calder Alternate Highway, Ravenswood) recognises the need to improve safety and reliability for local, freight and touring traffic. The Ravenswood Interchange will replace the dangerous intersection of the Calder Highway and the Calder Alternative Highway, where, since 2009, there have been two fatalities.
- A \$38.5 million project, West Gate Distributor Stage 1, to widen Moreland Street to provide a four-lane divided road, new signalised intersections in Moreland Street at Footscray Road, Parker Street and Whitehall Street, together with widening and strengthening Shepherd bridge.
- A \$30 million upgrade of the Princes Highway East – Sand Road interchange project will upgrade the current intersection into a full interchange that will provide safer and easier movement on and off the freeway and safer travel movements along Sand Road and the Princes Freeway East. This will increase travel efficiencies for one of the region's busiest freight corridors, boost the local and regional economy and improve access to service centre facilities.
- In 2015–16, VicRoads continued to deliver a program designed to strengthen high priority bridges to enable them to support heavier freight vehicles. This project is ongoing over four years.
- A \$73 million bridge strengthening upgrade commenced in 2015-16, resulting in the upgrade of 52 high priority bridges across Victoria.
- Works totalling \$49.3m commenced in 2015-16 and works to the value of \$7 million have already been completed.

Other road and rail works

A \$28.9 million package was allocated for road and rail minor works during 2015-16. Some of the projects commenced under the Road and Rail Minor Works package, include:

- A \$10.8 million project for the installation of roundabouts on Narre Warren North Road, at Hallam Road and Fox Road.
- A \$1.9 million pavement rehabilitation project at Colac-Ballarat Road.
- A \$1.25 million truck curfew project for Rosanna Road.
- A \$1 million project to install pedestrian signals at Drysdale-Ocean Grove Road.

Projects ongoing in 2015-16 include:

The \$260 million Princes Highway East Duplication between Traralgon and Sale is being progressively upgraded as a safer and more efficient four-lane divided highway. Funded by the Australian Federal and the Victorian State Government, this is considered a key project identified in the Australian Government's Infrastructure Investment Programme.

Ongoing sections include:

- Duplication of an 8.3km section from Flynn to Rosedale (construction commenced in May 2014, with an expected completion in late 2016).
- Duplication of a 2.9km section from Fulham to Wurruk between Reid Drive Wurruk to west of Sale-Heyfield Road (construction commenced in April 2015, with an expected completion in late 2016).
- Works commenced in late 2014–15 for the Princes Highway West Duplication between Winchelsea and Colac. The \$363 million project is expected to be completed in mid 2019. Over half a billion dollars have been contributed to upgrading the Western Highway, to support the critical transport corridor between Melbourne and Adelaide. Considerable increases in traffic volumes on this corridor are expected between Melbourne and Ballarat and west of Ballarat. The upgrades include:
- Duplication of the Western Highway, a \$662 million project between Ballarat and Stawell. Part of Section 2, the \$144 million section of Beaufort to Buangor and the Buangor Bypass, which commenced in 2014 and was opened in April 2016.
- Duplication of the 1.4 kilometre section of High Street Road between Burwood Highway and Stud Road, a \$17 million project including modification of intersections.

Projects completed in 2015-16 include:

A \$155.7 million Dingley bypass project, Warrigal Road to Westall Road, the 6.4 km Dingley bypass links Warrigal Road at Moorabbin and Westall Road at Dingley Village.

- Kilmore Wallan bypass – Planning and preparatory work to deliver the bypass of the Kilmore and Wallan townships
- Managed motorway program – Monash Freeway between High Street and Warrigal Road; and
- Princes Highway East passing lanes (Hospital Creek, Dinner Creek and Wombat Creek)

Key performance indicators

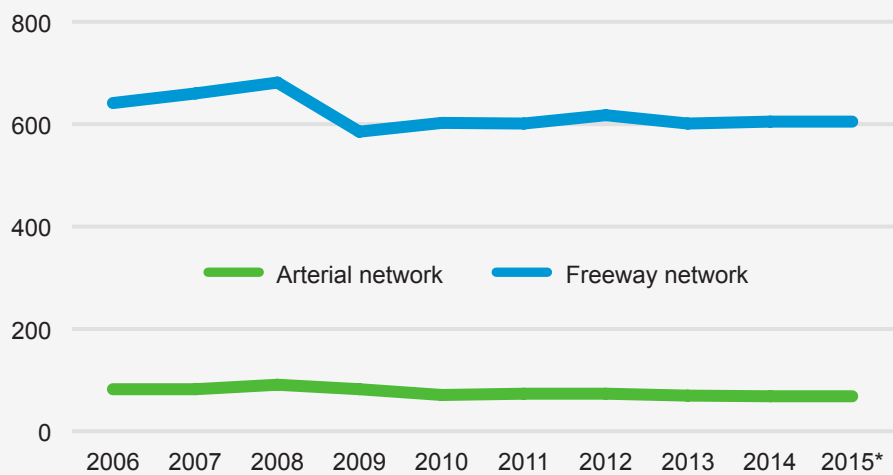
VicRoads uses several performance indicators to measure performance of the road network.

Freight density

Freight density is much higher on the freeway network than it is on the arterial network.

Freight density has remained relatively consistent since 2009, having reached its highest level in 2008, prior to the 2009 Global Financial Crisis.

Figure 5: Freight density



2015* is estimated based on available data

Customer service performance measures

The overall quality standard of VicRoads customer service in our Registration and Licensing business is indicated by the results of the post-call surveys and customer feedback about the quality of service received.

The 2015-16 result in Call Wait Times increased from the previous year. Inbound customer calls were answered in four minutes 25 seconds on average, against a target of four minutes. This was explained by the VicRoads contact centre, which recorded an increase in complex customer transactions leading to an increase in the average time taken to serve each customer. System and third-party network reliability during the last six months of the year also had a negative effect on the average time taken to serve customers.

Counter Wait Times in Customer Service Centres were affected by an increase in volume of overall, as well as complex, transactions. This change in transaction complexity has continued as more customers complete simple transactions via self-service channels.

Drive test appointments were delivered within the four week target. Drive Test Wait Times have improved by 0.5 week, exceeding the target by 1.5 weeks when compared to the previous year.

A new, sophisticated forecasting and scheduling tool is being introduced across Customer Service Centres to assist with customer serve and wait times.

Table 5: Customer service performance

Indicator	Target	Measure	2015-16	2014-15	2013-14	2012-13
Overall Satisfaction	85% of customers satisfied with registration and licensing services	Customer satisfaction survey	90%	89%	91%	90%
Professional approach	85% of required customer service standards met by staff	Customer satisfaction survey	82%	77%	82%	73%
Efficient services	80% of customers served within 10 minutes	Internal systems	76%	81%	80%	77%
	240 seconds –average time to answer a call	Internal systems	268	208	202	

Key Financial Results

Financial management

Table 6: Key financial results

YEAR ENDED 30 JUNE	2016 \$m	2015 \$m	change \$m
FINANCIAL PERFORMANCE			
Income from Transactions	2,077.5	1,398.7	678.8
Expenses from Transactions	(2,243.3)	(1,588.6)	(654.7)
NET RESULT FROM TRANSACTIONS	(165.8)	(189.9)	24.1
Other Economic Flows included in Net Result	(3.9)	(78.5)	74.6
NET RESULT	(169.7)	(268.4)	98.7
Net change in asset revaluation reserve	(48.1)	1,276.6	(1,324.7)
COMPREHENSIVE RESULT	(217.8)	1,008.2	(1,226.0)
Expenses from Transactions by Output			
Road Operations and Network Improvements	1,528.1	825.8	702.3
Road Asset Management	413.4	493.6	(80.2)
Transport Safety, Security and Emergency Management	247.4	234.6	12.8
Ports and Freight Network Improvements and Maintenance	54.4	34.6	19.8
TOTAL	2,243.3	1,588.6	654.7
CAPITAL WORKS EXPENDITURE			
Infrastructure assets	509.4	673.4	(164.0)
Other assets	87.5	29.8	57.6
TOTAL	596.9	703.2	(106.3)
TOTAL EXPENDITURE	2,840.2	2,291.8	548.4
INCOME COLLECTED ON BEHALF OF THE VICTORIAN GOVERNMENT AND OTHER GOVERNMENT AGENCIES	4,493.1	4,320.0	173.1
INCOME ADMINISTERED ON BEHALF OF THE VICTORIAN GOVERNMENT	33.1	31.6	1.5

	2016 \$'million	2015 \$'million	Change \$m
AS AT 30 JUNE			
FINANCIAL POSITION			
Total assets	47,497.3	47,732.9	(235.6)
Total liabilities	(1,303.9)	(1,201.4)	(102.5)
NET ASSETS	46,193.4	46,531.5	(338.1)
ASSETS AND LIABILITIES ADMINISTERED ON BEHALF OF THE VICTORIAN GOVERNMENT			
Total assets	23.8	0.0	23.8
Total liabilities	(405.6)	(352.0)	(53.6)
NET ASSETS	(381.8)	(352.0)	(29.8)

Financial overview

VicRoads total expenditure was \$2.8 billion in 2015-16, \$548.4 million higher than the previous year primarily due to level crossing works undertaken on behalf of the Level Crossing Removal Authority. The total expenditure comprised \$2.2 billion in expenses from transactions and \$0.6 billion in capital works expenditure.

The value of road infrastructure and other assets managed by VicRoads decreased by \$235.6 million to \$47.5 billion during 2015-16, and total liabilities increased by \$102.5 million to \$1.3 billion. These movements in assets and liabilities resulted in a decrease in net assets of \$338.1 million to \$46.2 billion as at 30 June 2016.

Financial performance

VicRoads recorded a net result deficit of \$169.7 million in 2015-16 compared with a net result deficit of \$268.4 million in the previous year.

The deficit in 2015-16 has occurred due to the recognition of expenses totalling \$625.9 million (principally depreciation and the write down of disposed assets) for which funding was recognised as income in previous years or funded from shareholder equity contributions. This expenditure was partly offset by income funding totalling \$456.2 million being income received for capital works expenditure and finance lease repayments, and assets received free of charge.

The improvement in the net result deficit in 2015-16 is principally due to the de-recognition of non-financial assets which occurred in 2014-15.

Funding sources

VicRoads funding is derived from the Victorian Government annual budget, program funding from the Transport Accident Commission, revenue from regulatory fees and fee-for-service charges. Funding for operating outputs and capital works from all sources totalled \$2.3 billion during 2015-16, an increase of \$668.4 million on the previous year.

The Victorian Government receives funding for improvements to and maintenance of, the National Land Transport Network under the Federal *Nation Building Program (National Land Transport) Act 2014* and the Federal *Interstate Road Transport Act 1985*. This funding is forwarded to VicRoads as a grant to meet expenditure commitments.

Victorian Government grants of Federal funding to VicRoads in 2015-16 are \$276.5 million, an increase of \$28.4 million compared to the previous year. The increase in funding is principally due to funding received for the CityLink Tullamarine Freeway Widening project.

In 2015-16, VicRoads received Victorian Government output and asset appropriation grants of \$1.1 billion, an increase of \$117 million on the previous year primarily due to new funding received for the Citylink Tullamarine Freeway Widening project and the bridge strengthening for freight efficiency program.

VicRoads generated revenue from regulatory fees, fee for service charges, and other revenue totalling \$883.6 million in 2015-16, an increase of \$580.4 million on the previous year. This increase is primarily due to funding received for level crossing removal works (\$591.1 million) undertaken by VicRoads on behalf of the Level Crossing Removal Authority.

The Transport Accident Commission provides funding for a range of road safety infrastructure projects and motorcycle safety initiatives. During 2015-16, this funding amounted to \$68.1 million, a decrease of \$37.4 million on the previous year principally due to delays in approval of projects in the Road Safety Strategy 2013-22 program.

Capital Works Expenditure

VicRoads undertook asset construction works and acquisitions totalling \$596.9 million during 2015-16, a decrease of \$106.3 million from the previous year. Details of significant capital works projects undertaken during 2015-16 are outlined in the section of this report which refers to the VicRoads strategic objective to develop the road system to improve connections between places that are important to our customers' objective.

Cash flows

During 2015-16, VicRoads utilised cash funds received from the Victorian Government, collections of revenue and proceeds from asset disposals totalling \$2.3 billion to fund operating activities totalling \$1.7 billion and capital works activities totalling \$0.6 billion.

Financial position

During 2015-16, VicRoads non-financial assets decreased by \$457.7 million to \$46.9 billion. This was principally due to a transfer of rail grade separation works to VicTrack and the write-down of impaired assets.

VicRoads' financial assets increased by \$222.2 million to \$632.3 million during 2015-16 principally due to an increase in receivables as a result of an increase in the level of revenue recognised for the year, and the recognition of recoverable compensation payments made to land owners. Total liabilities increased by \$102.5 million to \$1.3 billion during the year principally due to an increase in payables as a result of an increase in the level of operating and capital expenditure for the year.

As a result of the above changes, VicRoads net assets decreased by \$338.1 million to \$46.2 billion as at 30 June 2016.

Income collected on behalf of the Victorian Government and other government agencies

VicRoads administers the collection of certain fees, licences and duties on behalf of the Victorian Government, various State Government agencies, and the Commonwealth Department of Infrastructure and Transport. These amounts are not recognised as VicRoads income but are paid to the Victorian Government's Consolidated Fund or other government agencies. During 2015-16, collections on behalf of the Victorian Government and other government agencies totalled \$4.5 billion compared with \$4.3 billion the previous year.

Melbourne CityLink

VicRoads manages the administration of revenue, expenditure, assets and liabilities arising from the Melbourne City Link Act 1995 on behalf of the Victorian Government. These items are not recognised as VicRoads' revenue, expenditure, assets or liabilities.

Details of the concession notes and related revenues are disclosed in Note 1(Q)(ii) – 'Private Provision of Public Infrastructure' and Note 24 – 'Transactions administered on behalf of the State of Victoria'.

Five year financial summary

YEAR ENDED 30 JUNE FINANCIAL PERFORMANCE	2016 \$m	2015 \$m	2014 \$m	2013 \$m	2012 \$m
Income from transactions	2,077.5	1,398.7	1,550.1	1,504.9	2,013.3
Expenses from transactions	(2,243.3)	(1,588.6)	(1,489.0)	(1,499.0)	(1,521.6)
NET RESULT FROM TRANSACTIONS	(165.8)	(189.9)	61.1	5.9	491.7
Other Economic Flows Included in Net Result	(3.9)	(78.5)	7.5	7.5	7.8
NET RESULT	(169.7)	(268.4)	68.6	13.4	499.5
Net change in asset revaluation reserve	(48.1)	1,276.7	10.2	(28.4)	2,282.5
COMPREHENSIVE RESULT	(217.8)	1,008.3	78.8	(15.0)	2,782.0
CASH FLOWS					
Cash flows from operating activities	466.6	445.5	616.1	641.9	801.4
Cash flows used in investing activities	(596.5)	(671.1)	(762.9)	(838.4)	(884.2)
Cash flows from financing activities	131.9	223.5	146.9	198.9	82.0
NET INCREASE/(DECREASE) IN CASH HELD	2.0	(2.1)	0.1	2.4	(0.8)
CAPITAL WORKS					
TOTAL EXPENDITURE	596.9	703.2	755.4	876.7	918.5
FUNDING SOURCES					
<u>State Government Funding derived from the Federal Government</u>					
Construction	167.9	156.3	115.8	283.4	627.1
Asset Maintenance and minor works	58.5	55.8	51.3	49.9	51.0
Federal Interstate Road Transport Scheme	18.9	19.7	20.1	21.0	21.6
National Black Spot program	30.9	14.7	13.3	17.0	11.7
Other	0.3	1.6	2.1	0.5	0.9
TOTAL FEDERAL GOVERNMENT FUNDING	276.5	248.1	202.6	371.8	712.3
<u>State Government</u>					
Outputs appropriations	550.1	135.0	155.2	126.0	255.7
Contributed capital appropriations	246.6	237.9	168.7	198.9	82.0
Better Roads Victoria Trust Account	264.3	571.1	822.9	654.0	553.4
TOTAL STATE GOVERNMENT FUNDING	1,061.0	944.0	1,146.8	978.9	891.1
<u>Other funding sources</u>					
Transport Accident Commission Program Funding	68.1	105.5	85.4	82.8	101.8
Level Crossing Removal Authority Program Funding	591.1	0.0	0.0	0.0	0.0
VicRoads generated revenue	292.5	303.2	275.0	257.5	272.1
TOTAL OTHER FUNDING SOURCES	951.7	408.7	360.4	340.3	373.9
TOTAL FUNDING	2,289.2	1,600.8	1,709.8	1,691.0	1,977.3
INCOME COLLECTED ON BEHALF OF THE VICTORIAN GOVERNMENT AND OTHER GOVERNMENT AGENCIES					
Transport Accident Commission fees	2,028.8	1,972.6	1,873.1	1,797.1	1,705.9
Motor vehicle registration	1,439.5	1,381.0	1,215.2	1,160.9	994.7
Stamp Duty	777.0	717.8	660.7	633.7	581.2
Driver licences	133.3	132.2	126.4	78.1	67.9
Federal Interstate Road Transport Scheme registrations	40.2	41.2	42.1	42.8	42.6
Other	74.3	75.2	73.3	72.8	65.7
TOTAL INCOME	4,493.1	4,320.0	3,990.8	3,785.4	3,458.0
INCOME ADMINISTERED ON BEHALF OF THE VICTORIAN GOVERNMENT	33.1	31.6	30.3	29.0	27.9

AS AT 30 JUNE	2016 \$m	2015 \$m	2014 \$m	2013 \$m	2012 \$m
FINANCIAL POSITION					
Total assets	47,497.3	47,732.9	45,579.0	45,372.8	45,136.6
Total liabilities	(1,303.9)	(1,201.4)	(370.7)	(411.9)	(419.3)
NET ASSETS	46,193.4	46,531.5	45,208.3	44,960.9	44,717.3
Contributed capital	15,922.9	16,043.0	15,728.1	15,559.5	15,301.0
Asset revaluation reserve	14,510.6	14,558.8	13,282.0	13,271.8	13,300.1
Accumulated surplus	15,759.9	15,929.7	16,198.1	16,129.5	16,116.1
NET WORTH	46,193.4	46,531.5	45,208.2	44,960.8	44,717.2
ASSETS & LIABILITIES ADMINISTERED ON BEHALF OF THE VICTORIAN GOVERNMENT					
Total assets	23.8	0.0	0.0	0.0	0.0
Total liabilities	(405.6)	(352.0)	(351.4)	(348.6)	(346.4)
NET ASSETs	(381.8)	(352.0)	(351.4)	(348.6)	(346.4)

Graphs

Figure 6: Funding sources 2015-16

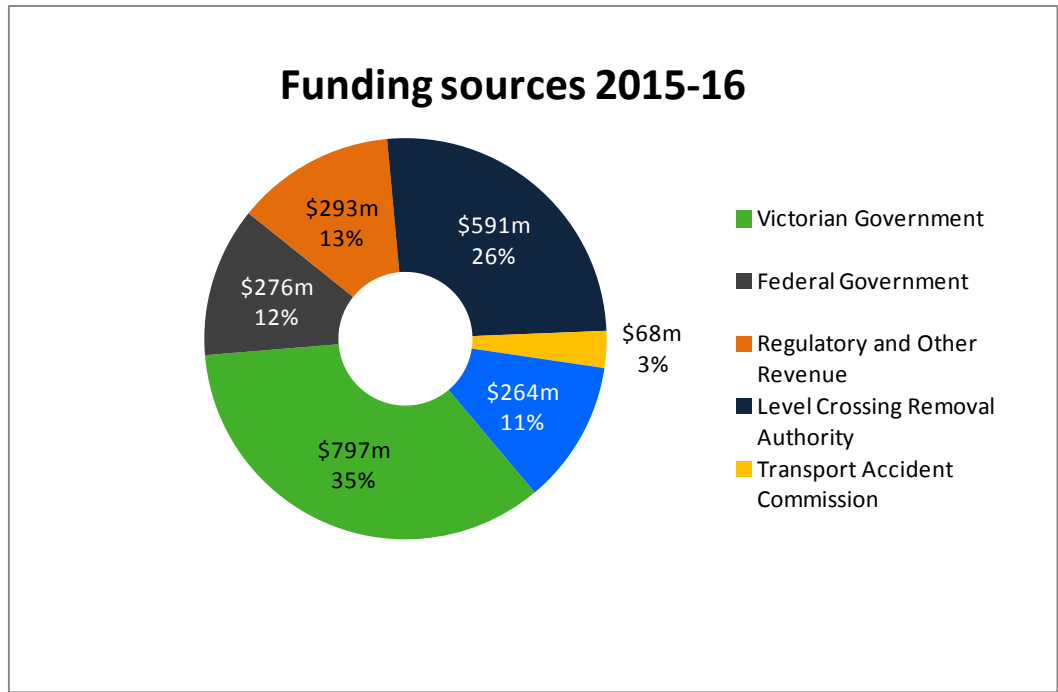


Figure 7: Operating output expenditure 2015-16

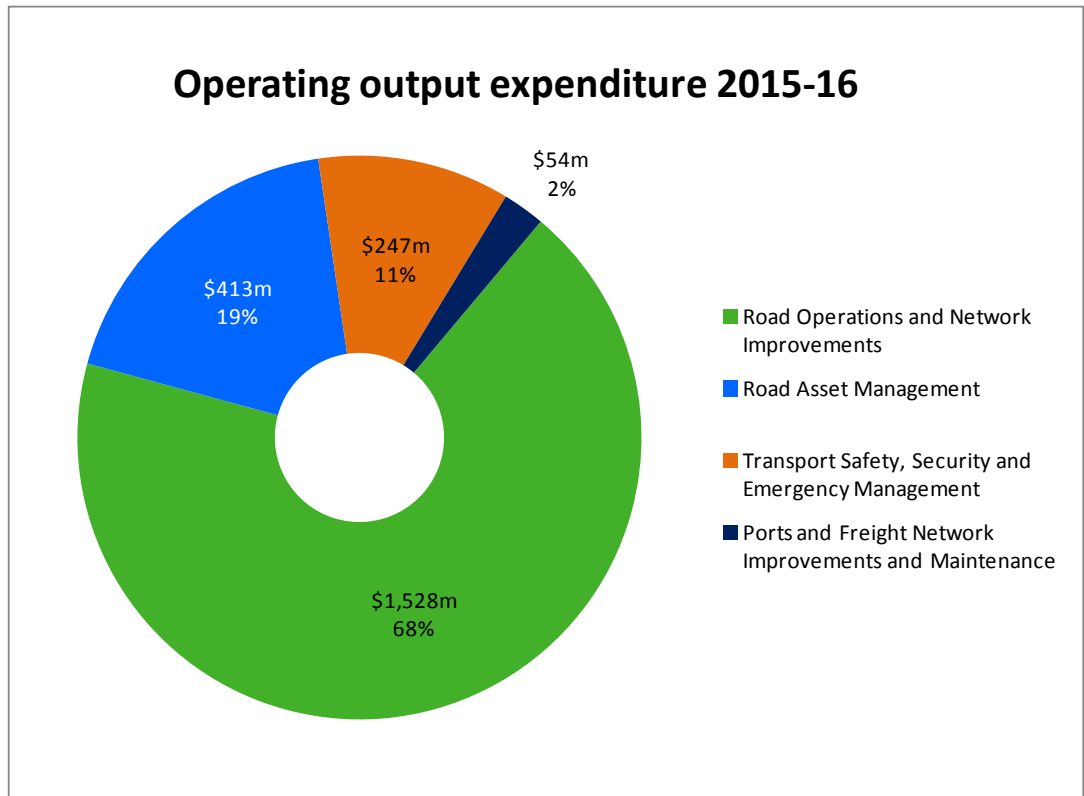
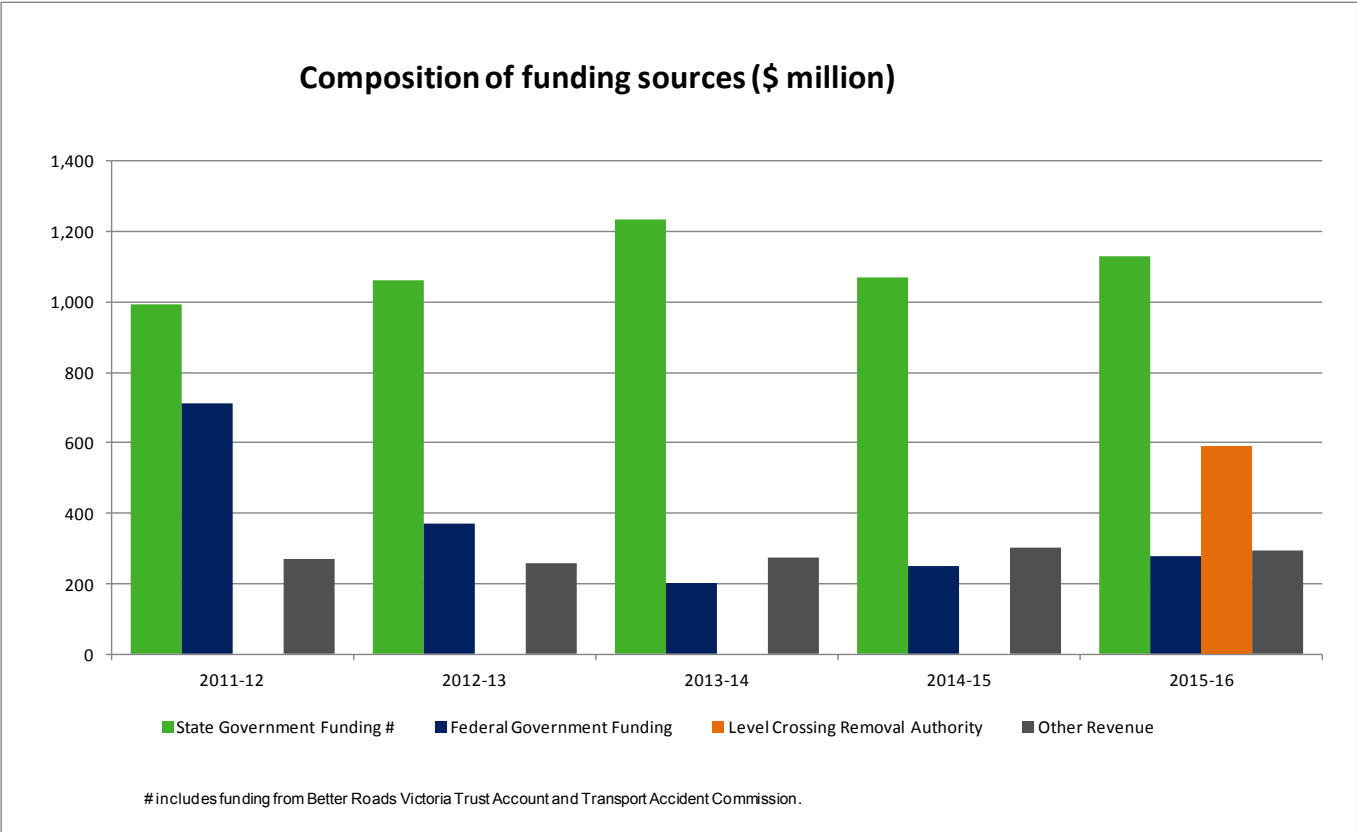


Figure 8: Composition of funding sources (\$ millions)



Governance and organisation

Organisational chart as at 30 June 2016

Chief Executive | John Merritt

Executive Director
Strategy & Planning
Road Safety Coordinator
Andrew Wall

Executive Director
Policy & Programs
Anita Curnow

Executive Director
Corporate Services
Judith Pettitt

Executive Director
Registration & Licensing
David Shelton

Chief Financial Officer
Mark Dale

Executive Director
Commercial Enterprises &
Business Development
John Cunningham

Director | Corporate Strategy
Evelyn Legare
Director | Road Safety Strategy
Antonietta Cavallo
Director | Network Strategy &
Planning
Sameem Moslih
Director | Environmental Strategy
Helen Murphy

Director | Policy and Programs
Robyn Seymour
Director | Policy & Standards
Sarita Narayan
Director | Network Programs
Wendy Sladen

Director | Transformation
Vanessa Nativio /
Amy Rowan
Executive GM | People Services
Louise Gartland
Chief Information Officer
Dale Andrea
Executive GM | Communications &
Stakeholder Engagement
Paul Matthews

Program Director
R&L Modernisation
Simon Broun
Director | R&L Practice,
Standards & Solutions
Helen Lindner
Director | Customer Services
Paul Santamaria
Director | R&L Strategic Advisor
Barbara Flett
Director | R&L Services
Greg Ryan

Director | Legal Services
Shelley Marcus
Director | Management Accounting
Sarmila Palaniandy
Director | Finance Projects
Wayne Mitchell
Director | Risk & Assurance
Rodd Baker
Director | Corporate Accounting
Christina Borzi
Director | Statewide Finance &
Business Services
Bill Darvidis
Director | Procurement & Contract
Management & (CPO)
Chris McNally

Director | Sprayline Road Services
Adrian Tofful

Chief Operating Officer | Peter Todd

Executive Director
Regional Services
Bill Glasgow

Director
SSRIP
Bryan Sherritt
Regional Director
South Western
Mark Koliba
Regional Director
Western
Ewen Nevett
Regional Director
Northern
Mal Kersting
Regional Director
North Eastern
Bill Glasgow
Regional Director
Eastern
Scott Lawrence
Regional Director
Metro North West
Vince Punaro
Regional Director
Metro South East
Aidan McGann

Executive Director
Major Projects
Andrew Williams

Regional Director
Metro Projects (Central)
Brendan Pauwels
Project Director
Eastern Projects
Frank De Santis
Project Director
M80
Trevor Boyd
Project Director
Metro Projects
(Western)
Damien Afxentis
Project Director
South Western
Timothy Price
Project Director
Western Highway
Michael McCarthy
Project Director
South East Projects
Charlie Broadhurst

Director
Road Operations
Nicholas Fisher

Director
Technical Services
Agnelo Duarte

Project Director
CityLink Tulla Widening
Peter Holcombe Henley

Director
Commercial Roads
Zara Fox

Director
Regulatory Services
Eric Henderson

Director
Operation Services
Nicki Kyriakou

Manner of establishment and relevant ministers

VicRoads is the registered business name of the Roads Corporation. It is a Victorian statutory authority established under the *Transport Act 1983* and continued in the *Transport Integration Act 2010*.

The Chief Executive of VicRoads is accountable to the Minister for Roads and Road Safety, reporting through the secretary of the Department of Economic Development, Jobs, Transport and Resources.

The Chief Executive is supported by the Executive Leadership Team, which is responsible for setting and adapting VicRoads' vision, strategic objectives and priorities to meet the Minister's expectations of the roads system.

Responsible Minister

The Hon Luke Donnellan, Minister for Roads and Road Safety and Minister for Ports.

Senior executives/officers

(as at 30 June 2016)

John Merritt, Chief Executive

John Merritt was appointed Chief Executive of VicRoads on 5 May 2014. With extensive experience in private, government and not-for-profit organisations, John is responsible for setting VicRoads' vision, strategic objectives and priorities. John was previously the Chief Executive Officer of Environment Protection Authority, Victoria and Executive Director of Health and Safety at WorkSafe Victoria.

Peter Todd, Chief Operating Officer

Peter Todd was appointed Chief Operating Officer in May 2013. Peter is responsible for managing the operation of Victoria's road network, leading the delivery of projects through statewide regional and project offices, internal technical services to the organisation, management of concessions for private road operators in Victoria and management of on road regulatory services.

Mark Dale, Chief Financial Officer

Mark Dale was appointed as the Chief Financial Officer in September 2012. Mark is responsible for the provision of VicRoads' financial, accounting, risk management, and corporate business support services functions. Prior to joining VicRoads as the Director of Finance in March 2004, Mark held a variety of senior finance and corporate executive management positions in the public sector.

Anita Curnow, Executive Director, Policy and Programs

Anita Curnow was appointed Executive Director, Policy and Programs in February 2015. Anita is responsible for collaboratively developing policies and programs that meet the needs of the community and deliver significant outcomes for Victoria.

David Shelton, Executive Director, Registration and Licensing

David Shelton is Executive Director, Registration and Licensing. David is responsible for the delivery of customer and business services, which enable road users to safely access the Victorian road network through a range of vehicle registration and driver licensing services.

Judith Pettitt, Executive Director, Corporate Services

Judith Pettitt is Executive Director, Corporate Services. Judith is responsible for providing core support functions to VicRoads staff across all business areas. This includes learning and development, recruitment, diversity, workplace relations, OH&S, information management and technology, stakeholder engagement and the 21st century workplace project and governance.

Andrew Wall, Executive Director Strategy and Planning / Road Safety Coordinator

Andrew Wall is Executive Director, Strategy and Planning and Road Safety Coordinator. Andrew is responsible for the development of strategies for the operation, maintenance and improvement of the road network. This includes strategies focused on road safety and the environment.

Audit committee membership and roles

(as at 30 June 2016)

Table 7: Audit committee

Audit Committee member	Role
Jane Brockington	Independent member (Chair)
Greg Larsen	Independent member
Dennis Cavagna	Independent member
Peter Todd	Chief Operating Officer (VicRoads)
John Merritt (Observer only)	Chief Executive (VicRoads)
Mark Dale (Observer only)	Chief Financial Officer (VicRoads)
Julie Langdon (Observer only)	Ernst & Young internal auditor
Menchi Schneier (Observer only)	Ernst & Young internal auditor

The Audit Committee (Risk and Audit Governance Committee), a requirement under the Standing Directions of the Minister for Finance under the *Financial Management Act 1994*, assists the Chief Executive with fulfilling his responsibilities for financial reporting, internal control, risk management, and compliance with laws, regulations and ethics. The audit function aims to provide an independent assurance, oversight and review role.

VicRoads outsources its internal audit function to Ernst & Young. Internal audits assist management with controlling risks, monitoring compliance with policies and procedures, and improving the efficiency and effectiveness of internal control systems.

The results of audits are reported to the Audit Committee and VicRoads senior management.

The Victorian Auditor-General's Office inspects and audits the financial position of VicRoads and reports annually on the outcome of the audit.

Other committees

VicRoads operates a number of corporate committees to assist the Chief Executive with his duties. This committee arrangement provides the basis for the organisation's effective corporate governance.

Vision and Governance Committee

The Vision and Governance Committee supports the Chief Executive to set the long-term strategic direction and performance expectations (greater than three years), and to ensure a level of assurance across the organisation.

Members of the Vision and Governance Committee are:

- Chief Executive John Merritt (Chair)
- Chief Operating Officer Peter Todd (Deputy Chair)
- Executive Director Strategy and Planning / Road Safety Coordinator Andrew Wall
- Executive Director Policy and Programs Anita Curnow
- Executive Director Registration and Licensing David Shelton
- Executive Director Corporate Services Judith Pettit
- Chief Financial Officer Mark Dale
- DEDJTR representative Gillian Miles

Executive Leadership Team

The Executive Leadership Team plans and runs the business responsible for the development, implementation and review of the key initiatives and provide advice and support to the Board by elevating information and issues required to shape strategic thinking and inform decision making.

- Chief Executive John Merritt (Chair)
- Chief Operating Officer Peter Todd
- Executive Director Strategy and Planning / Road Safety Coordinator Andrew Wall
- Executive Director Policy and Programs Anita Curnow
- Executive Director Registration and Licensing David Shelton
- Executive Director Corporate Services Judith Pettit
- Chief Financial Officer Mark Dale

Finance Governance Committee

The Finance Governance Committee advises the Board on matters relating to the financial performance of VicRoads, and provides oversight and advice on organisational financial activities. Executive Director Registration and Licensing David Shelton (Chair)

- Chief Operating Officer Peter Todd
- Chief Financial Officer Mark Dale
- Executive Director Policy and Programs Anita Curnow
- Director Transformation Program Vanessa Natio
- Chief Financial Officer DEDJTR Greg Forck

Network Pipeline Governance Committee

The Network Pipeline Governance Committee establishes a clear pipeline of road planning and infrastructure projects and programs to meet Victoria's short, medium and long-term needs and priorities

- Chief Financial Officer Mark Dale (Chair)
- Executive Director Policy and Programs Anita Curnow
- Executive Director Major Projects John Cunningham
- Executive Director Regional Services Bill Glasgow
- Director Network Strategy and Planning Sameem Moslih
- Senior Advisor, Network Performance and Investment –DEDJTR Tighe Patching
- Director Network Programs Wendy Sladen
- Senior Technical Specialist Alexis Davison

Information Access and Technology

The Information Access and Technology Governance Committee provides strategic leadership in the investment, application and management of information assets and information communication technology.

Executive Director Strategy and Planning / Road Safety Coordinator Andrew Wall (Chair)

- Executive Director Corporate Services Judith Pettitt
- Chief Information Officer Dale Andrea
- Director Road Operations Nicholas Fisher
- Manager Service Innovation and Reform Zoe Dyson
- Director Transformation Vanessa Nativo
- Consultant Chris Gillies
- Chief Information Officer- DEDJTR Alex Jones

Strategy and Policy Governance Committee

The Strategy and Policy Governance Committee connects the strategic commitment to the management of the road network by approving priorities for policy and strategy development.

- Chief Operating Officer Peter Todd (Chair)
- Executive Director Strategy and Planning Andrew Wall
- Executive Director Policy and Programs Anita Curnow
- Executive General Manager Communications and Stakeholder Engagement Paul Matthews
- Executive Director Major Projects Andrew Williams
- Executive Director Regional Services Bill Glasgow
- Manager Improvement Projects Mozelle Morrison

People and Culture Governance Committee

The People and Culture Governance Committee reviews and measures the strategies and programs VicRoads has in place to build the culture, leadership and capability of its people to deliver the VicRoads Strategic Commitment

Executive Director Policy and Programs Anita Curnow (Chair)

- Regional Director North Eastern Bryan Sherritt
- Chief Executive John Merritt
- Executive General Manager People Services Louise Gartland
- Regional Director South Western Mark Koliba
- Principal Bridge Engineer Georgia Stylianos
- Director Customer Services Paul Santamaria

Engagement Governance Committee

The Engagement Governance Committee develops a culture of consistent, high quality, authentic engagement with our customers, community and stakeholders that enable greater participation in decision making and ownership of outcomes.

- Executive Director Strategy and Planning Andrew Wall (Chair)
- Regional Director North Eastern Bryan Sherritt
- Director Corporate Strategy Evelyn Legare
- Director Registration and Licensing Practice, Standards and Solutions Helen Lindner
- Executive Director Corporate Services Judith Pettitt
- Manager Statewide Projects Mary Parker
- Executive General Manager Communication and Stakeholder Engagement Paul Matthews
- Manager Media and Communications Rebecca Skeltor
- Regional Director Metro North West Vince Punaro
- Consultant Sandra Mckay

Procurement Governance Committee

The Procurement Governance Committee maintains VicRoads' high standing as a government procurement organisation by improving its procurement practices, capability, controls, and by ensuring probity, timeliness and value for money through its procurement activities

- Executive Director Corporate Services Judith Pettitt (Chair)
- Director Procurement and Contract Management Chris McNally
- Chief Information Officer Dale Andrea
- Executive Director Major Projects Andrew Williams
- Director Registration and Licensing Services Paul Santamaria
- Chief Financial Officer Mark Dale
- Executive Director Regional Services Bill Glasgow
- Director Legal Services Shelly Marcus

Occupational Health and Safety

Providing safe workplaces

At VicRoads we place importance on the safety, health and wellbeing of our people. We want to ensure that they are engaged, safe and in good health when they are at work. Our aim is to continually improve on creating a safe, healthy and productive working environment.

Over 2015-16, VicRoads implemented several initiatives to improve safety. These initiatives included:

- The concept of 'Working above the line' to reduce the low level administrative or behavioural safety controls, which are the least reliable and safe.
- Continued improvement to contractor safety performance by implementing the CE Safety Directive and issuing 27 non-compliances to contractors for safety breaches.
- A revised drug and alcohol policy, which included the random drug and alcohol testing of prescribed high-risk work positions. Awareness sessions were provided for all affected employees during the month of February 2016, before testing commenced late March 2016.
- Improved reporting in our Safety Management System along with enhancements of Standard Operating Procedures, Safe Work Method Statements and plant risk assessments.
- Safety information being included on the VicRoads website to give guidance to industry on VicRoads health and safety requirements

Supporting health and wellbeing

VicRoads health and wellbeing program aims to encourage employees to adopt a healthier lifestyle, to prevent illness or injury, and to maximise their energy levels for work and personal life. With an increased community awareness of mental health issues, VicRoads has focused on mental health and wellbeing by providing training and support to our employees in understanding and managing mental health issues.

During 2015-16, health and wellbeing programs offered to employees included:

- Mental health education and training
- The launch of Well@VicRoads health and wellbeing portal
- 400 Influenza vaccinations.
- Subsidised opportunities to participate in community health activities.
- Health and wellbeing 'sponsorships' for team initiatives.
- Executive health checks.
- School holiday program, providing a flexible alternative for working parents for two weeks during each school holiday period at the Kew office.

Employee Assistance Program

VicRoads Employee Assistance Program (EAP) continued to provide employees and their immediate family members access to free, confidential counselling to help address work and personal issues. The EAP also provided critical incident debriefing, training and outplacement support throughout the year.

Table 8: VicRoads' work Cover performance

Measure	KPI	2011-12	2012-13	2013-14	2014-15	2015-16
Claims	Number of standard claims	47	33	37	27	34
	Rate per 100 FTE	1.51	1.03	1.35	1.02	1.38
	Number of lost time claims	41	24	29	20	25
	Number of claims exceeding 13 weeks	16	5	11	9	9
	Premium rate (Prem/Rem*100)	0.88	0.93	0.89	1.11	1.22
Fatalities	Fatality claims					
Claim costs	Average cost per standard claim	\$57,255	\$30,053	\$29,902	\$18,344	\$10,730
Management commitment	Evidence of OH&S policy statement, OH&S objectives, regular reporting to senior management of OH&S	completed	completed	completed	completed	completed
	Evidence of OH&S criteria in purchasing guidelines (including goods, services and personnel)	completed	completed	completed	completed	completed
Consultation & participation	Evidence of agreed structure of designated workgroups (DWGs), health and safety representatives (HSRs), and issue resolution procedures (IRPs)	completed	completed	completed	completed	completed
	Compliance with agreed structure on DWGs and HSRs	completed	completed	completed	completed	completed

Workforce data

Employment and conduct principles

VicRoads is committed to applying merit and equity principles in its recruitment process and appointment. The selection processes ensure that applicants are assessed and evaluated fairly and equitably on the basis of the key selection criteria and other accountabilities without discrimination. VicRoads is committed to diversity and Equal Employment Opportunity and has developed a strategy and action plan to foster and support these principles. Employees have been correctly classified in workforce data collections.

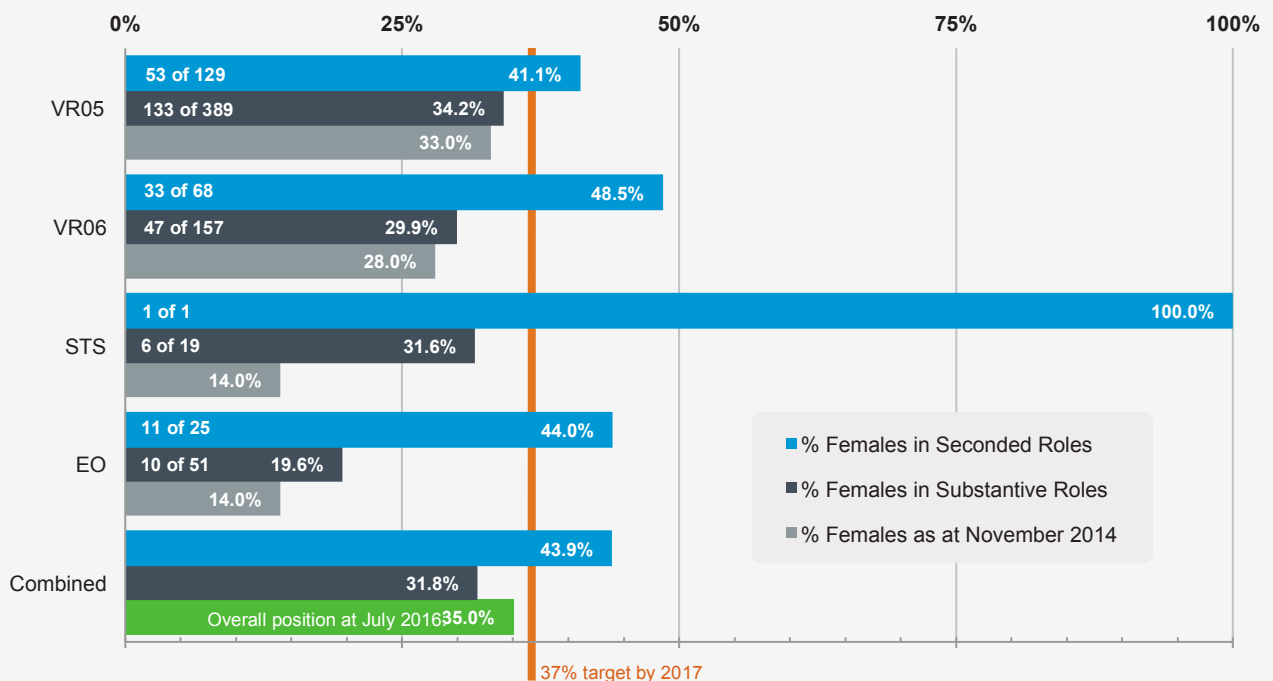
Public administration values and employment principles

VicRoads issues all staff with Public Sector codes of conduct to promote adherence to public sector values on commencement of employment. This is further enforced through mandatory 'Public Sector codes of conduct' e-learning compliance modules that are completed by all employees every two years. Completion compliance is reviewed and audited regularly.

Diversity and inclusion commitment

With a target of 37 percent inclusion of females in senior roles by 2017, Figure 9 indicates current position as at July 2016.

Figure 9: Diversity data



Comparative workforce data

Table 9: Workforce data (a)

	Ongoing employees				Fixed term and casual
	Number (Headcount)	Full time (Headcount)	Part time (Headcount)	FTE	FTE
June 2016	2475	2205	270	2382	64
June 2015*	2449	2185	264	2358	30

* Correction to published figures reported in VicRoads Annual Report 2014-15

Notes

- All figures reflect active employees in the last full pay period to 30 June each year.
- 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 full pay period of June.
- Full Time Equivalent (FTE) figures rounded to the nearest whole number.
- All headcounts exclude those absent without pay, external consultants and contractors engaged through the State Purchasing Contact for the supply of agency staff.

Table 10: workforce data (b)

	June 2016			June 2015		
	Ongoing	Fixed term and casual		Ongoing	Fixed term and casual	
	Number (Headcount)	FTE	FTE	Number (Headcount)	FTE	FTE
Gender						
Male	1566	1560	40	1563	1556	21
Female	909	823	24	886	802	9
Age						
Under 25	52	52	3	33	33	4
25-34	509	497	28	538	521	10
35-44	646	600	18	652	612	6
45-54	621	602	13	616	595	9
55-64	561	549	2	539	529	1
Over 64	86	83	0	71	69	1
Classification						
VRO1	9	8	2	18	17	5
VRO2	576	536	18	571	530	9
VRO3	583	569	23	574	562	5
VRO4	707	688	14	696	675	4
VRO5	377	362	4	367	354	7
VRO6	154	151	4	158	155	1
STS	19	19	0	17	17	0
Executives	50	50	0	48	48	0

Other disclosures

Consultancy expenditure

In 2015–16, there were 24 consultancies where the total fees payable to the consultants were \$10,000 or greater. The total expenditure incurred during 2015–16 in relation to these consultancies is \$2,286,147 (excl. GST). Details of individual consultancies can be viewed at vicroads.vic.gov.au.

In 2015–16, there were no consultancies where the total fees payable to the consultants were less than \$10,000.

Disclosure of major contracts

VicRoads has disclosed, in accordance with the requirements of government policy and accompanying guidelines, all contracts greater than \$10 million in value, which it entered into during the year ended 30 June 2016.

Details of contracts that have been disclosed can be viewed on the VicRoads website at vicroads.vic.gov.au.

Disclosure of government advertising expenditure

VicRoads has undertaken one advertising campaign with a media spend of greater than \$100,000 during 2015–16. The three-year campaign is funded by Victoria's Road Safety Strategy and Action Plan and the Motorcycle safety levy. Expenditure during 2015–16 is outlined in the table below.

Disclosure of Information and Communication Technology expenditure

VicRoads' total expenditure in Information and Communication Technology (ICT) for the 2015-16 reporting period was \$114.565 million.

ICT expenditure refers to VicRoads costs in providing business enabling ICT services. It comprises Business As Usual (BAU) ICT expenditure and Non Business As Usual (Non-BAU) ICT expenditure.

BAU ICT expenditure is all remaining ICT expenditure, which primarily relates to ongoing activities to operate and maintain the current ICT capability. Non-BAU ICT expenditure relates to extending or enhancing VicRoads current ICT capabilities.

Details are shown in Table 12.

Table 11: Advertising expenditure

Name of Campaign	Motorcycle Lane Filtering (Go with the flow)
Campaign summary	<p>The motorcycle filtering legislation was introduced in November 2015 to legalise lane filtering for motorcyclists.</p> <p>A public awareness campaign was developed to inform and educate Victorians on the new legislation and what it means for all road users.</p>
Start/End date	Nov 2015 – May 2016
Advertising (Media) Expenditure 2015-16 (excluding GST)	120,235
Creative and campaign development Expenditure 2015-16 (excluding GST)	120,000
Research and evaluation Expenditure 2015-16 (excluding GST)	20,000
Print and collateral Expenditure 2015-16 (excluding GST)	N/A
Other Campaign Expenditure 2015-16 (excluding GST)	N/A

Table 12: ICT expenditure

Business As Usual ICT expenditure	Non Business As Usual ICT expenditure	Operational expenditure	Capital expenditure
(Total)	(Total = Operational expenditure and Capital Expenditure)		
84,685	29,880	1,304	28,576

Freedom of information

Freedom of information decisions

The *Freedom of Information Act 1982* allows the public a right of access to documents held by VicRoads.

For the 12 months ending 30 June 2016, VicRoads received 777 applications.

As listed in Table 14, of the 777 FOI requests received by VicRoads in 2015-16, 14 requests came from Members of Parliament and the remainder from the general public, including media, private companies, solicitors, public interest groups and private individuals.

Table 13 summaries the decisions that were made in response to the 777 FOI requests received.

VicRoads Officers

Principal Officer: John Merritt, Chief Executive

How to access documents

A request for access to documents under the *Freedom of Information Act 1982* must:

- be in writing
- be accompanied by an application fee of \$27.90 (as at 1 July 2016) or evidence of hardship (for example, copy of a social security card, evidence of unemployment, or evidence of receipt of social security payments)
- provide such information as is reasonably necessary to enable the documents to be identified.

Freedom of Information requests should be sent to:

Ms Franca Chick

Manager Freedom of Information and Information Privacy
VicRoads
Level 5, 60 Denmark Street
KEW VIC 3101
Email: foi.staff@roads.vic.gov.au

Table 13: FOI decisions

FOI decisions/outcomes	Number of requests
Access granted in full	283
Access granted in part	353
Access denied	42
In process	37
Transferred to another agency	2 (not included in total)
Request withdrawn by applicant	0
No document exists/ No document located	51
Dealt with outside FOI	0
Other/ No response from applicant	11
TOTAL	777

Table 14: Request categories

Category	Number of requests
Media (TV, Radio, Newspaper)	4
Member of Parliament	14
Private Company	250
Private Person	382
Public Interest Groups	1
Solicitor	126
TOTAL	777

Published information

Section 7 1(a) of the *Freedom of Information Act* requires certain information to be published:

1. A statement setting out particulars of the organisation and functions of the agency. It must indicate, as far as practicable, the decision-making powers and other powers affecting members of the public who are involved in those functions – and particulars of any arrangement that exists for consultation with, or representation by, bodies and persons outside the government administration in relation to the formulation of policy in, or the administration of, the agency.
2. This information is located throughout this document and in particular in the 'Year in review' section on pages 6 to 8 and 'Governance and organisational structure' section on pages 48 to 54.
3. A statement of the categories of documents that are maintained in the possession of the agency. VicRoads maintains an extensive filing system based on the following categories:

■ commercial operations	■ financial management	■ property and land management
■ committees	■ government relations	■ registration and licensing
■ community and stakeholder relationships	■ human resource management	■ road asset maintenance
■ contract management	■ information management and systems	■ road network improvement
■ corporate governance	■ legal	■ road safety management
■ emergency management	■ occupational health and safety	■ statutory planning
■ environmental management		■ strategic planning
■ equipment and plant		■ technical information and services
		■ traffic management
4. A statement of the material that has been prepared by the agency under this Part for publication or for inspection by members of the public, and the places at which a person may inspect or obtain that material. VicRoads publishes a range of information on its website. For advice and access to the information contact VicRoads, telephone 8391 3255.
5. A statement listing the literature available by way of subscription services or free mailing lists. This information is provided on the VicRoads website.
6. A statement of the procedure to be followed by a person when a request for access to a document is made to the agency. This information is provided on page 61.
7. A statement designating by name the officer or officers responsible within each agency for the initial receipt of, and action upon, requests for access to a document. This information is provided on page 61.
8. A statement listing all boards, councils, committees and other bodies constituted by two or more persons, that are a part of, or that have been established for the purpose of advising the agency, and whose meetings are open to the public, or the minutes of whose meetings are available for public inspection.
9. There are a number of councils, committees and groups that provide advice and stakeholder and community input to VicRoads and/or the Minister for Roads. In 2015–16, these included the Motorcycle Advisory Group, Victorian Road Freight Advisory Council and the Victorian Community Road Safety Alliance.
10. If the agency maintains a library or reading room that is available for public use, a statement of that fact including details of the address and hours of opening of the library or reading room. VicRoads does not maintain a library or reading room.

Other information available on request

In compliance with the requirements of the Standing Directions of the Minister for Finance, details in respect of the items listed below have been retained by VicRoads and are available on request, subject to the provisions of the *Freedom of Information Act 1982*.

- 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 VicRoads about VicRoads and how these can be obtained
- Details of changes in prices, fees, charges rates and levies charged by VicRoads
- Details of any major external reviews carried out on VicRoads
- Details of major research and development activities undertaken by VicRoads
- 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 VicRoads to develop community awareness of VicRoads and its services
- Details of assessments and measures undertaken to improve occupational health and safety of employees
- General statement on industrial relations within VicRoads and time lost through industrial accidents and disputes
- List of major committees sponsored by VicRoads, the purposes of each committee and the extent to which the purposes have been achieved.

Compliance with Building Act 1993

VicRoads engages the Department of Treasury and Finance's Shared Service Provider to ensure that buildings under VicRoads' management are compliant with the *Building Act 1993* and are maintained in a safe and serviceable condition. The Shared Service Provider has identified certain compliance issues under the *Building Act 1993* at a number of properties, which are currently being rectified. The Shared Service Provider is currently reviewing their processes and programs to ensure ongoing compliance.

For all other buildings, VicRoads has internal mechanisms and programs in place which include routine and ad hoc building inspections and annual maintenance programs to ensure compliance with the building and maintenance provisions of the *Building Act 1993*.

All new work and redevelopment of existing properties are carried out in accordance with the *Building Act 1993*, relevant building regulations and other statutory requirements, either under the direction of VicRoads or the management of the Department of Treasury and Finance's Shared Service Provider.

National competition policy

VicRoads commercial business activities comply with National Competition Policy (NCP), including compliance with the requirements of the policy statement *Competitive Neutrality Policy Victoria*, the *Victorian Government Timetable for the Review of Legislative Restrictions on Competition* and any subsequent reforms.

Implementation of the Victorian Industry Participation Policy

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

During 2015-16, VicRoads commenced 66 VIPP applicable procurements totalling \$1884.4 million. Of those projects, 49 were located in regional Victoria, 15 in metropolitan Melbourne and two involved state-wide works.

The outcomes expected from the implementation of the VIPP to these projects where information was provided are:

- an average of 97 per cent of local content commitment made
- a total of 1534 jobs (Annualised Employee Equivalent or AEE) committed, including the creation of 319 new jobs and the retention of 1205 existing jobs (AEE)
- a total of 150 positions for apprentices/trainees committed, including the creation of 96 new apprenticeships/traineeships, and the retention of 54 existing apprenticeships/traineeships.

The commitments to the Victorian economy include skills development in engineering disciplines such as civil, mechanical and electrical engineering as well as improved traffic management practices, greater awareness of occupational health and safety, and personnel trained in the operation of specialist construction machinery.

During 2015-16, VicRoads completed 37 VIPP applicable projects, collectively valued at about \$291 million. The outcomes reported from the implementation of the VIPP where information was provided, were:

- an average of 96 per cent of local content outcome was recorded
- a total of 97 (AEE) positions were created
- 24 new apprenticeships/traineeships were created and 21 existing apprenticeships/ traineeships retained.

The benefits to the Victorian economy from the completed projects included the enhancement of skills and technology transfer from the development of new systems and processes to ensure safer and more efficient work practices, and the heightened awareness around environmental and cultural issues.

During 2015-16, 131 small to medium-sized businesses prepared a VIPP Plan, with the remaining prepared by large businesses.

During 2015-16, no interaction reference numbers were undertaken with the Industry Capability Network for grants provided and design contracts by VicRoads.

Compliance with protected disclosure act

Pursuant to the *Protected Disclosure Act 2012*, VicRoads is not an entity that can either receive or notify protected disclosures. Disclosures of improper conduct or detrimental action by VicRoads or its employees must be made directly to the Independent Broad-based Anti-corruption Commission Victoria (IBAC).

VicRoads' procedures for making disclosures pursuant to the *Protected Disclosure Act 2012* are available on the VicRoads website at vicroads.vic.gov.au

Compliance with S22 of the Road Management Act 2004

VicRoads must publish in its Annual Report, a summary of Ministerial Directions given under Section 22 of the *Road Management Act 2004*.

VicRoads was directed to perform the functions and exercise the powers of the coordinating road authority and the responsible road authority for specified sections of roads and periods of time. Ministerial Directions in effect during 2015–16 are listed in Table 15: Ministerial Directions.

For further information about these Ministerial Directions, including references to the notices published in the Victoria Government Gazette, refer to the VicRoads Register of Public Roads, which is available on VicRoads website at vicroads.vic.gov.au

Table 15: Ministerial Directions

Minister	Start	End	Designated Road Project (location)
Minister for Roads and Road Safety	2/07/2015	30/06/2016	East Werribee Employment Precinct Enabling Works
Minister for Roads and Road Safety	12/10/2015	21/03/2018	Main Road and Furlong Road Level Crossing Removal Project
Minister for Roads and Road Safety	12/11/2015	31/12/2017	North McKinnon Centre Level Crossing Removal Project
Minister for Roads and Road Safety	14/12/2015 and 1/12/2016	30/06/2017	Blackburn Road and Heatherdale Road Level Crossing Removal Project
Minister for Roads and Road Safety	28/01/2016	30/06/2018	Webb Dock Access Project - Ramp M
Minister for Roads and Road Safety	16/02/2016	30/06/2017	Bayswater Level Crossing Removal Project: Mountain Highway and Scoresby Road

Compliance with Data Vic Access Policy

The Data Vic Access Policy is a commitment by the Victorian Government to promote the release of data by departments and agencies to the community.

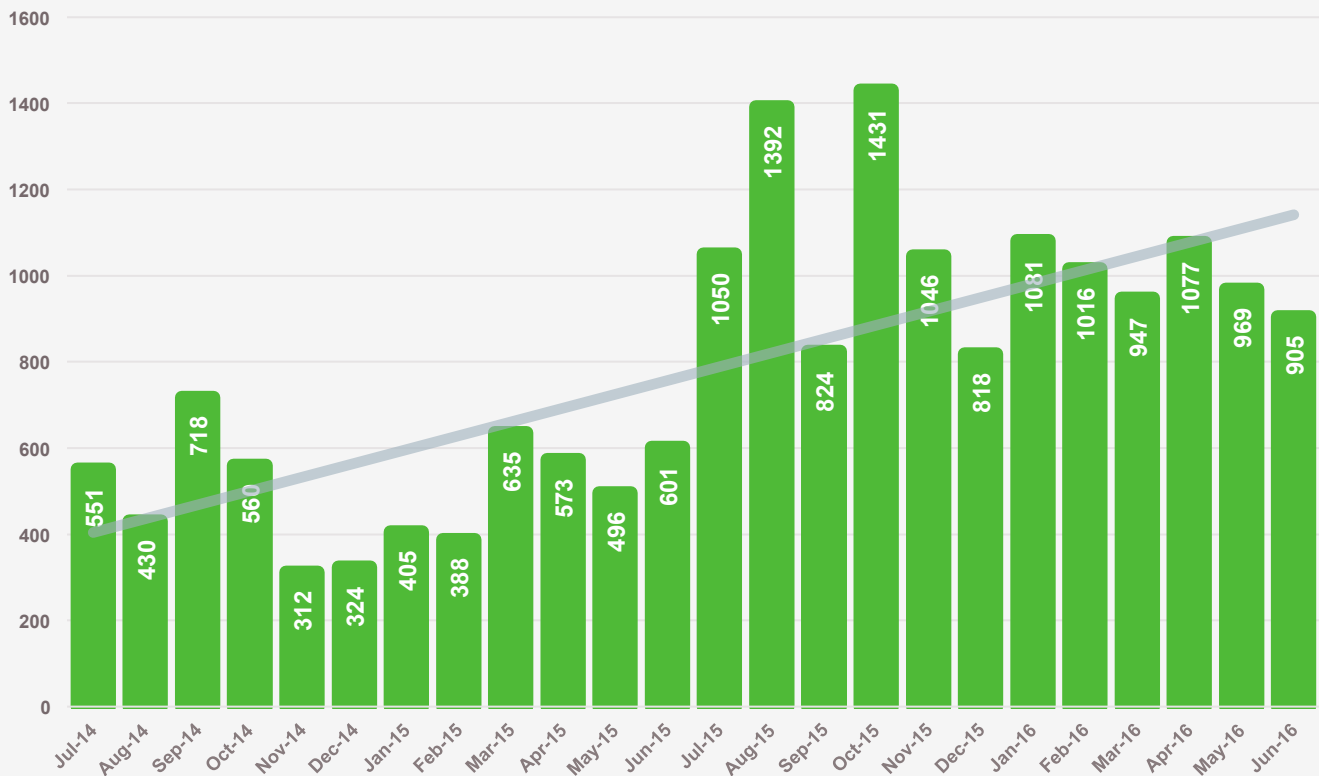
VicRoads has continued to meet its commitment under this policy throughout 2015-16, by consulting with the community and promoting and participating in the release of public sector information (PSI), which creates opportunities for the innovative use and reuse of data and allows the commercial, research and community sectors to add value. The release of PSI also benefits the Victorian Government by assisting in its evidence-based policy and service delivery decisions, while supporting increased citizen participation.

VicRoads is one of the most engaged Victorian public agencies. It has worked closely with the Open Data developer community and is actively involved in a range of initiatives, including: The Code for Australia Academy, which fosters innovation thinking and action between public and private sectors.

- GovHack, which is a national competition to create working prototypes with government data, and to help find new ways to solve the challenges facing government, while also contributing towards social and economic development.
- Meet Up Events organised by the Open Knowledge Foundation, including data science forums attracting widespread sharing of knowledge across groups as varied as academics, public sector, entrepreneurs, data experts, archivists, hackers and web developers.

The number of VicRoads dataset downloads increased 109 per cent in 2015-16 (from 5,985 to 12,556) and is still among the most downloaded items from the Victorian Data Directory, at www.data.vic.gov.au.

Table 16: VicRoads Datasets downloads (by month from Data.vic)



Compliance with other legislation

Disability Discrimination Act

VicRoads is committed to promoting safe engagement in different transport options including vehicles, public transport, motorised mobility devices, pedestrian and cycling modes for individuals across the lifespan. VicRoads considers disability issues when delivering information, resources, competency testing, options for licensing, and vehicle modifications to support customers to become, return to, or manage transitions, associated with driving.

VicRoads engages with individuals, key government, professional, business and both advocacy and community groups in collaborative efforts to provide evidence-based, improved services for all community members, including those with a disability.

The VicRoads Disability Action Plan 2016-20 includes a number of initiatives to improve access to information and the road network for people with disabilities, such as:

- Incorporating disability awareness knowledge and understanding into management and leadership programs with a focus on the benefits of diversity for VicRoads.
- Reviewing existing business practices to enable a contemporary and positive approach to attract, recruit, support and retain employees with a disability.
- Including accessibility requirements in new guidance for VicRoads staff relating to customer, community and stakeholder engagement.
- Including fully accessible facilities as part of substantial upgrades (periodic or major works on the road network but not routine maintenance) undertaken by VicRoads, whenever possible.
- Including fully accessible facilities as part of non-substantial upgrades (a project that has minor physical impact or is low cost, including maintenance activities) undertaken by VicRoads at targeted high-use sites catering for pedestrians.
- Exploring alternative arrangements and management options for Disability Parking Schemes in Victoria, in particular, implementing the Australian Disability Parking Scheme in Victoria, by 2020.
- Developing and implementing an intranet Accessibility Improvement Plan.
- Raising awareness across VicRoads of online accessibility requirements.
- Updating VicRoads contracts to include requirements for online documents to comply with accessibility requirements.
- Providing staff training on accessible web content.

Attestation for compliance with Ministerial Standing Direction 4.5.5 Risk Management Framework and Processes

I, John Merritt certify that VicRoads has partially complied with the Ministerial Standing Direction 4.5.5 - Risk Management Framework and Processes.

Partial compliance relates to the introduction of inter-agency and State significant risk management responsibilities during 2015-16. Relevant frameworks and processes have been developed with related agencies, however due to their recent introduction it is not yet possible to ascertain if they have been appropriately embedded into the organisation.

The VicRoads Risk and Audit Committee verifies this statement.



JOHN MERRITT

VicRoads Chief Executive

Section 2: Financial statements

Comprehensive operating statement

For the year ended 30 June 2016

	Notes	2016 \$'000	2015 \$'000
Continuing operations			
Income from transactions			
Victorian Government grants		1,092,070	980,444
Transport Accident Commission grants		68,145	105,546
Regulatory revenue		137,585	122,493
Fair value of assets received free of charge		34,949	15,312
Other revenue	2	744,753	174,870
Total income from transactions		2,077,502	1,398,665
Expenses from transactions			
Employee benefits	3	(206,169)	(210,227)
Supplies and services	3	(1,199,478)	(631,968)
Depreciation and amortisation	3	(610,208)	(576,660)
Interest expense	3	(87,973)	(14,876)
Grants and other transfers		(87,082)	(94,188)
Capital asset charge		(49,800)	(49,800)
Fair value of assets transferred to other entities		(2,588)	(10,887)
Total expenses from transactions		(2,243,298)	(1,588,606)
NET RESULT FROM TRANSACTIONS (NET OPERATING BALANCE)		(165,796)	(189,941)
Other economic flows included in net result			
Net gain/(loss) on non-financial assets	4	(189)	(76,377)
Net gain/(loss) on financial instruments	4	(546)	(487)
Other gains/(losses) from other economic flows	4	(3,218)	(1,634)
Total other economic flows included in net result		(3,953)	(78,498)
NET RESULT		(169,749)	(268,439)
Other economic flows - other comprehensive income items that will not be reclassified to net result			
Revaluation gain/(loss) to asset revaluation reserve		(48,085)	1,276,671
Total other economic flows - other comprehensive income		(48,085)	1,276,671
COMPREHENSIVE RESULT		(217,834)	1,008,232

The comprehensive operating statement should be read in conjunction with the accompanying notes to the financial statements.

Balance sheet

As at 30 June 2016

	Notes	2016 \$'000	2015 \$'000
Assets			
Financial assets			
Cash and cash equivalents	5	40,277	34,930
Receivables	6	592,046	375,190
Total financial assets		632,323	410,120
Non-financial assets			
Prepayments		3,996	5,892
Inventories	7	1,456	1,710
Non-financial physical assets classified as held for sale	8	14,382	10,811
Property, plant and equipment	9	46,774,200	47,243,613
Intangible assets	10	70,946	60,694
Total non-financial assets		46,864,980	47,322,720
TOTAL ASSETS		47,497,303	47,732,840
Liabilities			
Payables	11	328,103	226,550
Interest bearing liabilities	12	760,756	785,046
Provisions	13	184,415	163,980
Unearned Income	14	30,603	25,781
TOTAL LIABILITIES		1,303,877	1,201,357
NET ASSETS		46,193,426	46,531,483
Equity			
Contributed capital		15,922,814	16,043,037
Asset revaluation reserve		14,510,683	14,558,768
Accumulated surplus		15,759,929	15,929,678
NET WORTH		46,193,426	46,531,483

Contingent assets and contingent liabilities 19

Commitments for expenditure 20

The balance sheet should be read in conjunction with the accompanying notes to the financial statements

Statement of changes in equity

For the year ended 30 June 2016

	Asset revaluation reserve	Accumulated surplus	Contributed capital	Total
2016	2016	2016	2016	2016
	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2015	14,558,768	15,929,678	16,043,037	46,531,483
Net result	-	(169,749)	-	(169,749)
Other economic flows - other comprehensive income	(48,085)	-	-	(48,085)
Capital appropriations	-	-	246,648	246,648
Assets transferred from other Victorian Government agencies	-	-	15	15
Assets transferred to other Victorian Government agencies	-	-	(366,886)	(366,886)
Balance at 30 June 2016	14,510,683	15,759,929	15,922,814	46,193,426

	Asset revaluation reserve	Accumulated surplus	Contributed capital	Total
2015	2015	2015	2015	2015
	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2014	13,282,097	16,198,117	15,728,131	45,208,345
Net result	-	(268,439)	-	(268,439)
Other economic flows - other comprehensive income	1,276,671	-	-	1,276,671
Disposal of operational land and buildings	-	-	(560)	(560)
Capital appropriations	-	-	237,868	237,868
Assets transferred from other Victorian Government agencies	-	-	77,598	77,598
Balance at 30 June 2015	14,558,768	15,929,678	16,043,037	46,531,483

The statement of changes in equity should be read in conjunction with the accompanying notes to the financial statements.

Cash flow statement

For the year ended 30 June 2016

	Notes	2016 \$'000	2015 \$'000
Cash flows from operating activities			
Receipts			
Receipts from government grants		1,180,685	1,002,130
Receipts from other sources		787,627	396,555
Goods and Services Tax collected		108,580	50,085
Goods and Services Tax recovered from the Australian Taxation Office		83,285	88,731
Interest received		1,581	1,466
Total receipts		2,161,758	1,538,967
Payments			
Payments to suppliers and employees		(1,285,210)	(810,650)
Payments of grants and other transfers		(87,082)	(94,188)
Interest and other costs of finance paid		(81,233)	-
Goods and Services Tax paid on purchases		(191,866)	(138,816)
Payments of capital asset charge		(49,800)	(49,800)
Total payments		(1,695,191)	(1,093,454)
NET CASH FLOWS FROM OPERATING ACTIVITIES	23	466,567	445,513
Cash flows from investing activities			
Payments for purchase of non-financial assets		(606,544)	(702,405)
Proceeds from sale of non-financial assets		9,739	30,969
Loans granted to other parties		314	349
NET CASH FLOWS USED IN INVESTING ACTIVITIES		(596,491)	(671,087)
Cash flows from financing activities			
Repayment of interest bearing liabilities		(24,782)	-
Proceeds from capital contributions by the Victorian Government		156,676	223,501
NET CASH FLOWS FROM FINANCING ACTIVITIES		131,894	223,501
NET INCREASE/ (DECREASE) IN CASH HELD		1,970	(2,073)
Cash at the beginning of the financial year		4,162	6,235
CASH HELD AT THE END OF THE FINANCIAL YEAR	5	6,132	4,162

The cash flow statement should be read in conjunction with the accompanying notes to the financial statements.

Notes to the financial statements

For the financial year ended 30 June 2016

Note 1

Summary of significant accounting policies

These financial statements represent the audited general purpose financial statements of the Roads Corporation (the Corporation) for the period ended 30 June 2016. The purpose of these financial statements is to provide users with information about the Corporation's stewardship of resources entrusted to it.

These financial statements were authorised for issue by the Chief Executive of the Corporation on 2 September 2016.

(A) Statement of compliance

These financial statements have been prepared in accordance with the *Financial Management Act 1994* and applicable Australian Accounting Standards, including Interpretations, issued by the Australian Accounting Standards Board. In particular, they are presented in a manner consistent with the requirements of the Australian Accounting Standard AASB 1049 *Whole of Government and General Government Sector Financial Reporting*. Where appropriate, Australian Accounting Standard provisions which are applicable to not-for-profit entities have been applied.

To gain a better understanding of the terminology used in these financial statements, a glossary of terms can be found in Note 26.

(B) Basis of accounting preparation and measurement

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

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

Judgements, estimates and assumptions are required to be made about the carrying values of assets and liabilities that are not readily apparent from other sources. These 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 that have significant effects on these financial statements and estimates relate to:

- the fair value of land, buildings, infrastructure and plant and equipment (refer to Note 1(I) *Non-Financial Assets*);
- assumptions for employee benefit provisions based on the likely tenure of existing staff, patterns of leave claims, future salary movements and future discount rates (refer to Note 1(J)(iii) *Provisions*); and
- assumptions for land tax provision based on the estimated increase in assessable land values (refer to Note 1(J)(iii) *Provisions*).

These financial statements are presented in Australian dollars, and prepared on a historical cost basis except for property, plant and equipment assets which, subsequent to acquisition, are measured at a revalued amount being their fair value at the date of the revaluation less any subsequent accumulated depreciation and impairment losses. Revaluations are made with sufficient regularity to ensure that the carrying amounts do not materially differ from their fair value.

The Corporation determines policies and procedures for fair value measurements in accordance with Australian Accounting Standard AASB 13 *Fair Value* and the relevant Financial Reporting Directions (refer to Note 1(I)(vi) *Fair Value Hierarchy*).

(C) Reporting entity

These financial statements cover the Corporation as an individual reporting entity.

The Corporation is a statutory authority of the State of Victoria, established under the *Transport Integration Act 2010*.

Its principle address is:

60 Denmark Street
Kew Vic 3101.

These financial statements include all controlled activities of the Corporation.

The Corporation's purpose is to support economic prosperity and liveability by shaping the development and use of Victoria's road system as an integral part of the overall transport system. The Corporation's primary objectives are outlined in section 86 of the *Transport Integration Act 2010*.

The Corporation is predominately funded by grants from the Department of Economic Development, Jobs, Transport and Resources.

(D) Scope and presentation of financial statements

(I) Comprehensive operating statement

The comprehensive operating statement comprises three components, being 'net result from transactions' (also termed 'net operating balance'), 'other economic flows included in net result', and 'other economic flows – other comprehensive income'. The sum of the first two components represents the net result. The sum of the three components represents the comprehensive result.

Income and expenses in the comprehensive operating statement are classified according to whether or not they arise from transactions or other economic flows. This classification is consistent with the whole of government reporting format and is allowed under Australian Accounting Standard AASB 101 *Presentation of Financial Statements*.

Transactions are those economic flows that are considered to arise as a result of policy decisions, usually interactions between two entities by mutual agreement. Transactions 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. Transactions can be in kind or where the final consideration is cash.

The net result is equivalent to profit or loss derived in accordance with Australian Accounting Standards.

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

- Gains and losses from disposal of non-financial assets;
- Fair value changes on financial instruments; and
- Revaluations and/or impairments of non-financial physical and intangible assets.

This classification is consistent with the whole of government reporting format in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*.

(II) Balance sheet

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

Current and non-current assets and liabilities are disclosed in the notes to these financial statements where relevant. In general, assets or liabilities which are expected to be recovered or settled more than twelve months after the end of the reporting period, are classified as non-current except for provisions for employee benefits. Provisions for employee benefits are only classified as non-current liabilities where the Corporation has an unconditional right to defer the settlement of these liabilities beyond twelve months after the end of the reporting period.

(III) Cash flow statement

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

(IV) Statement of changes in equity

The statement of changes in equity presents reconciliations of non-owner and owner changes in equity from the opening balances at the beginning of the reporting period to the closing balances at the end of the reporting period. It also shows separately, changes due to amounts recognised in the 'comprehensive result' and amounts recognised in 'total other economic flows – other comprehensive income', related to transactions with the owner in its capacity as owner.

(V) Rounding

Amounts in these financial statements have been rounded to the nearest thousand dollars unless otherwise stated. Figures in these financial statements may not equate due to rounding.

(E) Income from transactions

Income from transactions is recognised to the extent that it is probable that the economic benefits will flow to the Corporation and the income can be reliably measured. The Corporation's income is recognised as follows:

(I) Victorian Government grants

Government grants are recognised when the related outputs have been delivered and expenditure is incurred.

(II) Transport Accident Commission grants

Transport Accident Commission grants are recognised when the related outputs have been delivered and expenditure is incurred.

(III) Regulatory revenue

Regulatory, licence fees, fines and penalties payable to the Corporation in accordance with the *Transport Integration Act 2010*, the *Road Safety Act 1986*, the *Chattel Securities Act 1987*, the *Road Management Act 2004*, and related regulations, are recognised when received by the Corporation.

(IV) Assets received free of charge

Assets received free of charge are recognised at their fair value at the time that the Corporation obtains control over the assets.

(V) Other revenue

Revenue in respect of services or works provided by the Corporation is recognised at the time the service to which the revenue relates, is provided or work is undertaken, and the revenue is receivable.

Rental revenue from the leasing of properties is recognised on a straight line basis over the term of the lease.

Interest revenue includes interest received on bank term deposits and other investments. Interest revenue is recognised using the effective interest method which allocates the interest over the relevant period.

(F) Expenses from transactions

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

(I) Employee benefits

These expenses include all forms of consideration given by the Corporation in exchange for service rendered by employees, or for the termination of employment. This includes wages and salaries, fringe benefits tax, leave entitlements, termination payments and WorkCover premiums.

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

The Department of Treasury and Finance, in its annual financial statements, discloses on behalf of the State as the sponsoring employer, the net cost related to the members of defined benefit plans, as an administered liability.

(II) Supplies and services

Supplies and services are recognised as an expense in the reporting period in which they are incurred. The carrying amounts of any inventories held for distribution are expensed when distributed.

(III) Depreciation and amortisation

All infrastructure assets, buildings, plant and equipment, and other non-financial physical assets (excluding items under operating leases, non-financial physical assets classified as held for sale and land) that have finite useful lives are depreciated. Depreciation is generally calculated on a straight-line basis, at rates that allocate the asset's value, less any estimated residual value, over its estimated useful life.

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

It has been determined by experts in infrastructure valuations that earthworks do not have a limited useful life to the Corporation, and therefore these assets are not depreciated.

The expected useful lives of depreciable assets for the current and prior year are as follows:

Asset class	Useful life
Infrastructure assets	
Road pavement	60 years
Sound barriers	20 and 50 years
Bridges	90 years
Traffic control systems	7 to 25 years
Buildings	
Operational	40 years
Improvements on land acquired for roads	40 years
Plant and equipment	
Computers and computer systems	4 to 10 years
Plant and Technical equipment	5 to 13 years
Office machines and equipment	5 years
Audio visual and photographic	4 to 5 years
Furniture, fittings and fit outs	10 years
Weighbridges	40 years
Intangible assets	
Software	3 to 14 years

Leasehold property improvements are depreciated over the unexpired period of leases or the useful lives of the improvements, whichever is the shorter.

Intangible assets have finite useful lives and are amortised on a straight-line basis over the asset's useful life. Amortisation begins when the asset is available for use.

(IV) Interest expense

Interest expense represents costs incurred in connection with the interest component of finance lease repayments in relation to interest bearing liabilities. Interest expense is recognised in the period in which it is incurred.

(V) Grants and other transfers

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

(VI) Capital asset charge

The capital asset charge is recognised as an expense in the reporting period in which it is paid or payable.

(VII) Assets transferred to other entities

Assets provided free of charge are recognised as an expense based on their carrying amount at the time of transfer from the Corporation.

(VIII) Bad and Doubtful debts

Receivables are assessed for bad and doubtful debts on a regular basis. Debts which are known to be uncollectable are written off and an allowance for doubtful debts is raised where there is objective evidence that debts may not be collected. Bad debts written off and the allowance for doubtful receivables are classified as other economic flows included in net result. Refer to Note 1(H)(iii) *Impairment of financial assets*.

(G) Other economic flows included in net result

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

(I) Net gain/(loss) on non-financial assets

Net gain/(loss) on non-financial assets includes realised gains and losses from the disposal of surplus assets, asset register adjustments and impairment of physical assets.

Any gain or loss from the disposal of surplus assets is recognised at the date that control of the asset is passed to the buyer and is determined after deducting from the proceeds from disposal, the carrying value of the asset at that time.

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

Net gain/(loss) on financial instruments includes impairment of financial instruments at amortised cost (refer to Note 1 (M) *Financial Instruments*).

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

Other gains/(losses) from other economic flows include gains or losses from:

- revaluation of the present value of long service leave liabilities due to changes in the bond interest rates (refer to Note 1(J)(iii) *Provisions (a) Employee Benefits*); and
- foreign currency
- translation differences (refer to Note 1(S) *Foreign Currency*).

(H) Financial assets

(I) Cash and cash equivalent assets

Cash and cash equivalent assets recognised on the balance sheet comprise cash on hand and cash at bank, deposits at call and short term fixed deposits with an original maturity of three months or less held with the Treasury Corporation of Victoria, which are held for the purpose of meeting short term cash commitments rather than for investment purposes, and readily convertible to known amounts of cash with an insignificant risk of changes in value.

The Corporation holds cash and cash equivalent assets on behalf of the Victorian Government and Government agencies which are not available for use by the Corporation. The Corporation also holds cash on behalf of other Governments and public entities which are applied in accordance with the relevant funding contracts.

(II) Receivables

Receivables consist of:

- contractual receivables, such as debtors and accruals in relation to goods and services, and loans to third parties; and
- statutory receivables, such as amounts owing from the Victorian Government and Goods and Services Tax (GST) input tax credits recoverable.

Contractual receivables are classified as financial instruments (refer to Note 1(M) *Financial Instruments* for recognition and measurement).

The average credit period for sales of goods and services, and other receivables, is 30 days.

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

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.

Any interest earned on loans to third parties is recognised in the comprehensive operating statement as a transaction.

(III) Impairment of financial assets

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

In assessing impairment of statutory (non-contractual) financial assets which are not financial instruments, professional judgement is applied in assessing materiality using estimates, averages and other computational methods in accordance with Australian Accounting Standard AASB 136 *Impairment of Assets*.

(I) Non-financial assets

(I) Prepayments

Prepayments represent payments in advance of receipt of goods or services, or that part of expenditure made in one accounting period covering a term extending beyond that period.

(II) Inventories

Inventories comprise stockpiles of construction and maintenance materials, saleable items and consumable stores held for either distribution in the ordinary course of business operations, or for sale. Inventories held for distribution are measured at cost, adjusted for any loss of service potential.

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

Non-financial physical assets classified as held for sale comprise properties identified as surplus to the Corporation's requirements. These properties are in a state ready for sale, are being actively marketed for sale, the sale is highly probable, and the sale is expected to be completed within twelve months.

Non-financial physical assets classified held for sale are measured at the lower of carrying amount or fair value less cost of disposal, and are not subject to depreciation.

(IV) Property, plant and equipment

Property, plant and equipment assets are classified in the following categories:

- Buildings and leasehold improvements which comprise offices, residential properties, storage depots and patrol garages on freehold land, buildings on land acquired for future public roads, and leasehold buildings and improvements on Crown and leased land.
- Plant and equipment which comprises office fit outs, furnishings and fittings, computers, and other technical equipment.
- Land which comprises land used for operations, land acquired for future public roads, land under declared roads and land in commercial use.
- Infrastructure which comprises road pavements, sound barriers, earthworks, bridges and traffic control systems.

With the exception of land under roads acquired prior to 1 July 2008, all property, plant and equipment assets are measured initially at cost and subsequently measured at fair value less accumulated depreciation and impairment in accordance with Financial Reporting Direction 103F *Non-Financial Physical Assets*. Where an asset is acquired for no or nominal cost, cost is deemed to be its fair value at the date of acquisition. Assets transferred as part of a machinery of government change are transferred at their carrying amount.

Property, plant and equipment assets are measured at fair value with regard to the asset's highest and best use from the perspective of market participants, taking into account any legal, financial or physical restrictions imposed on the use or sale of the asset. Fair value is determined as the market value, or in the absence of a market value, depreciated replacement cost.

The initial cost of property, plant and equipment assets acquired under a finance lease (refer to Note 1(K)(i) *Finance Leases*) is measured at amounts equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease.

Buildings and other site improvements are valued using the depreciated replacement cost approach.

The fair value of plant and equipment is determined as the original acquisition costs less any accumulated depreciation and impairment losses.

The fair value of land, other than land under declared roads, is based on amounts for which the assets could be exchanged between willing parties in an arms' length transaction. The valuation is based on current prices in an active market for similar properties in the same location and condition and with regard to any known restrictions in use.

Theoretical opportunities that may be available in relation to an asset are not taken into account until it is virtually certain that the restrictions will no longer apply. Therefore, the current use of these assets is assumed to be their highest and best use.

Land under declared roads acquired prior to 1 July 2008 is measured at fair value. Land under declared roads acquired on or after 1 July 2008 is measured initially at cost of acquisition and subsequently at fair value. The fair value methodology applied by the Valuer-General Victoria is based on discounted site values for relevant municipal areas applied to land area under the arterial road network, including related reservations.

The fair value of land under declared roads is based on average rateable value per hectare within each municipal site discounted to reflect the value prior to subdivision. The discount factors range from 40% for rural land under freeways to 80% for metropolitan residential land under arterial roads.

Infrastructure assets are measured at fair value based on the current replacement cost of equivalent assets that are capable of providing the same level of service as the existing assets, adjusted to take account of expired service life.

The cost of constructed Property, Plant and Equipment assets includes all materials used in construction, direct labour on the project, and an appropriate allocation of internal costs.

(V) Revaluation of property, plant and equipment assets

The Valuer-General Victoria is the Corporation's independent valuation agency.

The Corporation, in conjunction with Valuer-General Victoria, monitors changes in the fair value of each asset through relevant data sources to determine whether a revaluation is required.

Property, plant and equipment assets are measured at fair value on a cyclical basis, in accordance with Financial Reporting Direction 103F *Non-Financial Physical Assets*. A full revaluation normally occurs every five years, based upon the asset's government purpose classification. Independent valuers are generally used to conduct these scheduled revaluations. Certain infrastructure assets are revalued using specialised advisors.

Revaluations may occur more frequently if fair value assessments indicate material changes in values. In this instance, interim managerial revaluations are undertaken in accordance with the requirements of Financial Reporting Direction 103F *Non-Financial Physical Assets*.

Land, buildings, leasehold improvements and assets in commercial use were independently valued by the Valuer-General Victoria as at 30 June 2015.

Infrastructure assets were valued as at 30 June 2015 using replacement cost unit rates independently assessed by the Valuer - General Victoria.

Revaluation increases or decreases arise from differences between an asset's carrying value and its fair value.

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 de-recognition of the relevant asset.

Revaluation increments are credited directly to the asset revaluation reserve, except to the extent that an increment reverses a revaluation decrement in respect of that class of asset previously recognised as an expense, where the increment is recognised immediately as revenue.

Revaluation decrements are recognised immediately as an expense, except to the extent that a credit balance exists in the asset revaluation reserve applicable to the same class of assets, where the decrement is debited directly to the asset revaluation reserve.

(VI) Fair value hierarchy

Consistent with Australian Accounting Standard AASB 13 *Fair value Measurement*, all assets for which fair value is measured or disclosed in these 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
- 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 Corporation has determined classes of assets on the basis of the nature, characteristics and risks of the asset or liability, and the level of the fair value hierarchy as described above.

The Corporation determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. There have been no transfers between levels during the reporting period.

Non-specialised land and buildings are valued using the market approach. Under this valuation method, the assets are compared to recent comparable sales or sales of comparable assets which are considered to have nominal or no added improvement value.

As non-specialised land and buildings do not contain significant, unobservable adjustments, these assets are classified as level 2 fair value measurements.

The market approach is also used as the primary valuation basis for specialised land in line with the highest and best use consideration required for fair value measurement (taking into account uses of the asset that are physically possible, legally permissible, and financially feasible). However, an adjustment is made for applicable community service obligations to reflect the specialised nature of the land being valued.

Community service obligation adjustments represent the valuer's assessment of the impact of restrictions associated with an asset to the extent that is also equally applicable to market participants. As adjustments for community service obligations are considered to be significant unobservable inputs, specialised land assets are classified as a level 3 fair value measurements.

The majority of the Corporation's specialised buildings are valued using the depreciated replacement cost method, adjusted for the associated depreciation impact. As depreciation adjustments are considered as significant, unobservable inputs in nature, specialised buildings are classified as level 3 fair value measurements.

(VII) Intangible assets

Intangible assets comprise purchased and developed computer software, and water rights.

Intangible assets are initially recognised at cost. Subsequently, intangible assets with finite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses. Costs incurred subsequent to initial acquisition are capitalised when it is expected that additional future economic benefits will flow to the Corporation.

When the recognition criteria in Australian Accounting Standard AASB 138 *Intangible Assets* are met, internally generated intangible assets are recognised and measured at cost less accumulated amortisation and impairment.

An internally generated intangible asset arising from development is only recognised where all of the following have been demonstrated:

- the technical feasibility of completing the asset so that it will be available for use;
- the intention to complete the asset and use it;
- the ability to use the asset;
- that it is probable the asset will generate future economic benefits;
- the availability of adequate technical, financial and other resources to complete and use the asset; and
- the ability to measure reliably the expenditure attributable to the asset.

Refer Note 1(F) (iii) *Depreciation and amortisation* and Note 1 (I)(viii) *Impairment of non-financial assets*.

(VIII) Impairment of non-financial assets

All non-financial assets other than inventories and non-financial physical assets classified as held for sale are assessed annually for any indications of impairment. Should there be an indication of impairment, the carrying

value of an asset is tested to determine whether its carrying value exceeds its recoverable amount. It is deemed that, in the event of the loss or destruction of an asset, the future economic benefits arising from the use of the asset will be replaced unless a specific decision to the contrary has been made. The recoverable amount is measured as the higher of depreciated replacement cost and fair value less costs to sell.

Where the carrying value of an asset exceeds its recoverable amount, the carrying value is reduced to the recoverable amount and the associated impairment loss is written off as an expense, except to the extent that a credit balance exists in the asset revaluation reserve applicable to the same class of assets. In this case, the impairment loss is debited directly to the asset revaluation reserve.

If there is an indication that there has been an increase in an asset's estimated recoverable amount since the last impairment loss was recognised, the carrying amount of the asset is increased to its recoverable amount, except to the extent that the asset's carrying amount exceeds the carrying amount that would have been determined, net of depreciation or amortisation, if an impairment loss had not been recognised in prior years.

(J) Liabilities

(I) Payables

Payables consist of:

- contractual payables, such as creditors, prepaid revenue and accruals in relation to goods and services; and
- statutory payables, such as amounts payable to the Victorian Government, and Goods and Services Tax and Fringe Benefits Tax payables.

Contractual payables are classified as financial instruments and categorised as financial liabilities at amortised cost (refer to Note 1(M) *Financial Instruments*) for recognition and measurement.

Statutory payables are recognised and measured similarly to contractual payables, but are not classified as financial instruments and not included in the category of financial liabilities at amortised cost because they do not arise from a contract.

Creditors and accruals represent liabilities for goods and services provided to the Corporation prior to the end of the financial year and which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

Terms and conditions of amounts payable to the Victorian Government, Government agencies and other entities vary according to the relevant agreements.

(II) Interest Bearing liabilities

Interest bearing liabilities are initially recognised at the fair value of the consideration received, less directly attributable transaction costs and are subsequently recorded at amortised cost (refer to Note 1(K) *Leases*).

(III) Provisions

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

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at 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 obligations, its carrying amount is the present value of those cash flows, using a discount rate that reflects the time value of money and risks specific to the provision.

a. Employee benefits

Provision has been made for the Corporation's obligations for employee annual leave, long service leave, performance and other entitlements arising from services rendered by employees up to the reporting date. Provision has not been made for non-vesting sick leave as the anticipated pattern of future sick leave taken indicates that accumulated non-vesting leave will not be utilised.

i. Annual leave, performance and other entitlements

Liabilities for annual leave, performance and other entitlements, are recognised as a current liability on the basis that the Corporation does not have an unconditional right to defer settlement of these entitlements.

Liabilities which are expected to be settled within twelve months of the reporting period are measured at nominal values. Liabilities are expected to be settled after twelve months are measured on a present value basis.

ii. Long service leave

The liability for unconditional long service leave is recognised as a current liability on the basis that employees have an unconditional right to the entitlement within twelve months.

The liability for unconditional long service leave which is expected to be settled within twelve months of the reporting period is measured at nominal values. The liability for unconditional long service leave which is expected to be settled after twelve months is measured as the present value of estimated future cash payments to be made by the Corporation in respect of services provided by employees to the reporting date. In determining the liability, consideration has been given to estimated future salary levels, experience of employee departures and periods of service. Estimated future payments have been discounted using interest rates attached to Commonwealth Government guaranteed securities.

The liability for conditional long service leave is recognised as a non-current liability on the basis that the entitlement is conditional upon employees completing additional years of service. This liability is measured at present value.

Any gain or loss following revaluation of the present value of the long service leave liability arising due to changes in bond interest rates, is recognised as a gain or loss from other economic flows included in the net result.

iii. Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or when an employee decides to accept an offer of benefits in exchange for the termination of employment. The Corporation 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.

iv. On costs

Employee benefits on-costs (payroll tax, workers compensation and superannuation) are recognised separately from the provisions for employee benefits.

Employee benefits on-costs liability expected to settle within twelve months is measured at nominal value and the liability expected to settle after twelve months is measured as the present value of estimated future cash payments to be made by the Corporation.

b. Contractor retentions and other provisions

Contractor retentions represent contractor payments withheld as security by the Corporation. Other provisions comprise claims made by contractors, pursuant to contractual arrangements entered into by the Corporation, and land tax charges expected to be levied by the State Revenue Office in respect of the Corporation's non-exempt land holdings.

c. Property acquisition liabilities

In circumstances where the Corporation has issued a notice of compulsory acquisition or has taken possession of a property for the purpose of commencing roadworks, and final settlement has not been achieved at the reporting date, the acquisition is recognised as a liability based, wherever practicable, on an independent valuation.

d. Compensation payable to property owners

In circumstances where the Corporation has caused financial loss to property owners due to overlays, developments or other works, the Corporation may compensate the property owner for any loss. Where agreement has not been reached at the reporting date, the compensation is recognised as a liability, based wherever practicable, on an independent valuation.

(IV) Unearned Income

Unearned income relates to payments received in advance of delivery of services.

(K) Leases

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

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and rewards incidental to ownership. Leases of infrastructure, property, plant and equipment are classified as finance infrastructure leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership from the lessor to the lessee. For public private partnerships refer to Note 1 (P) *Public private partnership*, the commencement of the lease is deemed to be the date the asset is commissioned. All other leases are classified as operating leases.

(I) Finance leases

a. Corporation as lessee

At the commencement of the lease term, finance leases are initially recognised as assets and liabilities at amounts equal to the fair value of the lease property or, if lower, the present value of the minimum lease payment. The lease asset is accounted for as a non-financial physical asset. If there is certainty that the Corporation will obtain the ownership of the lease asset by the end of the lease term, the asset is depreciated over the useful life of the asset. If there is no reasonable certainty that the lessee will obtain ownership by the end of the lease term, the asset is fully depreciated over the shorter of the lease term and its useful life.

Minimum finance lease payments are apportioned between reduction of the outstanding lease liability and periodic finance expense which is calculated using the interest rate implicit in the lease and charged directly to the comprehensive operating statement. Contingent rentals associated with finance leases are recognised as an expense in the period in which they are incurred.

(II) Operating Leases

a. Corporation as lessor

Rental income from operating leases is recognised on a straight line basis over the term of the relevant lease.

All incentives for the agreement of a new or renewed operating lease are recognised as an integral part of the net consideration agreed for the use of the leased asset, irrespective of the incentive's nature or form or the timing of payments.

In the event that lease incentives are given to the lessee, the aggregate cost of incentives are recognised as a reduction of rental income over the lease term, on a straight line basis unless another systematic basis is more representative of the time pattern over which the economic benefit of the leased asset is diminished.

b. Corporation as lessee

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

All incentives for the agreement of a new or renewed operating lease are recognised as an integral part of the net consideration agreed for the use of the leased asset, irrespective of the incentive's nature or form or the timing of payments.

In the event that lease incentives are received to enter into operating leases, the aggregate cost of incentives are recognised as a reduction of rental expense over the lease term on a straight line basis, unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

(L) Equity – Contributions by owners

Consistent with the requirements of Australian Accounting Standard 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 Corporation.

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

Proceeds from the sale of surplus properties which were originally funded by the Victorian Government, are paid into the Government's Consolidated Fund. An amount equivalent to the fair value of such properties is recognised as a reduction in contributed capital.

(M) Financial instruments

Financial instruments arise out of contractual agreements that give rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Due to the nature of the Corporation'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 Australian Accounting Standard AASB 132 *Financial Instruments: Presentation*. For example, statutory receivables arising from taxes, fines and penalties do not meet the definition of financial instruments as they do not arise under contract. Where relevant, for note disclosure purposes, a distinction is made between those financial assets and financial liabilities that meet the definition of financial instruments in accordance with Australian Accounting Standard AASB 132 *Financial Instruments: Presentation*.

Financial instruments consist of cash and cash equivalents, loans and receivables, and payables, and are valued on a fair value basis. Fair value is determined as follows:

- fair value of financial instruments with standard terms and conditions, and traded in active liquid markets, is determined with reference to quoted market prices;
- fair value of other financial instruments is determined in accordance with generally accepted pricing models based on discounted cash flow analysis; and
- fair value of compensation payments recoverable is based on historic cost.

The carrying amount of financial instruments excludes statutory amounts owed by or to the Corporation.

(N) Commitments

Commitments for future expenditure include operating and capital commitments arising from contracts. These commitments are disclosed by way of a note (refer to Note 20 *Commitments for expenditure*) at their nominal value and inclusive of any 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.

(O) Contingent assets and contingent liabilities

Contingent assets and contingent liabilities are not recognised in the balance sheet, but are disclosed by way of a note (refer to Note 19 *Contingent assets and contingent liabilities*) and, if quantifiable, are measured at nominal value. Contingent assets and liabilities are presented inclusive of GST receivable or payable respectively.

(P) Public private partnership

The State of Victoria entered into a Peninsula Link Project Deed with Southern Way Pty Ltd on 20 January 2010. Under the terms of the Deed, Southern Way Pty Ltd is responsible for the construction, financing and operation of the Peninsula Link road infrastructure for the duration of the project period which expires on 13 January 2038. Peninsula Link is a 27 kilometre freeway connection between the Eastlink Freeway and Mornington Peninsula Freeway in Carrum Downs and the Mornington Peninsula Freeway in Mt Martha.

Effective 8 May 2015, the Minister for Roads and Road Safety delegated responsibility for administering the contractual arrangements for the Peninsula Link Project to the Corporation on behalf of the State of Victoria. Prior to this delegation, the Peninsula Link contractual arrangements were administered by the Linking Melbourne Authority.

During the project term, Southern Way Pty Ltd is required to operate the road infrastructure with the objective of making the road available for public use. The State of Victoria retains a residual interest in the road infrastructure at the end of the project term and will take ownership of Peninsula Link at that time.

Pursuant to the Project Deed, the State of Victoria is required to make service payments to Southern Way Pty Ltd during the project term. These payments comprise a capital component associated with the design, construction and financing of Peninsula Link, and components relating to the ongoing operation, maintenance and pavement intervention costs.

(Q) Transactions administered on behalf of the State of Victoria

(I) Income collections

The Corporation administers the collection of certain fees, licences and duties on behalf of the State of Victoria in accordance with the *Road Safety Act 1986*, the *Duties Act 2000*, and on behalf of certain government agencies. The Corporation does not gain control over assets arising from the income collections and the collections are not recognised as the Corporation's income. Expenses incurred in the collection of this income are recognised as the Corporation's expense. Expenses are funded from Victorian Government grants and fees paid by the Transport Accident Commission which are recognised in the comprehensive operating statement.

Income collected, but not remitted to the State of Victoria and government agencies as at the reporting date are recognised as an asset and a corresponding liability in the balance sheet. Cash flows relating to the income collected are not recognised in the cash flow statement.

Transactions relating to the income collections are disclosed in Note 24 *Transactions administered on behalf of the State of Victoria* and Note 25 *Collections on behalf of Government agencies*.

(II) Private provision of public infrastructure

Melbourne City Link

The Corporation manages the statutory functions and powers of the State of Victoria under the *Melbourne City Link Act 1995*. These functions and powers include the administration of the contractual arrangements, revenue and assets of the CityLink Project.

The State of Victoria and CityLink Melbourne Limited (CML) amongst others, entered into the Melbourne City Link Concession Deed on 30 October 1995. Under the terms of the Concession Deed, CML is responsible for the construction, financing and operation of the City Link road network during the concession period that is currently expected to expire on 14 January 2035.

The Concession Deed requires CML to pay to the State of Victoria specified concession fees at specified intervals during the concession period. In accordance with the Concession Deed, CML has exercised an option to meet its obligations to pay concession fees by way of issuing concession notes. These notes are non-interest bearing promissory notes payable by CML at the end of the concession period or earlier in the event of CML achieving certain financial profitability levels and cash flows.

The State of Victoria, CML and Transurban Infrastructure Management Limited (TIML) entered into the M1 Corridor Deed of Assignment (Deed of Assignment) on 25 July 2006. Under the terms of the Deed of Assignment, all concession notes held by, and due to be issued to the State of Victoria in accordance with the Concession Deed, were assigned to TIML for a defined payment stream over a four year period ending 30 June 2010.

In 2015, the State of Victoria, CML and TIML entered into further agreements whereby TIML will undertake works on City Link and other road networks, and make further payments to the State, in exchange for variations to the Concession Deed.

The concession notes and related revenues are not recognised as the Corporation's revenue, assets and liabilities. Details of the concession notes and related revenues are disclosed in Note 24 *Transactions administered on behalf of the State of Victoria*.

The value of concession notes due to be received by the State of Victoria in accordance with the Concession Deed has been disclosed at the present value of concession notes to be issued in future periods by CML. The present value of the concession notes has been calculated based on an interest rate implied in the estimated concession note redemption profile included in the Deed of Assignment. The present value of the concession notes is disclosed as deferred City Link revenue.

The Concession Deed provides for CML to lease certain land and road infrastructure from the State of Victoria during the concession period. At the end of this period, the assets are to be returned together with the transfer of the City Link road to the State of Victoria. There is, currently, no authoritative accounting guidance applicable to the recognition and measurement of the State of Victoria's right to receive the City Link road from CML at the end of the concession period. In the absence of such guidance, there has been no change to the existing policy and the right has not been recognised as an administrative asset in these financial statements.

EastLink

The Corporation manages the statutory functions and powers of the State of Victoria under the *EastLink Project Act 2004*. These functions and powers include the management of agreements concerning the development, delivery and operation of the EastLink Project.

The State of Victoria and ConnectEast Pty Ltd (ConnectEast), amongst others, entered into the EastLink Concession Deed on 14 October 2004. Under the terms of the Concession Deed, ConnectEast is responsible for the construction, financing and operation of the EastLink Project. ConnectEast has a right to operate the EastLink road network for the duration of the concession period which is due to expire on 30 November 2043.

The Concession Deed provides for ConnectEast to lease certain land from the State of Victoria during the concession period. At the end of this period, the land is to be returned together with the transfer of the EastLink road network to the State of Victoria. There is, currently, no authoritative accounting guidance applicable to the recognition and measurement of the State of Victoria's right to receive the EastLink road network from ConnectEast at the end of the service concession period. In the absence of such guidance, there has been no change to the existing policy and the right has not been recognised as an administrative asset in these financial statements.

(R) Accounting for the Goods and Services Tax

Income, expenses and assets are recognised exclusive of associated Goods and Services Tax (GST), except where the GST is not recoverable from the Australian Taxation Office. In this case, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense. The net amount of GST recoverable from the Australian Taxation Office is included as part of receivables in the balance sheet.

Receivables and payables are stated inclusive of the amount of GST receivable or payable.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the Australian Taxation Office, are presented as an operating cash flow.

Commitments and contingent assets and liabilities are also stated inclusive of GST (refer to Note 1 (N) and Note 1 (O) *Contingent assets and contingent liabilities*).

(S) Foreign currency

All foreign currency transactions during the financial year are brought to account using the exchange rate in effect at the date of the transaction. Foreign monetary items existing at the end of the reporting period are translated at the closing rate at the date of the end of the reporting period. Non-monetary assets carried at fair value that are denominated in foreign currencies are translated to the functional currency at the rates prevailing at the date when the fair value was determined.

(T) New Accounting Standards and Interpretations

Certain new Australian Accounting Standards have been published that are not mandatory for the 30 June 2016 reporting period. The Department of Treasury and Finance assesses the impact of all these new standards and advises the Corporation of their applicability and early adoption where applicable.

Standard/Interpretation	Summary	Applicable for annual reporting periods beginning on	Impact on Corporation's financial statements
AASB 9 <i>Financial Instruments</i>	The key changes include simplified requirements for the classification and measurement of financial assets, a new hedging accounting model, and a revised impairment loss model to recognise impairment losses earlier, as opposed to the current approach that recognises impairment only when incurred.	1 Jan 2018	No material impact on the Corporation's financial statements.
AASB 15 <i>Revenue from Contracts with Customers</i>	The core principle of AASB 15 requires an entity to recognise revenue when the entity satisfies a performance obligation by transferring a promised good or service to a customer.	1 Jan 2018	Revenue recognition changes may result in changes to the timing and amount of revenue recorded in the Corporation's financial statements. Additional disclosures relating to service revenue and contract modifications will also be required. Revenue that was deferred and amortised over a period may now need to be recognised immediately as a transitional adjustment against the opening retained earnings if there are no former performance obligations outstanding.
AASB 16 <i>Leases</i>	The key changes introduced by AASB 16 include the recognition of most operating leases (which are currently not recognised) on balance sheet.	1 January 2019	Recognition of operating leases on balance sheet.
AASB 2015-6 <i>Amendments to Australian Accounting Standards – Extending Related Party Disclosures to Not-for-Profit Public Sector Entities</i> [AASB 10, AASB 124 & AASB 1049]	This standard extends the scope of AASB 124 <i>Related Party Disclosures</i> to not-for-profit public sector entities. Guidance has been included to assist the application of the Standard by not-for-profit public sector entities.	1 Jan 2016	The amending standard will result in extended disclosures on the Corporation's key management personnel (KMP), and the related party transactions.
AASB 2014-1 <i>Amendments to Australian Accounting Standards [Part E Financial Instruments]</i>	This standard amends various Australian Accounting Standards to reflect a decision to defer the mandatory application date of AASB 9 to annual reporting periods beginning on or after 1 January 2018 as a consequence of Chapter 6 Hedge Accounting, and to amend reduced disclosure requirements.	1 Jan 2018	The application period of AASB 9 will be deferred to the year ended 30 June 2019 in accordance with the transition requirements.

Standard/Interpretation	Summary	Applicable for annual reporting periods beginning on	Impact on Corporation's financial statements
<p>AASB 2014-4 <i>Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation</i></p> <p>[AASB 116 & AASB 138]</p>	<p>Amends AASB 116 <i>Property, Plant and Equipment</i> and AASB 138 <i>Intangible Assets</i> to:</p> <p>establish the principle for the basis of depreciation and amortisation as being the expected pattern of consumption of the future economic benefits of an asset;</p> <p>prohibit the use of revenue-based methods to calculate the depreciation or amortisation of an asset, tangible or intangible, because revenue generally reflects the pattern of economic benefits that are generated from operating the business, rather than the consumption through the use of the asset.</p>	1 Jan 2016	There is no expected impact on the Corporation's reporting as the revenue-based method is not used by the Corporation for depreciation and amortisation.
<p>AASB 2015-1 <i>Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012–2014 Cycle</i></p> <p>[AASB 1, AASB 2, AASB 3, AASB 5, AASB 7, AASB 11, AASB 110, AASB 119, AASB 121, AASB 133, AASB 134, AASB 137 & AASB 140]</p>	<p>Amends the methods of disposal in AASB 5 <i>Non-current assets held for sale and discontinued operations</i>.</p> <p>Amends AASB 7 <i>Financial Instruments</i> by including further guidance on servicing contracts.</p>	1 January 2016	No material impact on the Corporation's financial statements

Note 2

Income from transactions

	2016 \$'000	2015 \$'000
Other revenue		
External works	37,624	49,373
Grants	631,061	46,173
Transport Accident Commission premium collection commission	41,305	40,139
Victorian Government agency commission	5,021	5,021
Rental revenue	14,067	14,603
Recoveries	14,094	18,095
Interest	1,581	1,466
Total other revenue	744,753	174,870

The significant increase in grants in 2016 is due to the recognition of revenue of \$591 million associated with level crossing removal projects which are being managed by the Corporation on behalf of the Level Crossing Removal Authority.

Note 3

Expenses from transactions

	2016 \$'000	2015 \$'000
Employee benefits		
Salaries and related on-costs	160,080	162,849
Superannuation Expense	20,308	20,234
Leave entitlements	25,193	26,503
Termination benefits	588	641
Total employee benefits	206,169	210,227
Interest Expense		
Interest on finance leases	87,973	14,876
Total interest expense	87,973	14,876
Supplies and services		
Payment to contractors	1,041,126	508,306
Management and operating	142,662	104,036
Plant hire	12,405	18,684
Services alterations	3,285	942
Total supplies and services	1,199,478	631,968
Depreciation and amortisation		
Road pavements	452,908	419,303
Bridges	92,317	93,017
Traffic signal control systems	31,160	30,066
Plant and equipment	4,341	4,216
Intangible assets	12,009	7,052
Sound barriers	16,152	21,584
Buildings and leasehold improvements	1,321	1,422
Total depreciation	610,208	576,660

The significant increase in expenses from transactions in 2016 is due to expenditure of \$591 million associated with level crossing removal projects which are being managed by the Corporation on behalf of the Level Crossing Removal Authority.

Note 4

Other economic flows included in net result

	2016 \$'000	2015 \$'000
Net gain/(loss) on non-financial assets		
Proceeds from disposal of surplus non-financial assets	9,739	30,969
Written-down value of disposed non-financial assets	(7,139)	(18,596)
De-recognised non-financial assets	-	(86,219)
Assets register adjustments	(2,712)	(2,346)
Impairment of assets	(77)	(185)
Total net gain/(loss) on non-financial assets	(189)	(76,377)
Net gain/(loss) on financial instruments		
Bad and doubtful debts	(546)	(487)
Total net gain/(loss) on financial instruments	(546)	(487)
Other gains/(losses) from other economic flows		
Gain/(loss) on revaluation of provision for employee benefits	(3,273)	(1,643)
Gain/(loss) arising from transactions in foreign exchange	55	9
Total other gains/(losses) from other economic flows	(3,218)	(1,634)
TOTAL OTHER ECONOMIC FLOWS INCLUDED IN NET RESULT	(3,953)	(78,498)

Note 5

Cash and cash equivalents

	2016 \$'000	2015 \$'000
Cash relating to operating activities		
Cash on hand	106	104
Cash at bank	6,026	4,058
Total cash relating to operating activities	6,132	4,162
Cash and cash equivalent collections on behalf of the Victorian Government, government agencies and other entities		
Cash at bank	33,245	29,518
Fixed deposits	900	1,250
Total cash and cash equivalent collections on behalf of the Victorian Government, government agencies and other entities	34,145	30,768
TOTAL CASH AND CASH EQUIVALENTS	40,277	34,930

Note 6

Receivables

	2016 \$'000	2015 \$'000
Current receivables		
Contractual		
Debtors	36,698	27,026
Loans to third parties	577	526
Other receivables	144,370	21,672
Allowance for doubtful debts	(1,182)	(1,022)
	180,463	48,202
Statutory		
Amounts owing from the Victorian Government	327,044	296,290
Goods and Services Tax input tax credit recoverable	9,937	5,996
	336,981	302,286
Total current receivables	517,444	350,488
Non-current receivables		
Contractual		
Other receivables	66,456	16,191
Loans to third parties	7,748	8,323
Interest free loans	398	188
Total non-current receivables	74,602	24,702
TOTAL RECEIVABLES	592,046	375,190
	2016 \$'000	2015 \$'000
Movement in the allowance for doubtful debts		
Balance at beginning of the year	(1,022)	(814)
Amounts written off during the year	386	279
Decrease/(increase) in allowance recognised in the net result	(546)	(487)
Balance at the end of the year	(1,182)	(1,022)

- Refer to Note 1 - (H)(ii) *Receivables* for trading terms
- Refer to Note 15 *Financial Instruments* for the ageing analysis, and the nature and extent of risks arising from contractual receivables.

Note 7

Inventories

	2016 \$'000	2015 \$'000
Current inventories		
Stockpile materials	911	1,192
Saleable items and consumable stores	545	518
TOTAL INVENTORIES	1,456	1,710

Note 8

Non-financial physical assets classified as held for sale

	2016 \$'000	2015 \$'000
Carrying amount		
Properties held for sale at fair value	14,382	10,811
TOTAL PROPERTIES HELD FOR SALE	14,382	10,811
	2016 \$'000	2015 \$'000
Reconciliation		
Carrying amount at the beginning of the year	10,811	16,813
Transfers from land	6,744	10,631
Transfers from/(to) buildings	-	(254)
Disposals	(3,173)	(16,379)
Carrying amount at the end of the year	14,382	10,811

Fair value measurement hierarchy of non-financial physical assets held for sale as at 30 June 2016

	Carrying amount as at 30 June 2016 \$'000	Fair value measurement at end of reporting period using:		
		Level 1 \$'000	Level 2 \$'000	Level 3 \$'000
Properties held for sale	14,382	-	14,382	-
TOTAL PROPERTIES HELD FOR SALE	14,382	-	14,382	-

	Carrying amount as at 30 June 2015 \$'000	Fair value measurement at end of reporting period using:		
		Level 1 \$'000	Level 2 \$'000	Level 3 \$'000
Properties held for sale	10,811	-	10,811	-
TOTAL PROPERTIES HELD FOR SALE	10,811	-	10,811	-

Refer to Note 1 (I)(vi) *Fair value hierarchy* for details of the fair value measurement hierarchy levels.

Note 9

Property, plant and equipment

	2016 \$'000	2015 \$'000
Buildings and leasehold improvements at fair value	52,108	50,752
Plant and equipment at fair value	22,273	20,694
Land at fair value	19,098,939	19,108,937
Infrastructure assets at fair value	27,600,880	28,063,230
TOTAL PROPERTY, PLANT AND EQUIPMENT	46,774,200	47,243,613

	Buildings and leasehold improvements 2016 \$'000	Plant and Equipment 2016 \$'000	Land 2016 \$'000	Infrastructure assets 2016 \$'000	Total 2016 \$'000
Reconciliation					
Carrying amount at the beginning of the year	50,752	20,694	19,108,937	28,063,230	47,243,613
Acquisitions	1,054	6,207	8,283	-	15,544
Assets transferred to other entities	-	-	-	(2,588)	(2,588)
Assets transferred from other entities	-	-	15	34,949	34,964
Assets transferred from/(to) Victorian Government agencies as contributed capital	-	-	-	(357,200)	(357,200)
Disposals	(117)	(210)	(2,917)	(1,337)	(4,581)
Fair value of State assets sold and proceeds returned to the Victorian Government	-	-	(9,070)	-	(9,070)
Properties incorporated into declared roads	(10)	-	-	-	(10)
Asset register adjustments	1,750	-	436	(4,898)	(2,712)
Transfers to property held for sale	-	-	(6,744)	-	(6,744)
Construction expenditure	-	-	-	509,346	509,346
Depreciation expense	(1,321)	(4,341)	-	(592,537)	(598,199)
Impairment expense	-	(77)	-	-	(77)
Revaluation increment /(decrement)	-	-	-	(48,085)	(48,085)
Carrying amount at the end of the year	52,108	22,273	19,098,939	27,600,880	46,774,200

	Buildings and leasehold improvements 2015 \$'000	Plant and Equipment 2015 \$'000	Land 2015 \$'000	Infrastructure assets 2015 \$'000	Total 2015 \$'000
Reconciliation					
Carrying amount at the beginning of the year	52,061	21,481	17,113,836	27,830,273	45,017,651
Acquisitions	855	4,025	12,506	-	17,386
Assets transferred to other entities	-	-	-	(10,887)	(10,887)
Assets transferred from other entities	-	-	-	15,313	15,313
Assets transferred from Victorian Government agencies as contributed capital	-	-	45,981	821,021	867,002
Disposals	(148)	(411)	-	(1,657)	(2,216)
Fair value of State assets sold and proceeds returned to the Victorian Government	(10)	-	(550)	-	(560)
Properties incorporated into declared roads	(3,713)	-	-	-	(3,713)
Asset register adjustments	(704)	-	(1,644)	-	(2,348)
Transfers to property held for sale	254	-	(10,631)	-	(10,377)
Construction expenditure	-	-	-	673,436	673,436
Depreciation expense	(1,422)	(4,216)	-	(563,970)	(569,608)
Impairment expense	-	(185)	-	-	(185)
Assets transferred to intangibles	-	-	-	(23,954)	(23,954)
Revaluation increment /(decrement)	3,579	-	1,949,438	(676,346)	1,276,671
Carrying amount at the end of the year	50,752	20,694	19,108,937	28,063,230	47,243,613

Note 9

Property, plant and equipment (continued)

Buildings and leasehold improvements

	2016 \$'000	2015 \$'000
Carrying amount		
Buildings operational		
At fair value	12,841	11,039
Accumulated depreciation	(321)	-
	12,520	11,039
Buildings on land acquired for future public roads		
At fair value	25,769	24,845
Accumulated depreciation	(624)	-
	25,145	24,845
Leasehold improvements		
At fair value	14,813	14,868
Accumulated depreciation	(370)	-
	14,443	14,868
TOTAL BUILDINGS AND LEASEHOLD IMPROVEMENTS	52,108	50,752

	Buildings operational 2016 \$'000	Buildings on land acquired for future public roads 2016 \$'000	Leasehold improvements 2016 \$'000	Total 2016 \$'000
Reconciliation				
Carrying amount at the beginning of the year	11,039	24,845	14,868	50,752
Acquisitions	-	1,054	-	1,054
Disposals	-	(117)	-	(117)
Buildings incorporated into declared roads	-	(10)	-	(10)
Asset register adjustments	1,802	3	(55)	1,750
Depreciation expense	(321)	(630)	(370)	(1,321)
Carrying amount at the end of the year	12,520	25,145	14,443	52,108

	Buildings operational 2015 \$'000	Buildings on land acquired for future public roads 2015 \$'000	Leasehold improvements 2015 \$'000	Total 2015 \$'000
Reconciliation				
Carrying amount at the beginning of the year	9,574	24,110	18,377	52,061
Acquisitions	-	855	-	855
Disposals	-	(148)	-	(148)
Fair value of State assets sold and proceeds returned to the Victorian Government	(10)	-	-	(10)
Buildings incorporated into declared roads	-	(3,713)	-	(3,713)
Asset register adjustments	-	(172)	(532)	(704)
Revaluation Increment/(decrement)	1,739	4,310	(2,470)	3,579
Transfers from/(to) property held for sale	-	254	-	254
Depreciation expense	(264)	(651)	(507)	(1,422)
Carrying amount at the end of the year	11,039	24,845	14,868	50,752

Note 9

Property, plant and equipment (continued)

Plant and equipment

	2016 \$'000	2015 \$'000
Carrying amount		
Computers and other technical equipment		
At fair value	24,553	24,970
Accumulated depreciation	(13,023)	(13,128)
Accumulated impairment	(1,059)	(1,382)
	10,471	10,460
Office furniture and fittings		
At fair value	39,583	35,998
Accumulated depreciation	(27,781)	(25,764)
	11,802	10,234
TOTAL PLANT AND EQUIPMENT	22,273	20,694

	2016 \$'000	2015 \$'000
Reconciliation		
Carrying amount at the beginning of the year	20,694	21,481
Acquisitions	6,207	4,025
Disposals	(210)	(411)
Depreciation expense	(4,341)	(4,216)
Impairment expense	(77)	(185)
Carrying amount at the end of the year	22,273	20,694

Note 9

Property, plant and equipment (continued)

Land

	2016 \$'000	2015 \$'000
Carrying amount		
Land for operations		
At fair value	38,136	36,741
	38,136	36,741
Land acquired for future public roads		
At fair value	1,204,279	1,225,801
	1,204,279	1,225,801
Land under declared roads		
At fair value	17,811,450	17,801,320
	17,811,450	17,801,320
Land in commercial use		
At fair value	45,074	45,074
	45,074	45,074
TOTAL LAND	19,098,939	19,108,936

Note 9

Property, plant and equipment (continued)

Land (continued)

	Land for operations	Land acquired for future public roads	Land under declared roads	Land in commercial use	Total
	2016	2016	2016	2016	2016
	\$'000	\$'000	\$'000	\$'000	\$'000
Reconciliation					
Carrying amount at the beginning of the year	36,741	1,225,801	17,801,320	45,074	19,108,937
Acquisitions	-	8,283	-	-	8,283
Assets transferred from/(to) other entities	-	15	-	-	15
Disposals	-	(2,917)	-	-	(2,917)
Fair value of State assets sold and proceeds returned to the Victorian Government	-	(9,070)	-	-	(9,070)
Asset register adjustments	1,395	(959)	-	-	436
Transfers from/(to) land under declared roads	-	(10,130)	10,130	-	-
Transfers to properties held for sale	-	(6,744)	-	-	(6,744)
Carrying amount at the end of the year	38,136	1,204,279	17,811,450	45,074	19,098,939

	Land for operations	Land acquired for future public roads	Land under declared roads	Land in commercial use	Total
	2015	2015	2015	2015	2015
	\$'000	\$'000	\$'000	\$'000	\$'000
Reconciliation					
Carrying amount at the beginning of the year	25,836	1,167,728	15,892,816	27,456	17,113,836
Acquisitions	-	12,506	-	-	12,506
Assets transferred from Victorian Government agencies as contributed capital	-	-	45,981	-	45,981
Fair value of State assets sold and proceeds returned to the Victorian Government	(550)	-	-	-	(550)
Asset register adjustments	-	(68)	(1,576)	-	(1,644)
Transfers from/(to) land under declared roads	-	(20,160)	20,160	-	-
Transfers to properties held for sale	-	(10,631)	-	-	(10,631)
Revaluation increment	11,455	76,426	1,843,939	17,618	1,949,438
Carrying amount at the end of the year	36,741	1,225,801	17,801,320	45,074	19,108,937

Note 9

Property, plant and equipment (continued)

Infrastructure assets

	2016 \$'000	2015 \$'000
Carrying amount		
Road pavements		
At fair value	27,233,306	26,779,354
Leased asset at fair value	242,320	242,320
Accumulated depreciation	(14,436,665)	(13,970,568)
Accumulated impairment	(89,684)	(45,014)
	12,949,277	13,006,092
Earthworks		
At fair value	7,912,953	7,689,809
Leased asset at fair value	146,330	146,330
	8,059,283	7,836,139
Sound barriers		
At fair value	526,185	518,900
Leased asset at fair value	69,600	69,600
Accumulated depreciation	(169,168)	(153,017)
	426,617	435,483
Bridges		
At fair value	8,335,148	8,237,226
Leased asset at fair value	104,284	104,284
Accumulated depreciation	(3,351,441)	(3,260,351)
Accumulated impairment	(5,260)	(1,846)
	5,082,731	5,079,313
Traffic signal control systems		
At fair value	890,499	846,942
Leased asset at fair value	21,810	21,810
Accumulated depreciation	(630,665)	(600,826)
	281,644	267,926
Work in progress		
At cost	801,328	1,438,276
	801,328	1,438,276
TOTAL INFRASTRUCTURE ASSETS	27,600,880	28,063,230

Note 9

Property, plant and equipment (continued)

Infrastructure assets (continued)

	Road pavements	Earthworks	Sound barriers	Bridges	Traffic signal control systems	Work in progress	Total
	2016	2016	2016	2016	2016	2016	2016
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Reconciliation							
Carrying amount at the beginning of the year	13,006,092	7,836,139	435,483	5,079,313	267,926	1,438,277	28,063,230
Assets transferred to other entities	(1,156)	(1,302)	-	-	(130)	-	(2,588)
Assets transferred from other entities	20,592	13,857	-	-	500	-	34,949
Disposals	-	-	-	(951)	(386)	-	(1,337)
Depreciation expense	(452,908)	-	(16,152)	(92,317)	(31,160)	-	(592,537)
Construction expenditure	-	-	-	-	3,191	506,155	509,346
Asset register adjustments	(5,727)	(481)	-	7,221	846	(6,757)	(4,898)
Capitalised work in progress	427,054	211,070	7,286	92,880	40,857	(779,147)	-
Assets transferred to Victorian Government agencies as contributed capital	-	-	-	-	-	(357,200)	(357,200)
Revaluation increment/(decrement)	(44,670)	-	-	(3,415)	-	-	(48,085)
Carrying amount at the end of the year	12,949,277	8,059,283	426,617	5,082,731	281,644	801,328	27,600,880

	Road pavements	Earthworks	Sound barriers	Bridges	Traffic signal control systems	Work in progress	Total
	2015	2015	2015	2015	2015	2015	2015
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Reconciliation							
Carrying amount at the beginning of the year	12,743,741	7,685,167	424,385	5,447,624	405,495	1,123,861	27,830,273
Assets transferred to other entities	(9,208)	(137)	-	(1,292)	(250)	-	(10,887)
Assets transferred from other entities	11,735	3,578	-	-	-	-	15,313
Disposals	-	-	-	(1,571)	(86)	-	(1,657)
Depreciation expense	(419,303)	-	(21,584)	(93,017)	(30,066)	-	(563,970)
Construction expenditure	-	-	-	-	4,889	668,547	673,436
Capitalised work in progress	226,764	65,579	1,139	43,191	17,459	(354,131)	-
Assets transferred from Victorian Government agencies as contributed capital	340,466	205,598	97,791	146,522	30,644	-	821,021
Assets transferred to intangibles	-	-	-	-	(23,954)	-	(23,954)
Revaluation increment/(decrement)	111,897	(123,646)	(66,248)	(462,144)	(136,205)	-	(676,346)
Carrying amount at the end of the year	13,006,092	7,836,139	435,483	5,079,313	267,926	1,438,277	28,063,230

Note 9

Property, plant and equipment (continued)

Fair value measurement hierarchy for assets as at 30 June 2016

	Carrying amount as at 30 June 2016 \$'000	Fair value measurement at end of reporting period using:		
		Level 1 \$'000	Level 2 \$'000	Level 3 \$'000
Land at fair value				
Land for operations	38,136	-	38,136	
Land acquired for future public roads	1,204,279	-	-	1,204,279
Land under declared roads	17,811,450	-	-	17,811,450
Land in commercial use	45,074	-	45,074	
	19,098,939	-	83,210	19,015,729
Buildings at fair value				
Buildings operational	12,520	-	12,520	-
Buildings on land acquired for future public roads	25,145	-	-	25,145
Leasehold improvements	14,443	-	14,443	-
	52,108	-	26,963	25,145
Plant and equipment at fair value				
Computers and other technical equipment	10,471	-	-	10,471
Other furniture and fittings	11,802	-	-	11,802
	22,273	-	-	22,273
Infrastructure assets at fair value				
Road pavements	12,949,277	-	-	12,949,277
Earthworks	8,059,283	-	-	8,059,283
Sound barriers	426,617	-	-	426,617
Bridges	5,082,731	-	-	5,082,731
Traffic signal control systems	281,644	-	-	281,644
	26,799,552	-	-	26,799,552
TOTAL PROPERTY, PLANT AND EQUIPMENT	45,972,872	-	110,173	45,862,699

	Carrying amount as at 30 June 2015	Fair value measurement at end of reporting period using:		
	\$'000	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000
Land at fair value				
Land for operations	36,741	-	36,741	-
Land acquired for future public roads	1,225,801	-	-	1,225,801
Land under declared roads	17,801,320	-	-	17,801,320
Land in commercial use	45,074	-	45,074	-
	19,108,936	-	81,815	19,027,121
Buildings at fair value				
Buildings operational	11,039	-	11,039	-
Buildings on land acquired for future public roads	24,845	-	-	24,845
Leasehold improvements	14,868	-	14,868	-
	50,752	-	25,907	24,845
Plant and equipment at fair value				
Computers and other technical equipment	10,460	-	-	10,460
Other furniture and fittings	10,234	-	-	10,234
	20,694	-	-	20,694
Infrastructure assets at fair value				
Road pavements	13,006,092	-	-	13,006,092
Earthworks	7,836,139	-	-	7,836,139
Sound barriers	435,483	-	-	435,483
Bridges	5,079,313	-	-	5,079,313
Traffic signal control systems	267,926	-	-	267,926
	26,624,953	-	-	26,624,953
TOTAL PROPERTY, PLANT AND EQUIPMENT	45,805,335	-	107,722	45,697,613

Refer to Note 1 (I)(vi) *Fair value hierarchy* for details of the fair value measurement hierarchy levels.

Note 9

Property, plant and equipment (continued)

Reconciliation of level 3 fair value

	Land acquired for future public roads	Land under declared roads	Buildings on land acquired for future public roads	Plant and equipment	Road Pavements	Earthworks	Sound barriers	Bridges	Traffic signal control systems
	2016 \$'000	2016 \$'000	2016 \$'000	2016 \$'000	2016 \$'000	2016 \$'000	2016 \$'000	2016 \$'000	2016 \$'000
Opening balance	1,225,801	17,801,320	24,845	20,694	13,006,092	7,836,139	435,483	5,079,313	267,926
Additions	8,283	-	1,054	6,207	427,054	211,070	7,286	92,880	44,048
Disposals	(2,917)	-	(117)	(210)	-	-	-	(951)	(386)
Transferred from/(to) other entities	15	-	-	-	19,436	12,555	-	-	370
Incorporated into declared roads	-	-	(10)	-	-	-	-	-	-
Transfers between classes	(10,130)	10,130	-	-	-	-	-	-	-
Transfers from / (to) property held for sale	(6,744)	-	-	-	-	-	-	-	-
Asset register adjustments	(959)	-	3	-	(5,727)	(481)	-	7,221	846
Depreciation expense	-	-	(630)	(4,341)	(452,908)	-	(16,152)	(92,317)	(31,160)
Impairment loss	-	-	-	(77)	-	-	-	-	-
Fair value of State assets sold and proceeds returned to the Victorian Government	(9,070)	-	-	-	-	-	-	-	-
Subtotal	1,204,279	17,811,450	25,145	22,273	12,993,947	8,059,283	426,617	5,086,146	281,644
Gains or losses recognised in other economic flows - other comprehensive income									
Revaluation increment/(decrement)	-	-	-	-	(44,670)	-	-	(3,415)	-
Subtotal	-	-	-	-	(44,670)	-	-	(3,415)	-
Closing balance	1,204,279	17,811,450	25,145	22,273	12,949,277	8,059,283	426,617	5,082,731	281,644

	Land acquired for future public roads	Land under declared roads	Buildings on land acquired for future public roads	Plant and equipment	Road Pavements	Earthworks	Sound barriers	Bridges	Traffic signal control systems
	2015 \$'000	2015 \$'000	2015 \$'000	2015 \$'000	2015 \$'000	2015 \$'000	2015 \$'000	2015 \$'000	2015 \$'000
Opening balance	1,167,728	15,892,816	24,110	21,481	12,743,741	7,685,167	424,385	5,447,624	405,495
Additions	12,506	-	855	4,025	226,764	65,579	1,139	43,191	22,348
Disposals	-	-	(148)	(411)	-	-	-	(1,571)	(86)
Transferred from/(to) other entities	-	-	-	-	2,527	3,441	-	(1,292)	(250)
Incorporated into declared roads	-	-	(3,713)	-	-	-	-	-	-
Transfers between classes	(20,160)	20,160	-	-	-	-	-	-	-
Transfers from / (to) property held for sale	(10,631)	-	254	-	-	-	-	-	-
Transfers from / (to) intangible assets	-	-	-	-	-	-	-	-	(23,954)
Asset register adjustments	(68)	(1,576)	(172)	-	-	-	-	-	-
Depreciation expense	-	-	(651)	(4,216)	(419,303)	-	(21,584)	(93,017)	(30,066)
Impairment loss	-	-	-	(185)	-	-	-	-	-
Assets transferred from Victorian Government agencies as contributed capital	-	45,981	-	-	340,466	205,598	97,791	146,522	30,644
Subtotal	1,149,375	15,957,381	20,535	20,694	12,894,195	7,959,785	501,731	5,541,457	404,131
Gains or losses recognised in other economic flows - other comprehensive income									
Revaluation increment/(decrement)	76,426	1,843,939	4,310	-	111,897	(123,646)	(66,248)	(462,144)	(136,205)
Subtotal	76,426	1,843,939	4,310	-	111,897	(123,646)	(66,248)	(462,144)	(136,205)
Closing balance	1,225,801	17,801,320	24,845	20,694	13,006,092	7,836,139	435,483	5,079,313	267,926

Note 9

Property, plant and equipment (continued)

Description of significant unobservable inputs to Level 3 valuations

	Valuation technique	Significant unobservable inputs
Land acquired for future public roads	Market approach	<ul style="list-style-type: none"> Community Services Obligation adjustment
Land under declared roads	Market approach	<ul style="list-style-type: none"> Community Services Obligation adjustment Direct cost per hectare
Buildings operational	Depreciated replacement cost	<ul style="list-style-type: none"> Direct cost per square metre Useful life of buildings
Buildings on land acquired for future public roads	Depreciated replacement cost	<ul style="list-style-type: none"> Direct cost per square metre Useful life of buildings
Leasehold improvements	Depreciated replacement cost	<ul style="list-style-type: none"> Direct cost per square metre Useful life of buildings
Plant and equipment		
Computers and other technical equipment Furniture and fittings	Depreciated replacement cost	<ul style="list-style-type: none"> Cost per unit Useful life of plant and equipment
Road pavements	Depreciated replacement cost	<ul style="list-style-type: none"> Cost per km lane Useful life of roads
Earthworks	Depreciated replacement cost	<ul style="list-style-type: none"> Cost per km of length
Sound barriers	Depreciated replacement cost	<ul style="list-style-type: none"> Cost per square metre Useful life of sound barriers
Bridges	Depreciated replacement cost	<ul style="list-style-type: none"> Cost per square metre Useful life of bridges
Traffic signal control systems	Depreciated replacement cost	<ul style="list-style-type: none"> Cost per unit Useful life of traffic control systems

Note 10

Intangible assets

	2016 \$'000	2015 \$'000
Carrying amount		
Software		
At cost	163,004	147,690
Accumulated amortisation	(104,608)	(92,598)
	58,396	55,092
Work in progress		
At cost	11,619	4,670
	11,619	4,670
Water rights		
At cost	931	932
	931	932
TOTAL INTANGIBLE ASSETS	70,946	60,694

	2016 \$'000	2015 \$'000
Reconciliation		
Carrying amount at the beginning of the year	60,694	120,845
Acquisitions	-	49
Transfers from infrastructure assets	-	23,954
Expenditure associated with work in progress	22,261	9,117
De-recognition of expenditure	-	(86,219)
Amortisation expense	(12,009)	(7,052)
Carrying amount at the end of the year	70,946	60,694

Significant intangible assets

The Corporation has significant software assets as follows:

- Registration and licencing systems with a carrying amount of \$22 million to be fully amortised by 2026
- Freeway management systems with a carrying value of \$22.5 million to be fully amortised by 2026

Note 11

Payables

	2016 \$'000	2015 \$'000
Current payables		
Contractual		
Creditors and accruals	292,925	195,781
Victorian Government, government agencies and other entities	15,720	16,976
	308,645	212,757
Statutory		
Victorian Government, government agencies and other entities	19,458	13,793
	19,458	13,793
Total current payables	328,103	226,550
Aggregate carrying amount of payables		
Current	328,103	226,550
Non-current	-	-
TOTAL PAYABLES	328,103	226,550

Refer to Note 1 (J)(i) *Payables* for trading terms.

Refer to Note 15 *Financial Instruments* for the maturity analysis, and the nature and extent of risks arising from contractual payables.

Note 12

Interest bearing liabilities

	Notes	2016 \$'000	2015 \$'000
Current interest bearing liabilities			
Public Private Partnership related lease liabilities	21	20,521	24,290
Total current interest bearing liabilities		20,521	24,290
Non-Current interest bearing liabilities			
Public Private Partnership related lease liabilities	21	740,235	760,756
Total non-current interest bearing liabilities		740,235	760,756
TOTAL INTEREST BEARING LIABILITIES		760,756	785,046

Refer to Note 15 *Financial Instruments* for the maturity analysis, and the nature and extent of risks arising from interest bearing liabilities.

During the current and prior year, there were no defaults or breaches of any of the interest bearing liabilities.

Note 13

Provisions

	2016 \$'000	2015 \$'000
Current provisions		
Employee benefits annual leave		
Unconditional and expected to be settled wholly within 12 months	14,073	13,820
Unconditional and expected to be settled after 12 months	4,027	3,936
Employee benefits long service leave		
Unconditional and expected to be settled within 12 months	8,076	7,712
Unconditional and expected to be settled after 12 months	54,422	50,088
Provisions related to employee benefit on-costs		
Unconditional and expected to be settled wholly within 12 months	3,522	3,426
Unconditional and expected to be settled after 12 months	9,476	8,765
Performance and other entitlements	6,058	5,017
Contractor retentions and other provisions	25,373	12,655
Property acquisition liabilities	31,975	11,631
Compensation payable to property owners	11,981	25,996
Total current provisions	168,983	143,046
Non-current provisions		
Employee benefits long service leave	4,103	5,798
Provisions related to employee benefit on-costs	668	944
Contractor retentions and other provisions	2,271	3,432
Property acquisition liabilities	8,148	10,748
Compensation payable to property owners	242	12
Total non-current provisions	15,432	20,934
Aggregate carrying amount of provisions		
Current	168,983	143,046
Non-current	15,432	20,934
TOTAL PROVISIONS	184,415	163,980
Aggregate carrying amount of provisions		
Employee benefits and related on-costs	104,425	99,506
Contractor retentions and other provisions	27,644	16,087
Property acquisition liabilities	40,123	22,379
Compensation payable to property owners	12,223	26,008
TOTAL PROVISIONS	184,415	163,980

Employee benefits and related on-costs

	2016 \$'000	2015 \$'000
Current employee benefits		
Annual leave entitlements	18,100	17,756
Long service leave entitlements	62,498	57,800
Non-current employee benefits		
Long service leave entitlements	4,103	5,798
Total employee benefits	84,701	81,354
Current on-costs	12,998	12,191
Non-current on-costs	668	944
Performance and other entitlements	6,058	5,017
Total on-costs	19,724	18,152
TOTAL EMPLOYEE BENEFITS AND RELATED ON-COSTS	104,425	99,506

Note 13

Provisions (continued)

	Employee benefits	Contractor retentions and other provisions	Property acquisition provision	Compensation payable to property owners	Total
	2016	2016	2016	2016	2016
	\$'000	\$'000	\$'000	\$'000	\$'000
Reconciliation					
Carrying amount at the beginning of the year	99,506	16,087	22,379	26,008	163,980
Additional provisions recognised	33,730	24,369	32,787	7,440	98,326
Payments or other sacrifices of economic benefits	(30,158)	(11,444)	(12,574)	(4,267)	(58,443)
Additions/(reductions) from re-measurement or settlement without cost	(1,926)	(1,368)	(2,469)	(16,958)	(22,721)
Increases/(decreases) from economic flows	3,273				3,273
Carrying amount at the end of the year	104,425	27,644	40,123	12,223	184,415

	Employee benefits	Contractor retentions and other provisions	Property acquisition provision	Compensation payable to property owners	Total
	2015	2015	2015	2015	2015
	\$'000	\$'000	\$'000	\$'000	\$'000
Reconciliation					
Carrying amount at the beginning of the year	93,892	16,659	35,636	16,597	162,784
Additional provisions recognised	30,964	10,082	6,332	16,065	63,444
Payments or other sacrifices of economic benefits	(26,836)	(9,827)	(26,461)	(6,654)	(69,778)
Additions/(reductions) from re-measurement or settlement without cost	(158)	(827)	6,872	-	5,887
Increases/(decreases) from economic flows	1,643	-	-	-	1,643
Carrying amount at the end of the year	99,506	16,087	22,379	26,008	163,980

Note 14

Unearned revenue

	2016 \$'000	2015 \$'000
Current liability	18,697	13,689
Non-current liability	11,906	12,092
TOTAL UNEARNED REVENUE	30,603	25,781

Note 15

Financial instruments

Financial risk management objectives and policies

The Corporation's principal financial instruments comprise:

- cash assets;
- term deposits;
- receivables (excluding statutory receivables);
- payables (excluding statutory payables); and
- finance lease liabilities payable.

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

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

The Corporation's main financial risks include credit risk, liquidity risk, interest rate risk, foreign currency risk and equity price risk. The Corporation manages these financial risks in accordance with its financial risk management policy.

The Corporation uses different methods to measure and manage the different risks to which it is exposed.

Categorisation of financial instruments

2016	Notes	Contractual financial assets - loans and receivables \$'000	Contractual financial liabilities at amortised cost \$'000	Total \$'000
Contractual financial assets				
Cash assets	5	6,132		6,132
Receivables				
Loans and receivables	6	255,065		255,065
TOTAL CONTRACTUAL FINANCIAL ASSETS		261,197		261,197
Contractual financial liabilities				
Payables				
Creditors and accruals	11		292,925	292,925
Victorian Government, government agencies and other entities	11		15,720	15,720
Interest Bearing Liabilities				
Finance lease liabilities	12, 21		760,756	760,756
TOTAL CONTRACTUAL FINANCIAL LIABILITIES			1,069,401	1,069,401
2015	Notes	Contractual financial assets - loans and receivables \$'000	Contractual financial liabilities at amortised cost \$'000	Total \$'000
Contractual financial assets				
Cash assets	5	4,162		4,162
Receivables				
Loans and receivables	6	72,904		72,904
TOTAL CONTRACTUAL FINANCIAL ASSETS		77,066		77,066
Contractual financial liabilities				
Payables				
Creditors and accruals	11		195,781	195,781
Victorian Government, government agencies and other entities	11		16,976	16,976
Interest Bearing Liabilities				
Finance lease liabilities	12, 21		785,046	785,046
TOTAL CONTRACTUAL FINANCIAL LIABILITIES			997,803	997,803

The total amounts disclosed exclude statutory amounts.

Note 15

Financial instruments (continued)

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

- for cash and cash equivalents, loans or receivables, the net gain or loss is calculated by taking the movement in the fair value of the asset, the interest income and minus any impairment recognised in the net result; and
- for financial liabilities measured at amortised cost, the net gain or loss is calculated by taking the interest expense, plus or minus foreign exchange gains or losses arising from the revaluation of financial liabilities measured at amortised cost.

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

2016	Net holding gain / (loss)	Total interest income / (expense)	Total \$'000
Contractual financial assets			
Financial Assets - loans and receivables	(546)	1,581	1,035
TOTAL CONTRACTUAL FINANCIAL ASSETS	(546)	1,581	1,035
Contractual financial liabilities			
Financial Liabilities at amortised cost		(87,973)	(87,973)
TOTAL CONTRACTUAL FINANCIAL LIABILITIES		(87,973)	(87,973)

2015	Net holding gain / (loss)	Total interest income / (expense)	Total \$'000
Contractual financial assets			
Financial Assets - loans and receivables	(487)	1,466	979
TOTAL CONTRACTUAL FINANCIAL ASSETS	(487)	1,466	979
Contractual financial liabilities			
Financial Liabilities at amortised cost		(14,876)	(14,876)
TOTAL CONTRACTUAL FINANCIAL LIABILITIES		(14,876)	(14,876)

The total amounts disclosed exclude statutory financial assets and liabilities.

Note 15

Financial instruments (continued)

Credit risk

Credit risk arises from the contractual financial assets of the Corporation, which comprise cash and deposits and non-statutory receivables. The Corporation's exposure to credit risk arises from the potential default of a counter party on their contractual obligations resulting in financial loss to the Corporation. Credit risk is measured at fair value and is monitored on a regular basis.

Credit risk associated with the Corporation's contractual financial assets is minimal because the main debtor is the Victorian Government. For debtors other than the Government, it is the Corporation's policy to only deal with entities with high credit ratings of a minimum triple B rating and to obtain sufficient collateral or credit enhancements, where appropriate.

The Corporation does not have any significant credit risk exposure to any single counter party or any groups of counter parties having similar characteristics. The credit risk relating to cash assets is limited as the counter party is a bank with high credit-rating assigned by international credit-rating agencies.

Provision of impairment for contractual financial assets is recognised when there is objective evidence that the Corporation will not be able to collect a receivable. Objective evidence includes financial difficulties of the debtor, default payments, debts which are more than 60 days overdue, and changes in debtor credit ratings.

Except as otherwise detailed in the following table, the carrying amount of contractual financial assets recorded in the financial statements, net of any allowances for losses, represents the Corporation'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

	Government Agencies (min triple B credit rating)	Other (min triple B credit rating)	Other (non rated)	Total
2016	\$'000	\$'000	\$'000	\$'000
Cash and Deposits		6,026	106	6,132
Receivables	155,750		99,315	255,065
Total contractual financial assets	155,750	6,026	99,421	261,197

	Government Agencies (min triple B credit rating)	Other (min triple B credit rating)	Other (non rated)	Total
2015	\$'000	\$'000	\$'000	\$'000
Cash and Deposits		4,058	104	4,162
Receivables	41,711		31,193	72,904
Total contractual financial assets	41,711	4,058	31,297	77,066

Amounts disclosed exclude statutory amounts.

Note 15

Financial instruments (continued)

Contractual financial assets that are either past due or impaired

The Corporation holds mortgages over property relating to interest free loans and encumbrances against properties relating to compensation payments recoverable but does not hold any collateral as security nor credit enhancements relating to any other financial assets.

At balance date, other than receivables, there is no evidence to indicate that any other contractual financial assets were impaired.

There are no contractual financial assets that have had their terms renegotiated so as to prevent them from being past due or impaired, and these assets are stated at the carrying amounts as indicated.

Ageing analysis of contractual financial assets

	Carrying amount 2016 \$'000	Not due or impaired 2016 \$'000	Past due but not impaired				Impaired financial assets 2016 \$'000
			Less than 1 month 2016 \$'000	1-3 months 2016 \$'000	3-12 months 2016 \$'000	1-5 years 2016 \$'000	
Receivables							
Debtors	35,516	2,714	22,381	7,275	3,393	935	1,182
Accrued revenue	144,370	144,370	-	-	-	-	-
Compensation payments recoverable	66,456	66,456	-	-	-	-	-
Loans	8,325	8,325	-	-	-	-	-
Interest free loans	398	398	-	-	-	-	-
Total	255,065	222,263	22,381	7,275	3,393	935	1,182

	Carrying amount 2015 \$'000	Not due or impaired 2015 \$'000	Past due but not impaired				Impaired financial assets 2015 \$'000
			Less than 1 month 2015 \$'000	1-3 months 2015 \$'000	3-12 months 2015 \$'000	1-5 years 2015 \$'000	
Receivables							
Debtors	26,004	1,129	20,742	3,391	857	908	1,022
Accrued revenue	21,672	21,672	-	-	-	-	-
Compensation payments recoverable	16,191	16,191	-	-	-	-	-
Loans	8,849	8,849	-	-	-	-	-
Interest free loans	188	188	-	-	-	-	-
Total	72,904	48,029	20,742	3,391	857	908	1,022

The carrying amounts disclosed exclude statutory amounts.

Note 15

Financial instruments (continued)

Liquidity risk

Liquidity risk is the risk that the Corporation would be unable to meet its financial obligations as and when they fall due.

The Corporation operates under the Victorian Government fair payments policy of settling financial obligations within 30 days from the date of resolution. Liquidity risk is managed by monitoring future cash flows and planning to ensure adequate holding of cash assets to fund due and payable financial liabilities. The Corporations' maximum exposure to liquidity risk is the carrying amount of financial liabilities as disclosed on the balance sheet.

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

Maturity analysis of contractual financial liabilities

	Carrying amount	Nominal amount	Maturity dates				
			Less than 1 month	1-3 months	3-12 months	1-5 years	5+ years
	2016 \$'000	2016 \$'000	2016 \$'000	2016 \$'000	2016 \$'000	2016 \$'000	2016 \$'000
Payables							
Amounts payable to other government agencies	15,720	15,720	15,720	-	-	-	-
Creditors and accruals	292,925	292,925	291,906	1,019	-	-	-
Interest bearing liabilities	760,756	1,894,857	-	-	79,944	403,687	1,411,226
Total	1,069,401	2,203,502	307,626	1,019	79,944	403,687	1,411,226

	Carrying amount	Nominal amount	Maturity dates				
			Less than 1 month	1-3 months	3-12 months	1-5 years	5+ years
	2015 \$'000	2015 \$'000	2015 \$'000	2015 \$'000	2015 \$'000	2015 \$'000	2015 \$'000
Payables							
Amounts payable to other government agencies	16,976	16,976	16,976	-	-	-	-
Creditors and accruals	195,781	195,781	195,119	419	243	-	-
Interest bearing liabilities	785,046	2,007,121	-	-	84,603	411,719	1,510,799
Total	997,803	2,219,878	212,095	419	84,846	411,719	1,510,799

Note 15

Financial instruments (continued)

Market risk

The Corporation's exposure to market risks are primarily interest rate risk, with only minimal risk exposure to foreign currency. Objectives, policies and processes used to manage each of these risks are disclosed in the paragraphs below.

Interest rate risk

Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market interest rates. The Corporation does not hold any interest bearing financial instruments that are measured at fair value, and therefore has no exposure to fair value interest rate risk.

Cash flow interest rate risk is the risk that future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Corporation has minimal exposure to cash flow interest rate risks through its cash and deposits and term deposits, that are at floating rates. The Corporation manages this risk principally by undertaking fixed rate or non-interest bearing financial instruments with relatively even maturity profiles, with only insignificant amounts of financial instruments at floating rate. Management has concluded that cash at bank can be left at floating rates without necessarily exposing the Corporation to significant bad risk. Management monitors movement in interest rates on a daily basis.

Foreign currency risk

The Corporation is exposed to minimal foreign currency risk relating to foreign currency bank accounts, and payables relating to purchases of supplies and consumables from overseas. This is due to a limited value of transactions denominated in foreign currencies and a relatively short timeframe between commitment and settlement.

Sensitivity disclosure analysis

Taking into account past performance, future expectations, economic forecasts and management's knowledge and experience of financial markets, the Corporation considers the following movements are 'reasonably possible' during the next 12 months:

- a parallel shift of +1% or -1% in market interest rates (Australian Dollar) from year-end rates of 1%.
- proportional exchange rate movement of -5% (depreciation of the Australian Dollar) or +5% (appreciation of the Australian Dollar) against foreign currency rates.

The following table discloses the impact on net result and equity, of market risk movements for each category of financial instrument held by the Corporation at balance date.

Notes	Carrying amount 2016 \$'000	Foreign exchange risk				Interest rate risk			
		-5%		+5%		-1%		+1%	
		Net result	Equity	Net result	Equity	Net result	Equity	Net result	Equity
		2016 \$'000	2016 \$'000	2016 \$'000	2016 \$'000	2016 \$'000	2016 \$'000	2016 \$'000	2016 \$'000
Financial assets									
Cash 5	6,132	32	32	(32)	(32)	(61)	(61)	61	61
Receivables 6	255,065	-	-	-	-	-	-	-	-
Financial liabilities									
Payables 11	308,645	-	-	-	-	-	-	-	-
Interest Bearing Liabilities 12,21	760,756	-	-	-	-	-	-	-	-
Total increase/(decrease)		32	32	(32)	(32)	(61)	(61)	61	61

Notes	Carrying amount 2015 \$'000	Foreign exchange risk				Interest rate risk			
		-5%		+15%		-2%		+2%	
		Net result	Equity	Net result	Equity	Net result	Equity	Net result	Equity
		2015 \$'000	2015 \$'000	2015 \$'000	2015 \$'000	2015 \$'000	2015 \$'000	2015 \$'000	2015 \$'000
Financial assets									
Cash 5	4,162	13	13	(40)	(40)	(83)	(83)	83	83
Receivables 6	72,904	-	-	-	-	-	-	-	-
Financial liabilities									
Payables 11	212,757	-	-	-	-	-	-	-	-
Interest Bearing Liabilities 12,21	785,046	-	-	-	-	-	-	-	-
Total increase/(decrease)		13	13	(40)	(40)	(83)	(83)	83	83

Note 15

Financial instruments (continued)

Interest rate exposure

	Weighted average effective interest rate 2016 %	Carrying amount 2016 \$'000	Interest rate exposure		
			Fixed interest rate 2016 \$'000	Variable interest rate 2016 \$'000	Non-interest bearing 2016 \$'000
Cash and cash equivalents					
Cash at bank	1.75	6,026	-	6,026	-
Cash on hand	-	106	-	-	106
Receivables					
Debtors	-	35,516	-	-	35,516
Accrued revenue	-	144,370	-	-	144,370
Compensation payments recoverable	-	66,456	-	-	66,456
Loans	4.10	8,325	8,325	-	-
Interest free loans	-	398	-	-	398
Total		261,197	8,325	6,026	246,846
Payables					
Creditors	-	292,925	-	-	292,925
Victorian Government and government agencies	-	15,720	-	-	15,720
Interest bearing liabilities					
Lease liability at amortised cost	11.31	760,756	760,756	-	-
Total		1,069,401	760,756	-	308,645

	Weighted average effective interest rate 2015 %	Carrying amount 2015 \$'000	Interest rate exposure		
			Fixed interest rate 2015 \$'000	Variable interest rate 2015 \$'000	Non-interest bearing 2015 \$'000
Cash and cash equivalents					
Cash at bank	2.00	4,058	-	4,058	-
Cash on hand	-	104	-	-	104
Receivables					
Debtors	-	26,004	-	-	26,004
Accrued revenue	-	21,672	-	-	21,672
Compensation payments recoverable	-	16,191	-	-	16,191
Loans	4.10	8,849	8,849	-	-
Interest free loans	-	188	-	-	188
Total		77,066	8,849	4,058	64,159
Payables					
Creditors	-	195,781	-	-	195,781
Victorian Government and government agencies	-	16,976	-	-	16,976
Interest bearing liabilities					
Lease liability at amortised cost	11.31	785,046	785,046	-	-
Total		997,803	785,046	-	212,757

Note 15

Financial instruments (continued)

Fair value

The Corporation 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. These financial instruments include:

Financial assets

- Cash and deposits
- Receivables:
 - Sale of goods and services
 - Accrued investment income
 - Other receivables

Financial liabilities

- Payables:
 - For supplies and services
 - Amounts payable to the Victorian government, government agencies and other entities
 - Other payables
- Interest bearing liabilities:
 - Finance lease liability

Fair Value of financial Instruments measured at amortised cost

	Notes	Carrying Amount 2016 \$'000	Fair Value 2016 \$'000	Carrying Amount 2015 \$'000	Fair Value 2015 \$'000
Contractual financial assets					
Cash assets	5	6,132	6,132	4,162	4,162
Receivables					
Loans and receivables	6	255,065	255,065	72,904	72,904
TOTAL CONTRACTUAL FINANCIAL ASSETS		261,197	261,197	77,066	77,066
Contractual financial liabilities					
Payables					
Creditors and accruals	11	292,925	292,925	195,781	195,781
Victorian Government, government agencies and other entities	11	19,458	19,458	16,976	16,976
Interest bearing liabilities					
Finance lease liabilities	12,21	760,756	760,756	785,046	785,046
TOTAL CONTRACTUAL FINANCIAL LIABILITIES		1,073,139	1,073,139	997,803	997,803

None of the Corporation's financial assets or liabilities are recorded at fair value after initial recognition.

The total amounts disclosed exclude statutory amounts.

Note 16

Responsible person's disclosure and remuneration

Responsible persons

The names of persons who were responsible persons of the Corporation during the year are as follows:

Responsible Minister

The Hon Luke Donnellan, Minister for Roads and Road Safety - 1 July 2015 to 30 June 2016

Amounts relating to Ministers are reported in the financial statements of the Department of Premier and Cabinet

Accountable Officer

2016

Mr John Merritt, Chief Executive - 1 July 2015 to 30 June 2016

Remuneration of Accountable Officer	2016	2015
Total remuneration received or receivable during the year by the Accountable Officer from the Corporation	\$400,000 to \$410,000	\$390,000 to \$400,000

Total remuneration includes base remuneration, performance bonus, leave entitlements, reportable fringe benefits and termination payments.

Note 17

Executive remuneration and other personnel

Remuneration of executives

The number of executives (other than the Minister and the Accountable Officer) and their total remuneration received or receivable is detailed in the first two columns of the table below in relevant income bands. The base remuneration of executives is shown in the third and fourth columns. Base remuneration includes salary, superannuation, and reportable fringe benefits. Lump sum performance bonus, leave entitlements and termination payments are excluded from the base remuneration. Total remuneration includes all benefits.

The number of executives and the remuneration received or receivable during the reporting period is affected by the number and timing of executives retiring or resigning, the employment of executives, and the payment of lump sum leave entitlements.

Remuneration band	Total remuneration 2016	Total remuneration 2015	Base remuneration 2016	Base remuneration 2015
\$100,000 - \$109,999	-	-	-	2
\$110,000 - \$119,999	-	1	1	1
\$120,000 - \$129,999	1	-	2	1
\$130,000 - \$139,999	1	-	1	-
\$140,000 - \$149,999	1	-	2	-
\$150,000 - \$159,999	-	-	2	-
\$160,000 - \$169,999	2	-	2	4
\$170,000 - \$179,999	2	4	2	1
\$180,000 - \$189,999	1	2	5	8
\$190,000 - \$199,999	7	8	1	11
\$200,000 - \$209,999	2	7	11	9
\$210,000 - \$219,999	7	11	10	3
\$220,000 - \$229,999	10	4	1	3
\$230,000 - \$239,999	5	2	1	-
\$240,000 - \$249,999	1	2	-	-
\$250,000 - \$259,999	-	-	-	2
\$260,000 - \$269,999	-	1	-	-
\$270,000 - \$279,999	-	1	1	2
\$280,000 - \$289,999	-	2	3	2
\$290,000 - \$299,999	4	3	1	1
\$300,000 - \$309,999	1	1	1	-
\$310,000 - \$319,999	-	1	-	-
\$320,000 - \$329,999	1	-	-	-
\$420,000 - \$429,999	1	-	-	-
Total number of executives	47	50	47	50
Total annualised employee equivalent	46.4	49.7	46.4	49.7
TOTAL	\$10,434,126	\$11,030,522	\$9,464,628	\$9,993,529

Note 17

Executive remuneration and other personnel (continued)

Payments to other personnel (contractors with significant responsibilities)

The number of contractors charged with significant management responsibilities and their total expense is detailed in the table below in relevant expense bands. These contractors are responsible for planning, directing or controlling, directly or indirectly, the Corporation's activities.

The change in the total expenses from the 2015 to 2016 reporting period was mainly driven by new operational and technology driven projects.

Engagement band (excluding GST)	Total 2016	Total 2015
\$210,000 – \$219,999	-	1
\$310,000 – \$319,999	-	1
\$330,000 – \$339,999	1	-
\$350,000 – \$359,999	1	-
\$370,000 – \$379,999	1	-
\$400,000 – \$409,999	-	1
Total number of other personnel	3	3
TOTAL	\$1,065,993	\$930,313

Note 18

Auditor's remuneration

Remuneration paid or payable to the Victorian Auditor-General's Office for audit of the Corporation's financial statements

	2016	2015
	\$'000	\$'000
Paid as at 30 June	150	144
Due and payable	234	216
TOTAL AUDITOR'S REMUNERATION	384	360

Note 19

Contingent assets and contingent liabilities

	2016 \$'000	2015 \$'000
Contingent assets		
Recovery of legal expenses	7,090	6,969
Insurance claims pending for damage caused to Corporation assets	1,500	500
Total contingent assets	8,590	7,469
Contingent liabilities		
Contract claims against the Corporation for variations to contracts. In a number of cases, the Corporation is contesting the associated claims	23,007	25,535
Legal claims brought against the Corporation by persons and entities who assert that they are entitled to be compensated for a loss (includes property acquisition related claims). In a number of cases, the Corporation is contesting the associated claims	27,452	35,187
Total contingent liabilities	50,459	60,722
NET CONTINGENT LIABILITIES	41,869	53,253

Note 20

Commitments for expenditure

(a) Commitments other than public private partnerships

Capital expenditure commitments

Commitments for the construction of infrastructure assets and the acquisition of plant and equipment contracted at balance date but not recognised as liabilities in the balance sheet are set out below.

	2016 \$'000	2015 \$'000
Within one year	1,174,905	581,202
Later than one year but not later than five years	556,179	531,178
Later than five years	999	309
TOTAL CAPITAL EXPENDITURE COMMITMENTS INCLUSIVE OF GST	1,732,083	1,112,689
Less GST Amount	(157,462)	(101,154)
TOTAL CAPITAL EXPENDITURE COMMITMENTS EXCLUSIVE OF GST	1,574,621	1,011,535

Other expenditure commitments

Other commitments for the acquisition of goods and services contracted at balance date but not recognised as liabilities in the balance sheet are set out below.

	2016 \$'000	2015 \$'000
Within one year	82,831	67,235
Later than one year but not later than five years	134,153	100,039
Later than five years	-	-
TOTAL OTHER EXPENDITURE COMMITMENTS INCLUSIVE OF GST	216,984	167,274
Less GST Amount	(19,726)	(15,207)
TOTAL OTHER COMMITMENTS EXCLUSIVE OF GST	197,258	152,067
TOTAL COMMITMENTS OTHER THAN PUBLIC PRIVATE PARTNERSHIPS	1,949,067	1,279,963

Note 20

Commitments for expenditure (continued)

(b) Public private partnership

Responsibility for the administration of the State of Victoria's contractual arrangements relating to the Peninsula Link was delegated to the Corporation effective 8 May 2015 (Refer to Note 1 (P) *Public private partnership*).

The components of the contract with Southern Way Pty Ltd relating to the operation and maintenance and pavement intervention costs of Peninsula Link are accounted for as commitments for operating costs which are expensed as they are incurred.

Commitments under the contract at balance date which are not recognised as liabilities in the balance sheet are set out below.

	Nominal Value 2016 \$'000	Nominal Value 2015 \$'000
Pavement intervention commitments		
Within one year	-	-
Later than one year but not later than five years	22,027	254
Later than five years	77,736	99,508
TOTAL LIFECYCLE EXPENDITURE COMMITMENTS INCLUSIVE OF GST	99,763	99,762
Operation and maintenance commitments		
Within one year	10,362	8,977
Later than one year but not later than five years	52,713	40,640
Later than five years	297,797	323,731
TOTAL OPERATION AND MAINTENANCE COMMITMENTS INCLUSIVE OF GST	360,872	373,348
TOTAL NOMINAL VALUE OF COMMITMENTS INCLUSIVE OF GST	460,635	473,110
Less GST Amount	(41,876)	(43,010)
TOTAL NOMINAL VALUE OF COMMITMENTS EXCLUSIVE OF GST	418,759	430,100

	Present Value 2016 \$'000	Present Value 2015 \$'000
Pavement intervention commitments		
Within one year	-	-
Later than one year but not later than five years	15,669	183
Later than five years	24,052	36,915
TOTAL LIFECYCLE EXPENDITURE COMMITMENTS INCLUSIVE OF GST	39,721	37,098
Less GST Amount	(3,611)	(3,373)
TOTAL LIFECYCLE EXPENDITURE COMMITMENTS INCLUSIVE OF GST	36,110	33,725
Operation and maintenance commitments		
Within one year	9,678	8,385
Later than one year but not later than five years	40,566	32,084
Later than five years	114,164	122,954
TOTAL OPERATION AND MAINTENANCE COMMITMENTS INCLUSIVE OF GST	164,408	163,423
Less GST Amount	(14,946)	(14,857)
TOTAL OPERATION AND MAINTENANCE COMMITMENTS EXCLUSIVE OF GST	149,462	148,566
TOTAL PRESENT VALUE OF COMMITMENTS INCLUSIVE OF GST	204,129	200,521
Less GST Amount	(18,557)	(18,229)
TOTAL PRESENT VALUE OF COMMITMENTS EXCLUSIVE OF GST	185,572	182,292

The present values of the minimum lease payments for public private partnerships are recognised in the balance sheet and are not disclosed as commitments.

Note 20

Commitments for expenditure (continued)

(c) Commitments payable

	Nominal Value 2016 \$'000	Nominal Value 2015 \$'000
Capital expenditure commitments		
Within one year	1,174,905	581,202
Later than one year but not later than five years	556,179	531,178
Later than five years	999	309
TOTAL CAPITAL EXPENDITURE COMMITMENTS INCLUSIVE OF GST	1,732,083	1,112,689
Other expenditure commitments		
Within one year	82,831	67,235
Later than one year but not later than five years	134,153	100,039
Later than five years	-	-
TOTAL OTHER EXPENDITURE COMMITMENTS INCLUSIVE OF GST	216,984	167,274
Public private partnership commitments		
Within one year	10,362	8,977
Later than one year but not later than five years	74,740	40,894
Later than five years	375,533	423,239
TOTAL PUBLIC PRIVATE PARTNERSHIP COMMITMENTS INCLUSIVE OF GST	460,635	473,110
TOTAL COMMITMENTS INCLUSIVE OF GST	2,409,702	1,753,073
Less GST	(219,064)	(159,370)
TOTAL COMMITMENTS EXCLUSIVE OF GST	2,190,638	1,593,703

For future finance lease payments that are recognised in the balance sheet, refer to Note 21- Leases.

Note 21

Leases

Finance lease

Responsibility for the administration of the State of Victoria's contractual arrangements relating to Peninsula Link was delegated to the Corporation effective 8 May 2015 (Refer Note 1(P) *Public private partnerships*).

The capital component of the contract with Southern Way Pty Ltd relating to the design and construction of Peninsula Link is accounted for as a finance lease with the State of Victoria being the lessee. This treatment is in accordance with the current Victorian Government accounting policy for availability based Private Provision for Public Infrastructure projects.

Under the contract with Southern Way Pty Ltd, service payments to be paid by the State of Victoria relating to the design and construction of Peninsula Link, represent the minimum lease payments over a 25 year period. These service payments were agreed at the inception of the contract and are not subject to variation during the project term. There is no contingent rent payable under the contract. The discount rate implicit in the contract is 11.31%, (2015: 11.31%).

Details of the finance lease liability and the leased asset are disclosed in Note 12 *Interest bearing liabilities* and Note 9 *Property, plant and equipment* respectively.

The total contracted minimum future lease payments and the present value of the minimum future lease payments relating to the Peninsula Link contract as at 30 June 2016 are as follows:

	2016 \$'000	2015 \$'000
Minimum future lease payments		
Not longer than 1 year	105,650	112,264
Longer than 1 year but not longer than 5 years	402,634	409,036
Longer than 5 years	1,386,573	1,485,821
MINIMUM FUTURE LEASE PAYMENTS (NOMINAL)	1,894,857	2,007,121
	2016 \$'000	2015 \$'000
Present value of minimum future lease payments		
Not longer than 1 year	20,521	24,290
Longer than 1 year but not longer than 5 years	84,613	81,703
Longer than 5 years	655,622	679,053
PRESENT VALUE OF MINIMUM FUTURE LEASE PAYMENTS	760,756	785,046

Note 21

Leases (continued)

Corporation as lessee - operating leases

Operating leases relate primarily to operational properties with lease terms of between 1 and 43 years. The Corporation does not have an option to purchase the leased assets at the expiry of the lease period.

	2016 \$'000	2015 \$'000
Non-cancellable operating leases		
Not later than one year	19,235	18,158
Later than one year but not later than five years	28,538	31,944
Later than five years	51,901	54,106
TOTAL LEASE COMMITMENTS EXCLUSIVE OF GST	99,674	104,208
GST Amount	9,967	10,421
TOTAL LEASE COMMITMENTS INCLUSIVE OF GST	109,641	114,629

Corporation as lessor - Operating leases

Operating leases relate primarily to properties acquired for roadworks with lease terms of between 1 and 39 years. The lessees do not have an option to purchase the leased assets at the expiry of the lease period.

	2016 \$'000	2015 \$'000
Non-cancellable operating lease receivables		
Not later than one year	7,897	7,708
Later than one year but not later than five years	23,586	23,616
Later than five years	68,017	69,146
TOTAL LEASE RECEIVABLES	99,500	100,470

Note 22

Superannuation contributions

Employees of the Corporation are entitled to receive superannuation benefits and the Corporation contributes to both defined benefit and defined contribution plans. The defined benefit plans provide benefits based on years of service and final average salary.

The Corporation does not recognise any defined benefit liability in respect of the plans as the Corporation has no legal or constructive obligation to pay future benefits relating to its employees; its only obligation is to pay superannuation contributions as they fall due.

Superannuation contributions paid during the reporting period are included as part of employee benefits in the comprehensive operating statement.

Details of employee superannuation plans and contributions made by the Corporation are set out below.

	Paid Contribution for the year	Paid Contribution for the year	Contribution outstanding at year end	Contribution outstanding at year end
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
Defined benefit plans				
Revised and new schemes	5,496	5,806	57	45
Transport Superannuation Scheme	2,832	2,824	42	22
Defined contribution plans				
VicSuper Scheme	16,051	15,592	693	201
Other	6,251	5,149	147	66
TOTAL SUPERANUATION CONTRIBUTIONS	30,630	29,371	939	334

Note 23

Cash flow disclosures

Reconciliation of net result for the period to net cash flows from operations

	2016 \$'000	2015 \$'000
Net result for the reporting period	(169,749)	(268,439)
Adjustments for non-cash revenue and expense items		
Non-cash movements		
Depreciation	610,208	576,660
Impairment of non-current assets	77	185
Assets given/(received) free of charge	(32,361)	(4,425)
Net loss/(gain) on disposal of non-current assets	(2,600)	(12,373)
Loss on de-recognition of non-financial assets	-	86,219
Properties incorporated into roadworks	10	3,713
Asset register adjustments	2,712	2,346
Movements in assets and liabilities		
(Increase) decrease in receivables	(76,933)	21,061
(Increase) decrease in prepayments	1,896	(889)
Decrease (increase) in inventories	254	(228)
Increase (decrease) in payables	111,760	40,696
Increase (decrease) in provisions	16,475	5,043
Increase (decrease) in prepaid revenue	4,818	(4,056)
Net cash flows from operating activities	466,567	445,513

Non-cash investing and financing activities

2016

On 28 June 2016, the Minister for Public Transport approved an Allocation Statement pursuant to Financial Reporting Direction FRD 119A *Contributions by Owners* transferring the rail component of the grade separation projects constructed by the Corporation to VicTrack with carrying value of \$357.2 million.

Land and building assets with a written down value of \$9.7 million sold and the proceeds remitted to the State Government.

2015

On 29 June 2015, the Minister for Public Transport approved an Allocation Statement pursuant to Financial Reporting Direction FRD 119A *Contributions by Owners* transferring the carrying values of assets and liabilities relating to the Peninsula Link project from the Linking Melbourne Authority to the Corporation. The transfer was effected as a capital contribution by the State of Victoria and did not result in any income being recognised by the Corporation or cash being allocated.

	2016 \$'000	2015 \$'000
Fair value of net assets allocated		
Assets		
Receivables	-	10,187
Property	(9,671)	45,981
Infrastructure assets	(357,200)	821,021
Liabilities		
Payables	-	(10,187)
Lease Liability	-	(789,404)
Net assets recognised at the date of allocation	(366,871)	77,598

Note 24

Transactions administered on behalf of the State of Victoria

	2016 \$'000	2015 \$'000
Administered income		
Collections on behalf of the State of Victoria		
Registration fees	1,439,478	1,380,976
Driver licences	133,260	132,167
Other fees and permits	47,924	47,463
Total collections on behalf of the State of Victoria	1,620,662	1,560,606
City Link concession notes revenue		
Concession notes revenue	33,128	31,634
Total City Link concession notes revenue	33,128	31,634
TOTAL ADMINISTERED INCOME	1,653,790	1,592,240
Administered expense		
City Link concession notes deferred revenue revaluation increment	32,213	30,932
TOTAL ADMINISTERED EXPENSE	32,213	30,932
Administered Net gain/loss on non-financial assets		
Proceeds from disposal of surplus non-financial assets	14,269	-
Written-down value of disposed non-financial assets	(9,686)	-
TOTAL ADMINISTERED NET GAIN/LOSS ON NON-FINANCIAL ASSETS	4,583	-
Administered assets		
Receivables	7,637	-
Infrastructure work in progress	16,160	-
TOTAL ADMINISTERED ASSETS	23,797	-
Administered liabilities		
Present value of City Link unearned revenue	340,242	341,155
City Link Tullamarine widening unearned revenue	54,083	-
Unclaimed monies administered on behalf of the State of Victoria	11,290	10,865
TOTAL ADMINISTERED LIABILITIES	405,615	352,020
Cash flows relating to concession notes		
Goods and Services Tax collected	9,560	9,560
Goods and Services Tax paid to the Australian Taxation Office	(9,560)	(9,560)
NET CASH FLOW	-	-
	2016 \$'000	2015 \$'000
Reconciliation of the present value of deferred City Link revenue		
Present value at beginning of the year	341,157	341,859
Concession notes revenue	(33,128)	(31,634)
Deferred revenue revaluation increment	32,213	30,932
Present value at the end of the year	340,242	341,157

Note 24

Transactions administered on behalf of the State of Victoria (continued)

City Link contingent assets

CityLink compensable enhancement claims

The Melbourne City Link Concession Deed contains compensable enhancement provisions that enable the State of Victoria to claim 50 per cent of additional revenue derived by CityLink Melbourne Limited (CML) as a result of certain events that particularly benefit CityLink, including changes to the adjoining road network.

Compensable enhancement claims have previously been lodged in respect of works for improving traffic flows on the West Gate Freeway (between Lorimer and Montague Streets), and in the vicinity of the intersection of the Bulla Road and the Tullamarine Freeway. The claims were lodged on 20 May 2005 and 29 September 2006 respectively, and are still outstanding.

Peninsula Link compensable enhancement claim

The EastLink Concession Deed contains compensable enhancement provisions that enable the State of Victoria to claim 50 per cent of any additional revenue derived by ConnectEast Pty Ltd as a result of certain events that particularly benefit EastLink, including changes to the adjoining road network.

On 2 January 2014, the State of Victoria lodged a compensable enhancement claim arising as a result of opening of Peninsula Link road network. The claim remains outstanding.

Note 25

Collections on behalf of government agencies

	2016 \$'000	2015 \$'000
Collection s on behalf of government agencies		
Transport Accident Charge and related stamp duty (Transport Accident Commission)	2,028,823	1,972,618
Stamp duty (State Revenue Office)	776,968	717,766
Motorboat registrations and licenses (Transport Safety Victoria)	26,381	27,780
Federal interstate registrations	40,240	41,260
TOTAL COLLECTIONS ON BEHALF OF GOVERNMENT AGENCIES	2,872,412	2,759,424

Note 26

Glossary of terms

Administered item

Administered item generally refers to the Corporation lacking the capacity to benefit from that item in the pursuit of the Corporation's objectives and to deny or regulate the access of others to that benefit.

Amortisation

Amortisation is the expense which results from the consumption, extraction or use over time of a non-produced physical or intangible asset.

Capital asset charge

A charge levied on the Corporation by the Victorian Government in order to:

- attribute to the Corporation's outputs, the opportunity cost of capital used in service delivery; and
- provide incentives to the Corporation to identify and dispose of underutilised or surplus assets in a timely manner.

Commitments

Commitments refer to operating, capital and other outsourcing obligations arising from non-cancellable contractual or statutory sources.

Comprehensive result

The comprehensive result is 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 the Corporation to benefit from that item in the pursuit of the Corporation's objectives and to deny or regulate the access of others to that benefit.

Current grants

Amounts payable or receivable for current purposes for which no economic benefits of equal value are receivable or payable in return.

Depreciation

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

Effective interest method

The effective interest method is used to calculate the amortised cost of a financial asset or liability and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument, or, where appropriate, a shorter period.

Employee benefits expenses

Employee benefits expenses comprise all costs related to employment including wages and salaries, fringe benefits tax, leave entitlements, redundancy payments, and employer contributions to both defined benefit and defined contribution superannuation plans.

Financial asset

A financial asset is any asset that is:

- (a) cash;
- (b) a contractual or statutory right:
 - to receive cash or another financial asset from another entity; or
 - to exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the Corporation.

Financial instrument

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

Financial liability

A financial liability is any liability that is a contractual obligation:

- (a) to deliver cash or another financial asset to another entity; or
- (b) to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the entity.

Grants and other transfers

Transactions in which one entity provides goods, services, assets (or extinguishes a liability) or labour to another unit without receiving approximately equal value in return. Grants can either be operating or capital in nature.

While grants to governments may result in the provision of some goods or services to the transferor, they do not give the transferor a claim to receive directly, benefits of approximately equal value. For this reason, grants are referred to by the Australian Accounting Standards Board as involuntary transfers and are termed non-reciprocal transfers. Receipt and sacrifice of approximately equal value may occur, but only by coincidence. For example, governments are not obliged to provide commensurate benefits, in the form of goods or services, to particular taxpayers in return for their taxes.

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

Intangible produced assets

Refer to produced assets in this glossary.

Intangible non-produced assets

Refer to non-produced asset in this glossary.

Interest Bearing Liabilities

Interest bearing liabilities are public borrowings raised through the Treasury Corporation of Victoria, finance leases and other interest bearing arrangements.

Interest expense

Costs incurred in connection with the borrowing of funds includes interest component of finance leases repayments

Interest income

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

Net result

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

Net result from transactions/net operating balance

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

Net worth

Net worth is assets less liabilities, which is an economic measure of wealth.

Non-financial assets

Non-financial assets are all assets that are not 'financial assets'. It includes inventories, land, buildings, infrastructure, road networks, land under roads, plant and equipment and intangible assets.

Non-produced assets

Non-produced assets are assets used for production that have not themselves been produced. They include land, subsoil assets, and certain intangible assets. Non-produced intangibles are intangible assets needed for production that have not themselves been produced. They include constructs of society such as patents or leases.

Other economic flows included in net result

Other economic flows included in net result are changes in the volume or value of an asset or liability that do not result from transactions. It includes:

- gains and losses from disposals, revaluations and impairments of non-financial physical and intangible assets; and
- fair value changes of financial instruments.

Other economic flows – other comprehensive income

Other economic flows – other comprehensive income comprises items (including reclassification adjustments) that are not recognised in net result as required or permitted by other Australian Accounting Standards.

The components of other economic flows-other comprehensive income include changes in physical asset revaluation surplus.

Payables

Payables includes short and long-term trade debt and accounts payable, grants, and interest payable.

Produced assets

Produced assets are non-financial assets that have come into existence as outputs of production processes. Produced assets include buildings, plant and equipment, inventories and certain intangible assets. Intangible produced assets may include computer software, and research and development costs (which does not include the start-up costs associated with capital projects).

Receivables

Receivables include amounts owing from government through appropriation receivable, short and long-term trade credit and accounts receivable, accrued investment income, grants and interest receivable.

Sales of goods and services

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

Supplies and services

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

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 into 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.

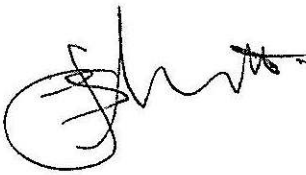
Accountable Officer's and Chief Finance and Accounting Officer's Declaration

The attached financial statements for the Roads Corporation have been prepared in accordance with Standing Direction 4.2 of the *Financial Management Act 1994*, applicable Financial Reporting Directions, Australian Accounting Standards including Interpretations, and other mandatory professional reporting requirements.

We further state that, in our opinion, the information set out in the Comprehensive operating statement, Balance sheet, Statement of changes in equity, Cash flow statement and accompanying Notes, presents fairly the financial transactions during the year ended 30 June 2016 and the financial position of the Corporation at 30 June 2016.

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

We authorise the attached financial statements for issue on 2 September 2016.



John Merritt
Chief Executive
Roads Corporation
Melbourne, 2 September 2016



Mark Dale
Chief Financial Officer
Roads Corporation
Melbourne, 2 September 2016

INDEPENDENT AUDITOR'S REPORT

To the Chief Executive, Roads Corporation

The Financial Report

I have audited the accompanying financial report for the year ended 30 June 2016 of the Roads Corporation which comprises the comprehensive operating statement, balance sheet, statement of changes in equity, cash flow statement, notes comprising a summary of significant accounting policies and other explanatory information, and the accountable officer's and chief finance and accounting officer's declaration.

The Chief Executive's Responsibility for the Financial Report

The Chief Executive of the Roads Corporation is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards, and the financial reporting requirements of the *Financial Management Act 1994*, and for such internal control as the Chief Executive determines is necessary to enable the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

As required by the *Audit Act 1994*, my responsibility is to express an opinion on the financial report based on the audit, which has been conducted in accordance with Australian Auditing Standards. Those standards require compliance with relevant ethical requirements relating to audit engagements and that the audit be planned and performed to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The audit procedures selected depend on judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, consideration is given to the internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the Chief Executive, as well as evaluating the overall presentation of the financial report.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Independent Auditor's Report (continued)

Independence

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

Opinion

In my opinion, the financial report presents fairly, in all material respects, the financial position of the Roads Corporation as at 30 June 2016 and of its financial performance and its cash flows for the year then ended in accordance with applicable Australian Accounting Standards, and the financial reporting requirements of the *Financial Management Act 1994*.



MELBOURNE
6 September 2016

Dr Peter Frost
Acting Auditor-General

Appendix

Disclosure index

Legislation	Disclosure required	Page
Ministerial Directions		65
Report of Operations – FRD Guidance		6
Charter and purpose		
FRD 22F	Manner of establishment and relevant minister	49
FRD 22F	Purpose, functions, powers and duties	8
FRD 22F	Departmental objectives, indicators and outputs	9
FRD 22F	Initiatives and key achievements	10
FRD 22F	Nature and range of services provided	7
FRD 22F	Operational and budgetary objectives and performance against those objectives	15-38
Management and structure		
FRD 22F	Organisational Structure	48
Financial and other information		
Financial Reporting Directions		
FRD 10	Disclosure index	139
FRD 12A	Disclosure of major contracts	59
FRD 22F	Employment and conduct principles	57
FRD 22F	Occupational Health and Safety Policy	55
FRD 22F	Summary of financial results for the year	40-4746
FRD 22F	Application and operation of Freedom of Information Act 1982	61-63
FRD 22F	Compliance with building and maintenance provisions of the Building Act 1993	64
FRD 22F	Statement on national competition policy	64
FRD 22F	Application and operation of Protected Disclosure 2012	65
FRD 22F	Government campaign advertising	59, 60
FRD 22F	Details of consultancies over \$10,000	59
FRD 22F	Details of consultancies under \$10,000	59
FRD 22F	Statement of availability of other information	63
FRD 22F	Disclosure of Information and Communication Technology expenditure	59, 60
Data Vic Access Policy	Compliance with Data Vic Access Policy	66
FRD 25B VIPP	Victorian Industry Participation Policy Disclosures	64
FRD 29A	Workforce data disclosures	57-58
SD 4.5.5	Risk Management Framework and Processes attestation	67

<i>SD 4.2g</i>	Specific information requirements	15-37
<i>SD 4.2j</i>	Sign-off requirements	138
Financial statements required under part 7 of the FMA		
<i>SD 4.2a</i>	Statement of changes in equity	70
<i>SD 4.2b</i>	Comprehensive operating statement	68
<i>SD 4.2b</i>	Balance sheet	69
<i>SD 4.2b</i>	Cash flow statement	71
Other requirements under Standing Direction 4.2		
<i>SD 4.2c</i>	Compliance with Ministerial Directions	72
<i>SD 4.2d</i>	Rounding of amounts	74
<i>SD 4.2c</i>	Accountable officer's declaration	136
Other disclosures as required by FRDs in notes to the financial statements		
<i>FRD 21B</i>	Disclosure of Responsible Persons, Executive Officers and other Personnel (Contractors with Significant Management Responsibilities) in the Financial Report	118-120
<i>FRD 102</i>	Inventories	77, 93
<i>FRD 103E</i>	Non-financial Physical Assets	77-80, 94-104
<i>FRD 104</i>	Foreign currency	85
<i>FRD 110</i>	Cash Flow Statements	71, 73
<i>FRD 112D</i>	Defined Benefit Superannuation Obligations	74, 128
<i>FRD 114a</i>	Financial instruments – General Government Entities and Public Non Financial Corporations	76-77, 82-83, 106, 110-117
<i>FRD 118B</i>	Land under declared roads	77-78, 98-99
<i>FRD 119a</i>	Transfers through contributed capital	70, 74, 129
Legislation		
<i>Freedom of Information Act 1982</i>		61
<i>Building Act 1993</i>		64
<i>Protected Disclosure Act 2012</i>		65
<i>Victorian Industry Participation Policy Act 2003</i>		64
<i>Financial Management Act 1994</i>		72
<i>Audit Act 1994</i>		137
<i>Road Management Act 1994</i>		65
<i>Disability Discrimination Act</i>		67

