

VicRoads Annual Report

**Connecting
our communities**

**2016
-17**



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Table of contents

Chief Executive's Message	1
Section 1: Year in review	3
Vision and values	3
Manner of establishment and relevant ministers	5
Nature and range of services provided	5
Departmental objectives, indicators and progress	7
Highlights and key achievements: performance against output performance measures	8
Operational and budgetary objectives and performance against those objectives	10
Key financial results	41
Section 2: Governance and organisational structure	49
Section 3: Workforce data	55
Employment and conduct principles	55
Comparative workforce data	56
Diversity and inclusion commitment	58
Section 4: Other disclosures	61
Local jobs first — Victorian Industry Participation Policy (VIPP)	61
Disclosure of government advertising expenditure	62
Consultancy expenditure	62
Disclosure of Information and Communication Technology expenditure	62
Disclosure of major contracts	63
Freedom of information	64
Compliance with the <i>Building Act 1993</i>	66
National Competition Policy	66
Compliance with the <i>Protected Disclosure Act 2012</i>	66
Additional information available on request	67
Attestation for compliance with Ministerial Standing Direction 3.7.1 Risk Management Framework and Processes	68
Compliance with DataVic Access Policy	69
Compliance with Section 22 of the Road Management Act 2004	70
Compliance with other legislation	71
Financial statements	72
How these financial statements are structured	72
Accountable Officer's and Chief Financial Officer's Declaration	73
Comprehensive operating statement	74
Balance sheet	75
Cash flow statement	76
Statement of changes in equity	77
1 About these financial statements	78
2 Funding the delivery of our services	79
3 The cost of delivering services	82
4 Key assets available to support service delivery	87
5 Other assets and liabilities	102
6 Financing our operations	109
7 Risks, contingencies and valuation judgements	118
8 Transactions administered on behalf of the State of Victoria	135
9 Other disclosures	141
Disclosure index	155

List of figures

Figure 1:	Deaths and serious injuries — calendar year 2016	31
Figure 2:	CO ₂ emissions (gram) per vehicle km travelled	32
Figure 3:	Freight lane occupancy in 2016–17	40
Figure 4:	Funding sources 2016–17	47
Figure 5:	Operating output expenditure 2016–17	47
Figure 6:	Composition of funding sources (\$million)	48
Figure 7:	Organisational chart as at 30 June 2017	49

List of tables

Table 1:	Departmental objectives, indicators and progress	7
Table 2:	Customer service performance	14
Table 3:	SSRIP Projects Commenced 2016–17	24
Table 4:	SSRIP projects completed 2016–17	24
Table 5:	Five-year financial summary	41
Table 6:	Key financial results 2016–17	42
Table 7:	Financial position	46
Table 8:	Audit committee	51
Table 9:	VicRoads WorkCover performance	54
Table 10:	Workforce data (a)	56
Table 11:	Workforce data (b)	57
Table 12:	Women in leadership data	58
Table 13:	Annualised total salary, by \$20,000 bands, for executives and other senior non-executive staff	60
Table 14:	Advertising expenditure	62
Table 15:	ICT expenditure (\$'000)	63
Table 16:	FOI decisions	64
Table 17:	Request categories	64
Table 18:	VicRoads Datasets downloads from DataVic	69
Table 19:	Ministerial Directions	70
Table 20:	Disclosure index	155

Chief Executive's Message

In Victoria, we are living through an accelerating and global technological revolution as profound as the original industrial revolution. Our familiar ways of thinking and acting are being incessantly challenged. While this can be unsettling for some, I am convinced that at VicRoads and in the wider community we have the opportunity to embrace the technological revolution to derive immense benefits for our state's continuing prosperity, liveability and competitiveness.

For Victorians, and Melburnians in particular, the technological revolution is unfolding in a scenario of rapid population growth. Broadly speaking, every week we are welcoming 2,000 more people to our community — and mostly to Melbourne. As a testament to confidence and optimism, such growth is certainly gratifying. But this ongoing population increase also presents us with challenges — the most visible one being metropolitan road congestion, with its consequent brake on efficiency and amenity. Concurrently, we also need to ensure that the diverse needs of regional Victorians are well served by the transport network.

I am pleased to report that on behalf of the Victorian community, we at VicRoads are effectively addressing the challenges posed by rapid growth within a changing economic and social environment.

Over the year in review, VicRoads has made substantial progress and delivered on significant projects. Prominent among these are the ongoing widening and improvements to the CityLink Tulla, Monash Freeway, the M80 Ring Road, Western Highway and the Princes Highway and Freeway. The careful stewardship of such massive projects is fundamental to keeping Victoria moving efficiently. Significantly, the application of technology and management expertise has enabled VicRoads to minimise the inevitable short-term inconvenience to road users that accompanies major road works. A prime instance of this was the unprecedented and successful temporary closure of the Tullamarine Freeway in January 2017 to enable essential works to be carried out with maximum efficiency and safety.

Despite vast progress over recent decades, it remains a sad fact that too many Victorians are killed or seriously injured on the state's roads every year. In calendar year 2016, there were 291 fatalities on Victoria's roads — a 1 per cent increase on 252 fatalities in 2015. There were also 4,522 serious injuries in 2016, which is 6 per cent fewer than the 4,787 recorded in 2015. In response to the ongoing tragedy of lives lost or ruined, VicRoads is delivering major initiatives to reduce trauma under the Victorian Government's road safety strategy, *Towards Zero 2016–2020*. VicRoads' Safe System Road Infrastructure Program (SSRIP) targets Victoria's top 20 high risk rural roads. It will deliver \$1.4 billion of innovative works across metropolitan and regional areas to improve safety for all road users. During the past year, 47 projects were completed, including 35 in regional Victoria. A further 68 projects commenced, including 51 in regional Victoria.

Another significant aspect of the technological revolution is extensive community participation in social media for all kinds of purposes. VicRoads has taken advantage of online platforms to communicate and engage with our customers in real time. For instance, over the year, followers of the VicRoads Facebook page leapt from 48,300 to 80,586, with over 146,000 sessions per day. Social media provides a direct connection between people and projects, consultations, surveys, policy changes and news. Importantly, we are building an extensive community of customers who are engaged with what VicRoads is doing.

VicRoads continues to seek improvements in serving its registration and licensing customers with a simple and coherent customer experience, especially as conducted through responsive digital technologies. This is a significant undertaking, given that every year VicRoads manages 24 million customer transactions, including 5.2 million vehicle registrations and 800,000 licence renewals. We have introduced a user-friendly, self-serve account, myVicRoads, which has attracted 140,000 people to register. This personalised service option from VicRoads enables customers to transact their business whenever and wherever they wish in a responsive online environment.



To serve the Victorian community as best we can, we at VicRoads have been working hard to transform the way we work to be more agile and responsive — giving us the ability to collaborate more effectively and create faster and better solutions to challenges. Central to this is our cultural transformation program. Our Care Share Dare approach works through teams creating their own action plans. We have also placed a strong focus on leadership development, business area achievement planning, diversity and innovation.

Further to the placement of our organisation, Transport for Victoria (TfV) was formally established in April 2017 to play a coordinating role, enabling all transport sector agencies to plan, develop and manage the network on a more integrated basis. Critically, it puts the customer at the centre of everything we do. Closer collaboration and alignment within the broader transport system will deliver benefits for VicRoads and all Victorians.

Consistent with our commitment to a future focus, in October 2016 VicRoads was a major contributor to the 23rd World Congress on Intelligent Transport Systems held in Melbourne. A key interest for our organisation was in the prospects for autonomous or driverless vehicles, including the application of innovative technologies to enhance road user safety. We are working with Transurban on trials and I look forward to reporting on progress in the future.

I take this opportunity to thank everyone at VicRoads and beyond for doing their part to help make lives better as we strive to create a safe, sustainable and innovative Victoria.

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 2017.

John Merritt
Chief Executive

September 2017

Section 1: Year in review

Vision and values

Vision

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

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 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 to 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.

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 (DEDJTR).

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 MP, Minister for Roads and Road Safety and Minister for Ports.



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

During 2017, the *Transport Integration Act (2010)* was amended to enable the establishment of Transport for Victoria (TfV) to centralise planning and coordination of Victoria's transport network. VicRoads is now a part of TfV, the umbrella agency for the planning, management and coordination of Victoria's transport system. TfV brings together the planning, management and coordination of Victorian's transport system and its agencies with a focus on the user experience.

TfV is responsible for:

- putting the user at the centre of everything we do
- creating a whole-of-transport system approach incorporating our key road, rail, active transport and freight networks
- integrating the planning, management and coordination of Victoria's transport system
- planning the future of Victoria's transport system, ensuring it grows as the community, economy and technology change.

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 2016–17 Budget Paper No. 3 Service Delivery outlines objectives and indicators of the DEDJTR in relation to the roads network. VicRoads' progress on those indicators is presented in Table 1. Further information on VicRoads' contribution towards these objectives can be found in the detailed performance narratives of journeys, wellbeing and productivity (pages 15–40).

Table 1: Departmental objectives, indicators and progress

Departmental objectives	Indicators	2016–17 target	2016–17 actual	2015–16 actual	2014–15 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	291	252	248
		Serious injuries	4,522*	4,787	5,136
			(2016 calendar year)	(2015 calendar year)	(2014 calendar year)
Well targeted improvements and maintenance of transport system assets.	Distressed freeway and arterial road surfaces (per cent)	Metro: 7.5	7.5	8.1	7.5
		Regional: 8.3	8.3	7.4	7.5

Note: Changes in data collection practices by external agencies means that data for 2016–17 is unlikely to be complete at the time of publication.

Highlights and key achievements: performance against output performance measures

The activity of VicRoads is broad, consistent with our purpose of supporting economic prosperity and liveability by shaping the development and use of Victoria's road system as part of the wider transport network. Our focus this year has been the continued delivery of Making Lives better 2016–2020. Some of our main highlights and key achievements of this reporting period include:

Establishment of TfV

VicRoads has embraced becoming part of TfV, the umbrella organisation that provides an integrated approach to planning, managing and coordinating Victoria's transport system. TfV's key benefit is that it helps us consider the whole transport system from the user's perspective. This means we put ourselves in our customers' shoes to integrate all transport modes from planning through to operation. As well as improving journeys, TfV has provided exciting opportunities for collaboration with our partner agencies on a range of activities, from disruption planning through to risk-management and leadership development.

Improving country roads

This year, the Executive Leadership Team at VicRoads began a state-wide community engagement in every rural region, asking the people who drive and depend on rural roads about how we can better plan, build, manage and maintain the 19,000 kilometres of country arterial roads.

The Victorian Budget 2017–18 allocated \$556 million to double road maintenance investment, upgrade more bridges and construct bypasses. Community feedback will help shape future investment priorities and regional plans.

As well as the face to face engagement with 600 community members and industry leaders and 30 councils across every region in the state, an online Country Roads conversation has reached more than 10,000 Victorians, pinpointing local issues, from road maintenance and cycling paths to what can be done to reduce lives lost on country roads.

Improving mobility — major metropolitan projects

Every year, around 100,000 newcomers are attracted to the vibrancy of Melbourne and Victoria — equivalent to a full house at the MCG on Grand Final day. The vast majority of these people settle in Melbourne, helping raise the population to around 4.4 million. While that influx is a welcome testament to the dynamism of our great city, it also brings with it some challenges — one of the most visible being road congestion.

By world standards, Melbourne is a large city in area — being about the size of Paris or London — although with a much lower population density. With such a spread in Melbourne, getting safely and efficiently from point to point is a crucial consideration — including commuter travel and commercial transport. Roads are and will remain a vital part of the metropolitan transport mix, so their performance must be optimised.

As detailed later in the Annual Report, in order to reduce congestion and enhance Melbourne's famed liveability, a number of major road projects have been initiated, including:

- Streamlining Hoddle Street
- Chandler Highway upgrade
- Thompsons Road duplication
- M80 Ring Road upgrade
- Monash Freeway upgrade
- CityLink Tulla widening
- Hallam Road duplication.

These projects will help to make Melbourne's roads flow more freely, with positive impacts upon safety, growth and productivity.

Engaging our customers and communities

In 2017, we launched *engageVicRoads* — our commitment to driving an internal culture of engagement that respects and welcomes community involvement. This document outlines what engagement standards the community can expect from us and what we've learned isn't acceptable. In sharing it with everyone, we're showing just how serious we are.

VicRoads' organisational transformation

At VicRoads, we believe that our organisational culture and ways of working should reflect our collective vision of making Victorians' lives better through journeys that are safe, reliable, efficient and sustainable. Furthermore, as the needs of the wider community evolve, so too must our approaches to service delivery. Conventional organisational structures can be inflexible and insufficiently responsive to changing customer (and staff) needs. What is really needed is a more agile approach.

Recognising this need, three years ago VicRoads underwent an Organisational Culture Inventory that pointed the way to a more effective and customer-focused future state. Accordingly, our ways of working are becoming increasingly flexible and oriented to achievements and measurable outcomes.

In further pursuit of this organisational evolution, in the coming year we will undertake another Organisational Culture Inventory. We expect that this will provide us with a current state map that identifies our growing strengths and areas for further improvement. With that knowledge, we will envision a desired future state for VicRoads that sharpens even further our focus on effective delivery for the people of Victoria.

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. The current Annual Report focuses on key objectives outlined in the Corporate Plan 2016–20.

These key objectives are described in the following four sections:

- a. Customer and community
- b. Journeys
- c. Wellbeing
- d. Productivity.

a. Customer and community

We recognise that our many customers have diverse needs. Yet all customers share a need for simple, clear and empathetic engagement with VicRoads. With honest dialogue, streamlined business processes and the application of fit-for-purpose technologies, we aim to continually enhance the quality of our customer service. We continue to minimise 'paper warfare' by moving consumer transactions to simple online platforms wherever possible. Online registration and licensing services are prime examples of this move.

Realistically, improvements to the road network do often come at the cost of short-term inconvenience to the community. At VicRoads, we understand such frustrations and we do everything reasonably possible to minimise disruption and keep the community informed and engaged through multiple means, including social media.

Adding value to the work we do

While everything we do is aimed at improving road journeys for Victorians, we appreciate that commuters do not always welcome our projects, as communities face temporary or permanent changes to their neighbourhood from new or improved roads, bridges and bike paths. We aim to work with those affected and to do everything practical to reduce impact on the commuter.

We're continuing to learn that:

- when we use local knowledge and input
- draw on key stakeholder expertise
- ask the people who experience the problems
- provide opportunities for the community to be involved

then the work we do, the solutions we create and the projects we deliver are simply better.

Community at the heart

Talking to communities about how we can better plan, build, manage and maintain the 19,000 kilometres of country arterial roads in Victoria has been at the heart of a state-wide engagement by the VicRoads Executive Leadership Team this year — beginning in Portland in February 2017.

Senior leaders have met with communities in Korumburra, Morwell, Wonthaggi, Stratford, Bairnsdale, Omeo, Shepparton, Mansfield, Bright, Wangaratta Wodonga, Bendigo, Woodend, Kerang, Swan Hill, Charlton, Sea Lake, Mildura, Nhill, Ararat, Ballarat and Stawell.

Concurrent with face to face activities, the Country Roads project has involved the first statewide online engagement through engage VicRoads, with regional forums and interactive map canvassing the issues and opportunities in every part of the state. This reached more than 20,000 people.

VicRoads has extensive technical expertise, but local communities are the experts when it comes to understanding the impacts roads can have on their businesses and daily lives. Nowhere is this more important than in country Victoria, where 90 per cent of daily journeys are made on arterial roads, making them absolutely critical to lives and livelihoods.

Supporting population and economic growth, reducing road trauma, improving freight access, prioritising road maintenance and understanding the opportunities to attract tourism and protect the environment have been among the many conversations held so far.

Making involvement more accessible

VicRoads' engageVicRoads has provided a digital space to complement our on the ground engagement, with 28 projects using the platform in the 2016–17 financial period and over 200,000 people accessing it. The platform allows all Victorians to engage with interactive maps, discussion forums and surveys, helping to identify issues, influence designs and inform decisions. Some of our key digital engagements have included:

- Shaping the final designs for each intersection in the streamlining of Hoddle Street
- Future of Phillip Island Road, attracting our youngest demographic so far on the platform
- The Monash truck lane trial
- Traffic signal route review.

Being on the ground — the Great Ocean Road

While our digital efforts are continuing to build momentum, we fully recognise that nothing can replace our presence on the ground. After a landslide forced the closure of the Great Ocean Road for two weeks in September 2016, we worked side by side with the community, particularly those in Wye River, to manage the impacts and determine a way forward together.

We immediately appointed a dedicated communications and stakeholder engagement professional to work with the community — providing up-to-date information, addressing queries, strengthening community and strategic partnerships, consulting on decisions about repair works, and prioritising repair and recovery efforts. Additional, Director-level support was brought into the region so our on-the-ground response and communications and engagement activities could be separately directed. Together, the community and VicRoads developed a shared ownership of everyone's safety immediately following the landslides. Throughout the period of emergency management, we continued to exchange mutually beneficial local knowledge and data across relevant authorities.

The experience fundamentally changed our relationship with local communities along the Great Ocean Road, who are now embedded in every aspect of the work we do in this region.

Giving a community ownership — Ravenswood Interchange

In July 2016, we established an Environmental and Community Working Group for the Ravenswood Interchange project. The construction of the interchange required a significant amount of tree removal and we gave clear decision making power to a dedicated group of local community members. The group made decisions about how wood from tree removal would be used, identified projects, and brought proposals to VicRoads for consideration.

The community owned their involvement in the project and were pleased to be able to contribute to beneficial outcomes, not just for now, but for the environment and community into the future. The group ended up with a long list of community projects that delivered benefit to local schools, children, the environment, and the wider community. An important project was the relocation of three Aboriginal scarred trees to the Ulumbarra Theatre in Bendigo.

Serving our registration and licensing customers

VicRoads continues to modernise its online registration and licensing services to meet the changing expectations and needs of our customers. This is a significant challenge in an environment where VicRoads annually processes 24 million customer transactions, including 5.2 million vehicle registrations and 860,000 licence renewals.

Building a contemporary customer experience is at the core of our first digital service store, hub@exhibition. This blends both digital and face-to-face service provision. Where necessary, customers are personally guided through their initial interactions at digital kiosks. This experience enables customers to carry out their subsequent interactions with VicRoads online and at their own convenience.

The successful hub@exhibition concept will be replicated at a hub@Sunshine, which is due to open in a new, more central Sunshine location in early 2018.

VicRoads customer-focused, self-service account, myVicRoads, has continued to be popular with our customers. We now have over 150,000 personal and business account holders who are managing their registration renewals and other related activities online.

VicRoads has developed a Customer Experience Strategy for a digital-first VicRoads that is trusted by our customers. Based on extensive customer research, we have a better understanding of the experiences and expectations of our customers through seven core transactions and activities. The strategy has two clear goals: shift customers to using digital self-service; and improve customer experience. We have also identified five key customer segments to help us understand who we're designing our services for now and into the future.

Part of this work also saw a re-design of our registration renewals and reminders to make them more customer-friendly and meet our customer's expectations. These are now in public circulation.

Social media

The VicRoads social media presence has continued its strong upward trend, with followers of the VicRoads corporate Facebook page having jumped from 48,300 to 80,586 in the past 12 months.

Our brand reach is shown on Facebook an average of 146,284 times per day. That is more than double the 66,544 times per day in the previous year. We now have an average of 829 people engaging (likes, comments, shares) with our brand every day.

Our social media pages not only communicate information about major projects, consultations, traffic news, surveys, policy changes, and corporate news — they have developed a strong online community of customers who are engaged with our organisation and seek open conversations with VicRoads.

Customer service performance measures

With Victoria's population rising, demands upon our customer service staff grow too. While customer transactions are continuing to grow online — 65 per cent of all transactions — many people still prefer traditional communication channels, especially when they have complex enquiries.

This year has seen an improvement in customer satisfaction in our registration and licensing business. This is measured through an annual survey of customers who have transacted with VicRoads over the year. Additionally, a biannual mystery shopping exercise is used to assess registration and licensing staff performance against customer service best practice.

The 2016–17 result in call wait times increased slightly from the previous year. Inbound customer calls were answered in five minutes and ten seconds on average, against a target of four minutes. This was explained by the VicRoads contact centre, which recorded an increase in the number of complex customer transactions leading to an increase in the average time taken to serve each customer.

Counter wait times in Customer Service Centres were also affected by an increase in interaction handle times. This change in transaction complexity has continued as more customers complete simpler transactions either via self-service or through the Contact Centre.

A series of interaction quality, process improvement and coaching initiatives will be introduced within the Contact Centre and Customer Service Centres to reduce interaction handling times while maintaining a customer experience focus.

Drive test appointments were delivered on average within three and a half weeks, exceeding the target of four weeks.

Implementation of a contemporary enterprise workforce management system is underway to support forecasting, scheduling and resource management across the Contact Centres and Customer Service Centres to assist with customer serve and wait times.

Table 2: Customer service performance

Indicator	Target	Measure	2016–17	2015–16	2014–15	2013–14
Overall Satisfaction	85 per cent of customers satisfied with registration and licensing services	Customer satisfaction survey	91 per cent	90 per cent	89 per cent	91 per cent
Professional approach	85 per cent of required customer service standards met by staff	Mystery shopping	84 per cent	82 per cent	77 per cent	82 per cent
Efficient services	80 per cent of customers served within 10 minutes	Internal systems	72 per cent	76 per cent	81 per cent	80 per cent
	240 seconds — average time to answer a call	Internal systems	310	268	208	202

b. Journeys

Delivering more predictable journeys for our customers

The challenges of population growth on our infrastructure and the added pressure of a construction boom are seeing us share more information and data than ever before. The key goal is to improve the journey experience of every Victorian and of our visitors.

In 2016–17, we continued to build our understanding of customer expectations around the delivery of real time journey information, allowing people to make better decisions about how and when they travel.

We know the provision of this information is going to become a more important part of safe and efficient travel, so we're looking at ways to personalise this information.

Keeping the city moving through disruption

The construction of major transport projects across the city has challenged us to find bold and innovative ways to keep the network moving while key corridors and transport hubs are closed.

In July 2016, works for the Swan Street Bridge required the closure of one city-bound lane, reducing the already congested bridge from four lanes to three for six months.

With 30,000 vehicles relying on the bridge in peak hours, traffic modelling and origin and destination surveys determined that a minimum of 600 vehicles per day, in each direction, would need to be dispersed to prevent commuters from experiencing 20-minute delays and excessive queuing.

Eight alternate detour routes were communicated across social and traditional media and more than 20 vehicle monitoring systems (VMS) were placed across the network, streaming live travel times and promoting detour routes to commuters.

The approach saw more than 600 vehicles dispersed throughout the duration of the lane reduction, with commuters usually experiencing no more than a five-minute delay.

In December 2016 and January 2017, a closure on the Tullamarine Freeway, the strengthening of Shepherd Bridge and West Gate Bridge maintenance, again tested our ability to maximise good construction conditions while minimising the disruption for commuters, particularly those travelling to and from Melbourne Airport.

A similar intensive approach of coordinated communications and technology, achieved impressive outcomes, including:

- 20 per cent reduction in outbound volumes on the West Gate Bridge
- 40 per cent of Montague Street exit ramp traffic using Power Street instead of Lorimer Street
- 30 per cent reduction in traffic volumes during Footscray Road lane closure
- 45 per cent reduction in traffic volumes at Bulla Road
- all actual travel times significantly lower than predicted as a result of traffic displacement.

The success of these communications campaigns has seen a program developed for each school holiday construction blitz and, more recently, saw VicRoads' support of Melbourne Metro Rail Authority's closure of St Kilda Road.

With more major projects approaching construction, we're already leading the way in communicating disruption management.

Incident Response Service — getting road users home safely

Our Incident Response Service (IRS) plays a critical role in maintaining the safety of road users and is an integral support function for emergency services following vehicle accidents.

This team, on call 24 hours a day, seven days a week, is responsible for attending to and removing broken down vehicles and other obstructions, such as debris, to ensure safety is maintained and traffic continues flowing.

In May 2017, additional vehicles and operators were added to our IRS to intensify our response efforts along Melbourne's Western, Northern and Eastern corridors.

The expansion will see our growing outer suburban communities better serviced by incident responders, who in the 2016–17 period achieved the following:

- 23,676 incidents cleared
- Average incident clearance time of nine minutes 45 seconds
- 86.84 per cent of incidents responded to within 15 minutes.

Real time road management — Traffic Management Centre

Every day and in real time, a team of up to seven highly skilled operators are monitoring, changing and tuning traffic signals across metropolitan Melbourne. In 2016–17, more than 50 new CCTV cameras were installed across the network to assist the Real Time Signal Operations Team to:

- ensure a consistent traffic flow on freeways
- identify and respond to choke points across the wider network
- alleviate the congestion caused by roadworks and public transport disruptions
- support safe and efficient incident response management.

The team is an integral part of ensuring the road network continues to operate during major events such as the Melbourne Cup, Australian Grand Prix, Melbourne Marathon, ANZAC Day Parade and Boxing Day shopping at Chadstone.

Operation Headway

Operation Headway applies highly-concentrated VMS, CCTV and bluetooth technologies, working in conjunction with smartphone apps and social media, to deliver smarter, more responsive and reliable travel information, when and where people need it. This is coupled with a more concentrated focus of real time signal experts in managing the network, with additional network performance information and visibility through CCTV coverage.

This is an effort to improve journey experience for the 35 per cent of people in and around the South Eastern Transport Corridor who are dissatisfied with current information channels. Launched in early 2017, the pilot program targets the South Eastern Transport Corridor that connects people with the Dandenong employment cluster and the Monash University education precinct. It encompasses the Princes Highway, Monash Freeway, Dandenong Bypass, Dingley Bypass, EastLink and the Dandenong rail corridor.

The pilot has given us insights into how commuters respond to communication and technology. Our work in this space will continue. The overall speeds on the arterial roads were improved in the range of 1 to 2 kilometres per hour, despite the works on the Monash Freeway upgrade requiring a speed reduction to 80 kilometres per hour for much of the route covered by the study area.

Technology transforming our network

As a premier partner in the World Intelligent Transport Systems (ITS) Congress in Melbourne in October 2016, our knowledge and passion for more innovative transport solutions impressed on the global stage. We're rapidly building our capability in ITS and this approach has seen us partner with, among others, the Australian Road Research Board, Intelomatics, La Trobe University, the University of Melbourne, Yarra Trams and Connect East.

Our 2016–17 ITS pilot is funding programs including:

- automated and connected vehicle trials
- automated incident detection using optical fibre to distinguish vehicle stoppages or breakdowns
- green wave traffic light systems
- linking on-road VMS with smartphone apps and in-car units
- prioritising trams through intersections
- road 'event management' for the Mornington Peninsula.

Making better use of our infrastructure — Streamlining Hoddle Street

In May 2017, design development with community and key stakeholders concluded on the Streamlining Hoddle Street project, readying it for construction in late 2017.

The \$60 million project will pilot Australia's first continuous flow intersection design and transform the way 330,000 people move along and across the Hoddle Street-Punt Road corridor. By removing right turns from the centre of intersections such as Swan Street and Johnston Street, we'll be able to reduce the delays caused by right turn queues and give more green time to movements straight through the intersections.

The project will provide priority to public transport, create more reliable journey times and upgrade pedestrian and cycling connections, allowing better and safer access to our sporting and entertainment venues.

2016 traffic light route review

VicRoads funds an annual program to review the operation of traffic lights to improve the safety and efficiency of the road network. It specifically focuses on traffic routes where travel demands have changed.

There are 3,500 traffic light sites across Victoria's arterial roads. We assess up to 10 per cent of sites each year.

As a result of the 2015 review, traffic flow was improved on 23 major Melbourne roads.

The 2016 review focused on 30 strategic locations across Victoria where travel demands had changed. As part of the review, road users were asked to give us their insiders' views on the following eight selected routes:

- Victoria Parade, Melbourne (La Trobe Street to Simpson Street)
- Nepean Highway, Hampton East to Elsternwick (Glenhuntly Junction to South Road)
- High Street and High Street Road, Prahran to Wantirna South (Punt Road to Burwood Highway)
- Stud Road, Wantirna (Mountain Highway to Princes Highway)
- Derrimut Road, Werribee (Railway Avenue to Werribee Plaza)
- Tram Route 11, Docklands to Preston (Collins Street to Regent Street)
- Corio-Waurn Ponds Road, Geelong (Victoria Street to Broderick Road)
- Narre Warren–Cranbourne Road, Narre Warren South (Overland Drive to Thompsons Road).

VicRoads conducted community engagement on its online engagement platform, engageVicRoads, from October 2016 to November 2016. During this period, community members were invited to share their concerns with traffic lights on the specified routes and to identify locations where a traffic light review would be beneficial.

Around 5,200 people visited the page to learn more about the project and have their say. There were 822 pins with comments dropped on the interactive map. Around 66 per cent of the participants were car drivers, followed by cyclists (13 per cent), pedestrians (10 per cent) and public transport users (8 per cent).

To finalise the review, VicRoads will report back to the community explaining what improvements were made following the 2016 review.

Traffic lights

Changes to traffic light designs are required as part of many road projects, with over 300 new traffic light designs being delivered. This includes an additional 52 new traffic signals (37 intersections and 15 pedestrian signals) in Victoria in 2016–17.

Traffic light advice, traffic signal design and signal operation configuration has been provided on major projects including the level crossing removals at Mountain Highway, Bayswater; Scoresby Road, Bayswater; Centre Road, Bentleigh; McKinnon Road, McKinnon; North Road, Ormond; Blackburn Road, Blackburn Road; and Heatherdale Road, Mitcham.

VicRoads has been testing the next generation of traffic signal controllers. The controller at Springvale Junction was upgraded, providing more reliable operation. It will also enable future changes to be incorporated, to enhance mobility and safety at this complex intersection.

Pinch-point projects

Seven pinch-point projects were completed, including:

- Nepean Highway-Station Street-Keiller Street
Changes to the Keiller Street approach and a reprogram resulted in an improved level of service with less delay and more green time for pedestrians crossing Nepean Highway and reduced queuing for south bound traffic on Nepean Highway.
- Nepean Highway-Glenhuntly Road-Hotham Street
A new traffic signal controller and field works resulted in an improved level of service with less delay and more green time for pedestrians crossing Nepean Highway.

Public transport priority system

A new public transport priority system is being tested, using the SCATS (Sydney Coordinated Adaptive Traffic System) traffic signal control system and GPS bus tracking information. The priority system applies a top-down approach to public transport priority, where the local traffic signal controller does not require reprogramming.

The bus detection uses virtual geospatial detectors for queue detection and journey time information. Therefore, the physical installation of detectors is not required. The priority can be activated on a number of performance conditions including schedule adherence and delay.

Roads and recovery: our role in disasters and emergencies

Our ability to respond to and be part of the community during emergency management was at the forefront in 2016–17. In addition to our work during the Great Ocean Road landslides, our contributions to the state's emergency management included:

- 1-in-100-year storm events and flooding experienced across the state in late 2016, for which our recovery work is ongoing
- Essendon DFO aviation crash
- Summer season, including fires and storms.

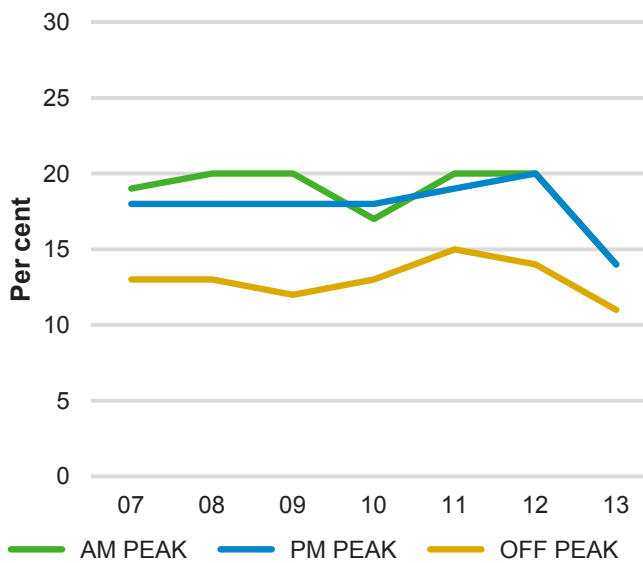
In recognition of the need to continue supporting our emergency services and ensuring the road network responds quickly and effectively to the needs of the community during an emergency, in January 2017 we appointed our first Director of Emergency Management. We are continuing to develop collaborative partnerships to achieve best practice and are working with RMIT and the University of Melbourne to enhance our understanding of the relationships between asset management and natural disasters.

In line with the *Emergency Management Act amendment (Critical Infrastructure Resilience) 2014*, VicRoads is required to provide attestation to the Minister annually in relation to agency assets that have been declared as Vital Critical Infrastructure. The attestation requires maintenance of an asset risk register, exercising capability and capacity related to emergency management and independent audit of those processes. This was the first year the full process was required and VicRoads met the requirements.

Key performance indicators

Travel time variability

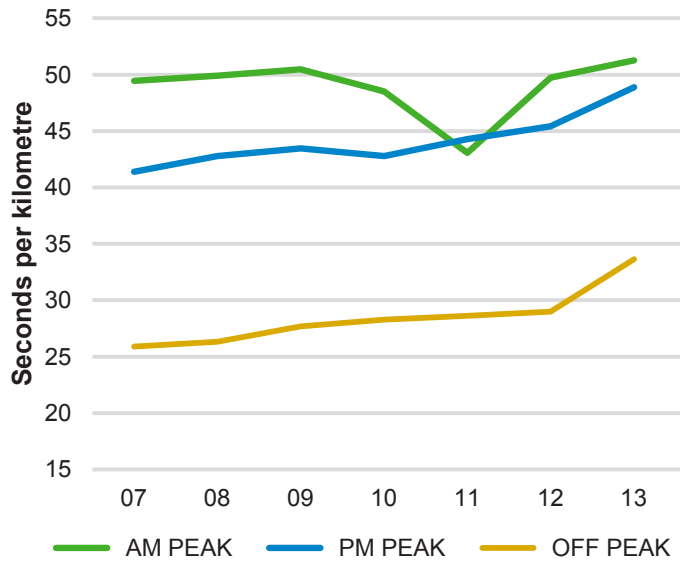
Travel time variability is an indication of the difference in travel times between different days on the monitored network. Due to a change in data collection technology, results derived from data collected prior to 2014 are not directly comparable with the results for the current reporting period. The trend for 2016–17 shows an increase in variability during both the AM and PM peak periods, but a reduction in high off-peak variability.



Travel time delay

Travel time delay is the difference between the time taken, on the average, travel at the prevailing conditions, and the time it would have taken had travel been possible at the posted speed limit. Comparisons between the current years and prior to 2014 are not possible due to the change in data collection technology.

The marginal drop in delay in the AM peak may be attributable to mode shift as well as improvements to the management of road space availability by VicRoads due to road works and events. There is a slight increase in delay for the PM peak period.



c. Wellbeing

Improve road safety, amenity and environmental outcomes

A requirement 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 year in review, VicRoads has undertaken a range of activities to help ensure all Victorian road users arrive at their destinations safely.

In addition, VicRoads has focused on a holistic approach to the various related elements in 'movement' and 'place' to enhance local environments.

Road safety

VicRoads is delivering major initiatives to improve safety for all road users under the Victorian Roads Safety Strategy *Towards Zero 2016–2020*. The strategy aims to reduce the number of annual fatalities on Victoria's roads to fewer than 200 by 2020.

Victoria's road safety performance in calendar 2016:

- There were 291 fatalities on Victoria's roads — representing a 15 per cent increase on the 252 fatalities in 2015
- Motorcyclist, driver and pedestrian fatalities increased by 87 per cent, 24 per cent and 21 per cent respectively compared to 2015
- Passenger and bicyclist fatalities decreased by 37 per cent and 20 per cent respectively compared to 2015
- 150 fatalities occurred on country roads and 141 occurred on Melbourne metropolitan roads
- The most common crash types were run-off-road on high-speed country roads and intersection crashes in metropolitan Melbourne
- There were 4,500 serious injuries in 2016, 6 per cent fewer than the 4,787 serious injuries in 2015.

Safe System Road Infrastructure Program (SSRIP)

SSRIP has been established in partnership with the Transport Accident Commission (TAC) to deliver road safety improvements which will realise Victorian Government's Towards Zero vision of reducing the Victorian road toll to fewer than 200 by 2020.

Working closely with TAC, the team is developing and delivering a pipeline of SSRIP projects by identifying and prioritising road safety improvements while also looking for procurement efficiencies across regions.

By creating a dedicated SSRIP team, the approvals process for inclusions in the program have been streamlined and expertise shared across VicRoads in delivering cutting edge Safe System improvements.

During 2016–17:

- 90 projects were approved with a total investment of \$547 million, including over \$400 million invested in rural and regional Victoria
- 47 projects were completed, including 35 in regional Victoria
- 68 projects commenced, including 51 in regional Victoria.

Seven Investment Plans with a value of \$596 million were approved including programs for a Victoria-wide treatment of medium volume rural undivided roads through audio tactile line marking; safe travel on low-volume rural undivided roads; safe travel on local streets through local area traffic management, and innovative intersection treatments.

A significant amount of work has been completed to provide for the delivery of the following:

- Top 20 High Risk Rural Roads: More than \$450 million of investment on Victoria's 20 most dangerous high-risk rural roads was approved. Ten projects have commenced and the remaining Top 20 roads are planned to be in construction by September 2017
- \$100m Pedestrian and Cycling fund: funding for projects across metropolitan and regional regions to improve safety for cyclists and pedestrians have been approved.

Table 3: SSRIP Projects Commenced 2016–17

Projects over \$5 million	Projects under \$5 million
\$27 million continuous flexible barrier installation on Princes Highway East, Longwarry to Traralgon.	\$4.8 million safety improvement between Somerton Road and Donnybrook Road on Mickleham Road.
\$20.4 million flexible barrier installation on Midland Highway, Shepparton to Stanhope.	\$4.4 million run-off-road crash treatments on Maffra-Sale Road, Sale to Maffra.
\$15.7 million continuous flexible barrier installation on northbound and southbound of the Hume Freeway, Northern Highway to Broadford-Flowerdale Road.	A \$4.3 million program to install audio tactile line marking across Eastern Region.
\$9.9 million run-off-road crash treatments and roundabout on Beechworth-Wodonga Road.	\$4.3 million run-off-road crash treatments on Midland Highway, Benalla to Barjarg.
\$7.5 million continuous flexible barrier installation on Bass Highway.	\$3.9 million run-off-road crash treatments on Eltham-Yarra Glen Road, Kangaroo Ground to Yarra Glen.
\$5.4 million run-off-road crash treatments on Calder Highway.	\$3.9 million new roundabout at the intersection of Calder Alternative highway and Bendigo-Maryborough Road.
\$5.2 million continuous flexible barrier installation on Princes Highway West, Little River to Corio.	\$3.7 million run-off-road crash treatments on Princes Highway East, Traralgon to Sale.

Table 4: SSRIP projects completed 2016–17

Projects over \$2 million	Projects under \$2 million
\$4.8 million safety improvements on Mickleham Road, Somerton Road to Donnybrook Road.	\$2.0 million intersection improvements at Midland Highway and Fyansford-Geringhap Road.
\$2.7 million run-off-road crash treatments on Winchelsea-Deans Marsh Road.	\$2.0 million run-off-road crash treatments on Inverloch-Venus Bay Road.
\$2.5 million safety improvements project including roundabouts and run-off-road treatments on Traralgon West Road.	\$1.8 million run-off-road crash treatments on Northern Highway.
\$2.3 million intersection safety improvements at Hyland Highway and Loy Yang-Morwell Road.	\$1.6 million run-off-road crash treatments on Seaspray Road.
\$2.2 million run-off-road treatments on Kangaroo Ground-St Andrews Road.	\$1.6 million run-off-road crash treatments on Traralgon-Maffra Road.

Supporting young drivers — L2P program and Keys Please

To support our most at-risk road users, VicRoads delivers statewide education programs targeting young drivers.

During 2016–17 under the TAC-funded L2P program, 74,325 supervised driving hours were delivered, a slight decrease from 77,649 hours in 2015–16.

Under the program, volunteers supervise disadvantaged learner drivers who find it difficult to gain 120 hours of driving practice. There are now 27 L2P programs operating in Melbourne and 42 in regional Victoria.

Keys Please information sessions are delivered to Year 10 students, promoting safe driving behaviour and the benefits of 120 hours of practice to learner drivers. Under the program, volunteers supervise disadvantaged learner drivers who find it difficult to gain 120 hours of driving practice.

Road Smart

When young Victorians take charge of a motor vehicle, they need to be as well prepared as possible. Accordingly, Licensing and Mobility and Active Transport and Community Programs have developed and implemented a new program for Year 10 students to help prepare them to be safer drivers.

Road Smart will be delivered to Year 10 or equivalent students statewide under the Victorian State Government Young Driver Safety Package. The program will include an in-class workshop, an in-car session with an accredited driving instructor and eLearning modules for students and supervising drivers. A teacher resource toolkit will also be developed for teachers to use across a range of learning areas with links to the Victorian curriculum.

Seven schools across the state, six workshop facilitators and 20 driving instructors took part in a pilot of the in-class and in-car components of Road Smart during May and June 2017 in readiness for delivery in 2018.

The Department of Education and Training has supported communications direct to schools, while Road Safety Education Advisers in the regions are working closely with schools to transition from the current Keys Please program to Road Smart in 2018.

Motorcycle safety levy

The levy was introduced in 2012 to fund projects targeted at improving safety for motorcyclists. During 2016–17, \$8.9 million was spent improving motorcycle safety. Eight infrastructure improvement projects were completed with an additional four in progress. Another eight projects totalling \$5.2 million were approved in readiness for implementation. The infrastructure projects included extensive work to seal gravel areas adjacent to roads, since keeping gravel off the road can significantly reduce the crash risk for riders. VicRoads has also undertaken significant improvement to the safety of existing guardrail by fitting rubbing rail, thereby reducing injuries to riders who hit the barrier. A program of special maintenance work to rectify pavement was also carried out on popular motorcycle roads.

Motorcycle Graduated Licensing System

Motorcyclists who hold a learner permit and those who are recently licensed have a higher risk of crash involvement than most other road user groups. In March 2016, VicRoads introduced a suite of reforms to improve the safety of novice motorcyclists. Victoria's new Motorcycle Graduated Licensing System includes a mandatory, comprehensive training program for learner permit and licence candidates. A key feature of the new training is a strong focus on understanding and responding to the hazards motorcyclists face.

At both the learner permit and licence stages, candidates now need to pass riding assessments on a closed course and under real-world conditions on public roads. Learner permit holders must also complete an observed ride with an instructor before applying to attempt the licence tests. The restrictions limiting newly-licensed riders to lower-powered motorcycles and 0.0 blood alcohol content (BAC) and banning passengers have been extended from two years to four years.

School crossing program

In 2016–17, VicRoads contributed \$11.5 million to the \$32 million school crossing program, with councils providing the remaining funding. There are currently 3,013 sites across Victoria attended by school crossing supervisors.

From 2017–18, a 50:50 funding model will be adopted between the Victorian Government and local councils. Transport for Victoria commenced a strategic review of the School Crossing Program in 2017, with findings to be delivered in early 2018.

Community roads safety grants

VicRoads' Community Road Safety Grants program provided \$1.6 million of funding to 50 community groups to deliver a range of local road safety initiatives during 2016–17. The funding saw more than 30,000 people training in Bike Ed and delivery of 500 education programs to around 40,000 young drivers.

Remake of Road Safety Regulations

During 2016–17, work to remake the Road Safety Road Rules was completed; and analysis and consultation undertaken regarding the Driver, Vehicle Registration, Traffic Management and General regulations. VicRoads is continuing work to remake the remaining four sets of sunseting Road Safety Regulations (2009). Sunseting is an important mechanism to ensure laws and regulations continue to reflect current government policy.

Reduced truck speed limit trial — Monash Freeway

In August 2016, VicRoads commenced a trial of 90 kilometre per hour speed limits for trucks on a 10 kilometre stretch of the Monash Freeway between Huntingdale Road and Jacksons Road.

While the trial reduced speeds, it did not reduce tailgating, and resulted in increased lane changing by both trucks and cars. The trial was concluded in March 2017.

VicRoads is working with industry on alternative heavy vehicle safety initiatives, including right lane truck restrictions on the Monash Freeway scheduled to commence in early 2018.

Toward environmental leadership

The environmental impact of the construction, operation and maintenance of the road system continues to be a theme of significant concern to the community. VicRoads increasingly recognises that regulatory compliance alone is inadequate to meet a range of community expectations, and this can diminish our social licence to operate. Over the year we have cultivated an aspiration for environmental leadership.

Setting targets for sustainability

Our commitment to leadership took a significant step forward with VicRoads joining the Infrastructure Sustainability Council of Australia (ISCA), with a commitment to begin accreditation of all projects over \$50 million. The accreditation provides a score (similar to green star ratings) that will allow us to set targets for leadership and measure our performance. Work is continuing to embed this in our contracts and ten staff members have undertaken training in the application of the ISCA tool.

Working across the transport sector

Our membership of ISCA and our commitment to environmental leadership was celebrated on World Environment Day with a knowledge sharing event for agencies and contractors working across the transport sector. From this workshop, an interagency transport sustainability working group has been established to foster collaboration. During 2016–17, VicRoads hosted the State Transport Environmental Managers' meeting, and the PIARC (World Road Association) technical committee investigating air quality and noise impacts of road projects and operations.

Changing environmental capability and support

A significant change to the structure of central environmental support took place early in the year, bringing together two separate environmental functions as a single Environment Practice team, with increased focus on supporting our Regions and Major Projects as well as advising Transport for Victoria. The restructure resulted in the overall loss of one role. However, four new environmental roles have been created in our Major Projects division to support a clear need for increased capacity. An internal survey has shown environmental capability is one of VicRoads' top two priorities for capability development.

Stewardship of roadside biodiversity

Roadside biodiversity continues to be a key concern, particularly within our major projects. We received significant assistance from interested citizens and critics, who have volunteered many hours to help us understand the importance of roadside vegetation and how we can improve. The signature initiative from this work has been a pilot project to re-establish the VicRoads Roadside Environment Committee (formerly known as the Roadside Conservation Advisory Committee). We have also established a community environmental reference panel for the Yan Yean project. This engagement has identified shortcomings and significant opportunities for improvement.

The Major Projects division has made the commitment to host the 2018 Australasian Network for Ecology and Transportation Conference.

Managing noise and air quality

Our work in noise and air quality research and monitoring has continued, with pavement trials on the Mornington Peninsula Freeway continuing to show significant differences in noise between surface treatments. We continued to monitor air quality and traffic noise emissions at six locations across metropolitan Melbourne to help us understand long-term trends in pollution and noise emissions. We continued to work with the Victorian Government on the development of a new noise policy.

Cultural heritage

Since the introduction of the *Aboriginal Heritage Act* in 2006, the Cultural Heritage Management Plan (CHMP) process has become an integral part of how we plan and deliver road improvements. It provides a platform for VicRoads to protect Aboriginal heritage wherever possible and build strong working relationships with Indigenous stakeholders across the State. VicRoads has worked closely with Registered Aboriginal Parties, Aboriginal Victoria (Department of Premier and Cabinet) and consultant heritage advisors to identify and manage Aboriginal heritage as part of our road projects.

Through our CHMPs, archaeological excavations have added significantly to our knowledge of how Aboriginal communities have occupied and utilised the Victorian landscape for tens of thousands of years. Stone artefacts recovered from several projects including the Princes Highway West duplication (Winchelsea to Colac), the Thompsons Road duplication, and the Ravenswood Interchange upgrade (Calder Highway) have revealed valuable information of immense importance to Aboriginal communities, and of significant interest to the wider community.

Matters of note are as follows:

- In December 2016, VicRoads worked with the Dja Dja Wurrung Clans Aboriginal Corporation to relocate three Aboriginal scarred trees from the Ravenswood Interchange project (Calder Highway) to create a new interpretive cultural display at the Ulumbarra theatre in Bendigo. While the scarred trees were unable to be avoided as part of the road works, the Dja Dja Wurrung agreed to allow VicRoads to respectfully relocate the trees to the Ulumbarra theatre in central Bendigo, creating an opportunity for the Dja Dja Wurrung and Jaara people to share their culture with the wider community.

- Continued to work with Traditional Owner organisations to support installation of Welcome to Country signs across the road network.
- Worked closely with the Department of Justice and Regulation in reviewing policies relating to the development and implementation of agreements between the State of Victoria and Traditional Owner entities under the *Traditional Owner Settlement Act (2010)*.
- Ran a number of events at work sites across the state to acknowledge and celebrate Reconciliation Week and NAIDOC Week.
- Committed to running a pilot in 2017–18 to trial approaches for increasing Aboriginal employment and economic participation as part of one of our major projects, forming part of an overall social procurement strategy. This was recently endorsed by VicRoads' Procurement Governance Committee.

Urban design

Our urban design team continued its strong tradition of leadership, this year winning the Australian Institute of Landscape Architects (Victorian Chapter) Infrastructure Award of Excellence for the Remembrance Drive Interchange, part of the Western Highway upgrade near Ballarat.

Movement and place

Movement and place is a particular way of thinking. It recognises that each transport link performs a movement function of people and goods while also supporting a surrounding place that is a destination in its own right.

This approach is supported by the Movement and Place framework — a set of decision making tools that integrate transport (movement) and land use (place) planning across Victoria. It identifies the strategic role of a transport link and balances this with its land use, road safety and environmental requirements, enabling an integrated approach to transport projects. The framework can also be used to inform decisions regarding operation, improvements and maintenance of the road network.

The framework comprises four modules:

- **Network Classification:** Classifies segments in terms of strategic importance of place, each movement user mode (including rail, tram, bus, freight, general traffic, cycling, walking and tourist routes) and how this aggregates to an overall movement value.
- **Performance Assessment:** Identifies where there are issues or problems on the network using a series of performance indicators across the themes of Movement, Place, Road Safety and Environment. The outcome is a series of maps displaying how the network is performing in order to prioritise future project funding.
- **Design Guides:** Provide guidance on what design principles can be used to develop project options to address issues or problems that have been identified in the previous step. Examples of these include adjusting speed limits, reviewing parking allowances, planting trees and improving the travel speed of buses and trams.

- **Options Assessment:** Enables project options developed under Design Guides to be tested using a qualitative assessment tool. Project options can be assessed against each other and the existing scenario using performance indicators across Movement, Place, Road Safety and Environment in order to determine the best project outcome.

The framework has been applied in various situations to assist in decision making relating to planning, development of projects and assessing project options. Applications to date include:

- Sydney Road, Brunswick: developing a vision based on different user mode priorities
- Westall Road extension: assessing realignment options
- North-East Link Project (TfV): assessing proposed alignments
- Mentone, Essendon, Rosanna and Reservoir level crossing removal projects (VicRoads completed this work for the Level Crossing Removal Authority [LXRA]): assessing project options
- Napier Street, Bendigo: significant upgrades to streetscape and safety features, as well as priority treatments for cyclists and improved movement for all vehicular traffic, including buses.

Applying the framework in such instances has enabled a more holistic approach to integrated decision making around transport and land use planning. This has included consideration of the competing demands of multi-modal transport requirements associated with the movement of people and goods and constraints on land in the context of current transport and land use (planning) strategies.

The framework has also provided a common language and set of definitions that can be used during engagement with stakeholders and the community. Engagement to date with external stakeholders, such as the LXRA, TfV and some local councils, has resulted in support for the framework and a keen interest in building internal capability to apply it to current and future projects.

Truck curfews

To address community concerns regarding safety, noise and air quality, in March 2017 the North East Truck Curfew was introduced for trucks over 16.5 tonnes between 10pm and 6am on the following roads:

- Greensborough Highway, Greensborough
- Lower Plenty Road, Rosanna
- Lower Plenty Road, Yallambie/Montmorency
- Waiora Road, Rosanna
- Waterdale Road, Heidelberg Heights
- Para Road, Greensborough
- St. Helena Road, Greensborough
- Bolton Street, Montmorency
- Ryans Road, Diamond Creek.

The North East Truck Curfew is additional to the existing Inner West and Beach Road Truck Curfews.

Key performance indicators

Deaths and serious injuries — calendar year 2016

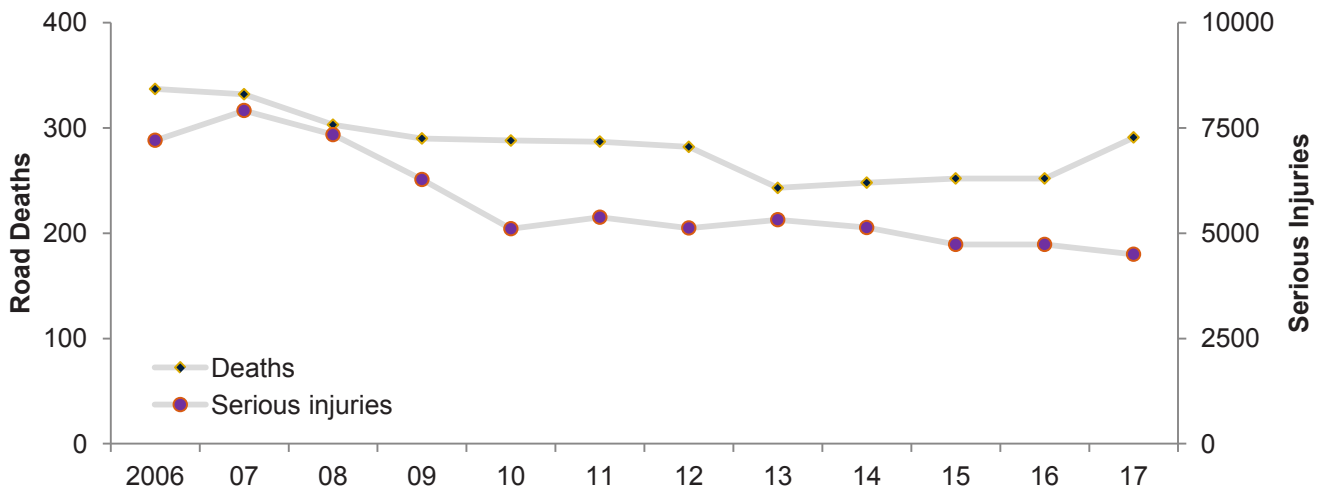
Note: While serious injuries appear to be trending down, the serious injury definition depends on the ability of the police to ascertain if a person has been admitted to hospital. Currently, it is unclear whether the dip in serious injuries is an ongoing trend or a reflection of the data collection process.

Walking and cycling projects

During 2016–17, the following pedestrian and cycling projects/improvements were delivered:

- St Kilda Road: Bicycle improvement investigation
- Bellarine Highway cycling: Leopold, Moolap, Wallington — road upgrade to improve conditions for cyclists
- Grange Road, Carnegie, Glen Huntly, Ormond: Intersection improvements and new signals
- Midland Highway: Pedestrian crossing at Huntly
- Old Melbourne Road: Pedestrian crossing at Ballan
- Drysdale-Ocean Road: Pedestrian signals; installation of rural channelised right turn
- Barwon Heads Road, Barwon Heads: Pedestrian crossing and safety improvements, Bridge Road and Hitchcock Avenue
- Doncaster-Mordialloc Road, Clarinda, Clayton South: Electronic variable speed limit signs; electronic school speed zone signs
- Ballarat-Buningyong Road: Pedestrian signals
- Blackburn and Heatherdale sections of the Box Hill to Ringwood shared use path.

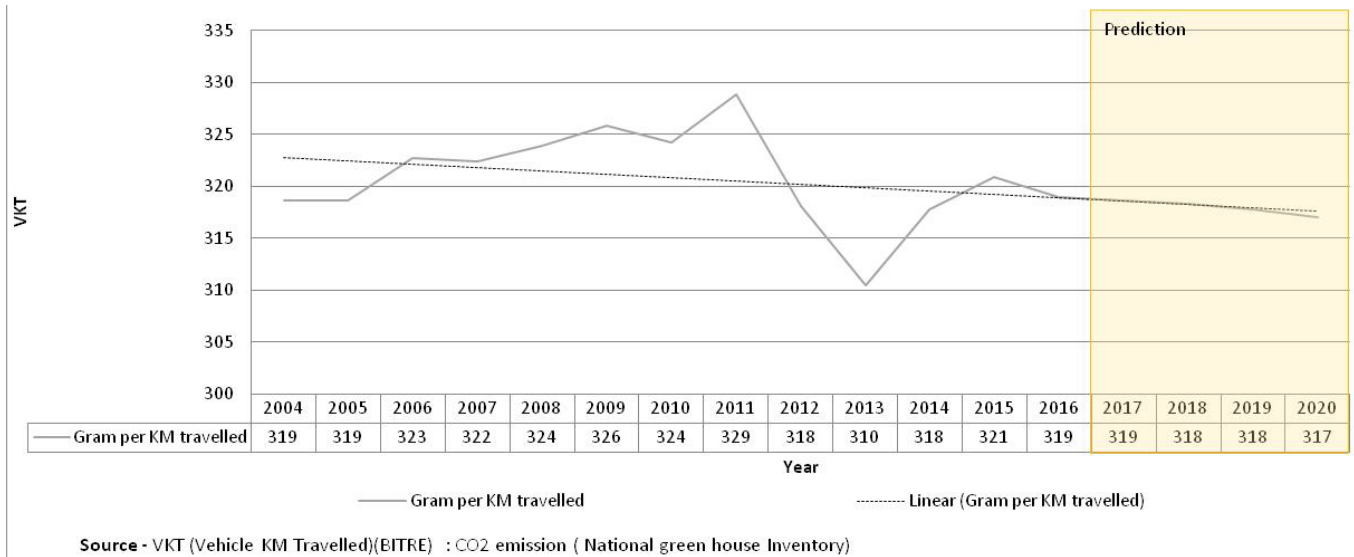
Figure 1: Deaths and serious injuries — calendar year 2016



CO₂ emissions per kilometre travelled

The CO₂ emissions have decreased overall since 2006, reaching the lowest level in 2013, and remained steady since, reflecting minimal change in overall fleet efficiency and low uptake of electric vehicles.

Figure 2: CO₂ emissions (gram) per vehicle km travelled



d. Productivity

Strengthen the economy through better use of roads

Victoria's continuing prosperity relies upon a road and multi-modal transport system that maximises both economic utility and community amenity. Working in a national and international context of fierce competition, Victoria relies upon and cultivates several advantages — one of the most important being a highly efficient transport network that enhances our state's competitiveness and liveability.

Asset management reform

Victoria's arterial roads and freeways are major assets contributing to Victoria's liveability and competitiveness. In 2016, VicRoads established the Asset Management Transformation Project to strengthen existing asset management activities and respond to changing asset management compliance regulations.

The Asset Management Transformation Project is reworking our processes and accountabilities to align with the Asset Management Accountability Framework (AMAF), a Standing Direction of the Minister for Finance 2016 (4.2.3) under the *Financial Management Act (1994)*.

The AMAF establishes requirements that aim to ensure that accountable officers appropriately manage the organisation's asset base. The requirements apply to non-current assets and exclude financial assets.

VicRoads partnered with the DEDJTR and TfV to jointly implement the AMAF, ensuring consistency in asset management compliance activities across the public transport sector.

Progress is underway with implementation plans approved in March 2017, a trial reporting cycle has been completed and the first cycle of actual reporting is currently in process. From the conclusion of the 2017–18 financial year, VicRoads will commence reporting AMAF compliance in its annual reports.

Efficient road maintenance investment and delivery

VicRoads manages Victoria's arterial roads and freeways, including 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 2016–17, VicRoads spent \$471.1 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 a \$97.4 million pavement resurfacing upgrade, replacing damaged road surface layers with a new waterproof layer. This was to protect the underlying pavement structure and to prevent further deterioration and thus delay expensive road rebuilding.

The Road Restoration and Road Surface Replacement initiative commenced in 2015–16. This \$48.077 million pavement rehabilitation upgrade involved replacing the underlying pavement structure and surface. In 2016–17, 55 projects totalling \$32.9 million were scheduled and completed, some of which include:

- Glenelg Highway pavement rehabilitation — Site includes the intersection at Gallie Road. Stabilisation of existing pavement
- Princes Highway West pavement rehabilitation — East Greenwald Road to Johnson Siding Road pavement re-sheet including asphalt surfacing
- Princes Highway East pavement maintenance — Tobins Hill
- Main Neerim Road pavement rehabilitation, section of Brandy Creek Road
- Darlington Road pavement rehabilitation — North of Princes Highway West

- Glenelg Highway pavement rehabilitation — Site commences east of Skipton through Spring Hill Road
- Boundary Road pavement maintenance — Pavement rehabilitation of 5447 Boundary Road
- Truganina-Seabrook Road, pavement maintenance
- Hume Highway pavement maintenance — Rip, stabilise and reshape pavement that is rough and out of shape.

Major projects

To support Victoria's productivity and economic growth, VicRoads is delivering an unprecedented program of road infrastructure development and improvement across the state.

Major projects that commenced in 2016–17

- Drysdale Bypass: A\$102.6 million project that will provide an alternate route for trucks and heavy vehicles to bypass the Drysdale town centre. Budget is allocated for safety improvement works on High Street in Drysdale including street light upgrades, some surfacing works and line marking, which will increase traffic flow and safety for pedestrians, cyclists and motorists. Due for completion mid 2020.
- Swan Street Bridge: A\$28.9 million project will upgrade the bridge with an extra lane for drivers heading east, wider (4 metre) cycling and pedestrian paths on both sides of the bridge and a pedestrian crossing at Alexandra Avenue. Upgrades are expected to reduce travel times by up to 20 minutes during peak times for 30,000 daily motorists. Due for completion early 2018.
- Chandler Highway upgrade: A \$110 million project that sought community input for the upgrade between Yarra Boulevard and Heidelberg Road. Upgrades include an increase in lanes from four to six, construction of a new bridge to the west of the existing bridge, improved pedestrian and cycling conditions and new traffic lights at Heidelberg Road and Yarra Boulevard. Works are designed to increase capacity and connect Melbourne's inner west and south to the northern growth areas. Due for completion late 2018.
- Thompsons Road upgrade: This two-stage \$240.9 million project will duplicate the carriageway between the South Gippsland Highway and Marriott Boulevard. Stage 1 of the duplication will significantly improve traffic flow on Thompsons Road, remove the existing level crossing and provide shared cyclist/pedestrian paths. Stage 2 will upgrade for duplication works between Dandenong Frankston Road and Marriott Boulevard and from Narre Warren Cranbourne Road to Berwick Cranbourne Road. Both stages are due for completion in 2019.
- M80 Ring Road upgrade: This \$300 million major upgrade will see the 3.2 kilometre section between Sunshine Avenue and the Calder Freeway increase to five lanes in each direction and include auxiliary lanes between interchanges where required. This will significantly strengthen the managed motorway infrastructure. Due for completion late 2018.
- Monash Freeway upgrade: This \$400 million upgrade will improve the operation of the freeway. New lanes are being added where they are most needed. EastLink to Clyde Road will see an extra lane in each direction and smart technology from Chadstone to Pakenham will be added. The upgrade will deliver congestion relief for the 200,000 motorists who use the road each day and reduce serious injury crashes by an estimated 20 per cent. Due for completion in 2018.
- Halletts Way upgrade: Serving the Bacchus Marsh community with a \$12.8 million upgrade to provide new entry and exit ramps to the Western Highway, and a new shared use bridge for cyclists and pedestrians.

- Midland Highway safety improvements: Delivering \$12 million in safety improvements to between Ballarat and Creswick, including flexible safety barriers, three new roundabouts, and increased traffic lanes and road shoulders.
- Great Ocean Road slip repair: Major rain event events in September 2016 caused about 120 landslides along the Great Ocean Road. In response, the Victorian Government boosted investment by \$53 million for geotechnical hazard mitigation works to reduce the risk of the Great Ocean Road being closed. This includes remediation works such as rock netting, drainage and retaining walls along the touring route. In addition, traveller information signage will assist tourists and residents during any emergencies.
- Echuca-Moama Bridge Project: Preconstruction works commenced following the announcement of the \$280 million jointly funded project by the Victorian, NSW and Federal Governments to provide a second crossing of the Murray River between Echuca and Moama. Construction is expected to commence in late 2017.
- Hallam Road duplication — Delivering \$40 million of works to improve traffic flow, safety and access along this important arterial road in the City of Casey, with completion works to upgrade a 2.5 kilometre stretch of Hallam Road to two lanes in each direction between Pound Road and Ormond Road, Hampton Park.
- The \$139.4 million upgrade to Plenty Road includes an additional lane in each direction, intersection improvements, safety barriers and cycling facilities. Construction is due to commence in late 2017 for the 2.8 kilometre section of Plenty Road between McKimmies Road and Bush Boulevard. Works for this section will be completed in late 2018.

Major projects ongoing in 2016–17

- Calder Highway Ravenswood interchange: This \$86 million project commenced in December 2015. It will deliver grade separations enabling freight and slower traffic to use an elevated circular road while providing other traffic with uninterrupted travel on two upgraded carriageways on the Calder Freeway. Due for completion early 2018.
- Princes Highway duplication — Winchelsea to Colac: This \$349.5 million project will grade separate two rail crossings and duplicate 37 km of the Princes Highway between Winchelsea and Colac in four sections. The first section from Deans Marsh to Arnytage Road is underway. When completed, the project will improve safety, reliability and access to south-western Victoria. Due for completion mid 2019.
- Princes Highway East duplication — Traralgon to Sale: Works continue on the \$260 million upgrade to duplicate the first 31 kilometres of the 43 kilometres between Traralgon and Sale. Due for completion mid-2019.
- Western Highway duplication — Ballarat to Stawell: The Western Highway is the principal link between Melbourne and Adelaide. The duplication is complete from Ballarat to Buangor with the next section to Ararat expected to commence in late 2017. The 24.5 kilometre stretch between Ararat to Stawell is in pre-construction currently, while funding is being sought for construction.
- Streamlining Hoddle Street: Preconstruction works continued on the overhaul of four intersections along Hoddle Street and Punt Road—Swan Street, Brunton Avenue, Johnston Street, and Alexandra Avenue — under the \$56.18 million Streamlining Hoddle Street project. The innovative Australia-first project will pilot Continuous Flow Intersections, changing how right turns are made. A design contract was awarded in October 2016, with ongoing stakeholder engagement feeding into design development. Works will commence in late 2017.

- Yan Yean Road Upgrade — Preconstruction works commenced on the \$131.2 million project to upgrade Yan Yean Road between Diamond Creek and Kurrak Roads in Plenty to improve traffic flow and make it safer for all road users. Construction will commence in 2017 and be completed by 2019.
- CityLink Tulla widening: Construction on the \$1.28 billion project continued throughout 2016–17 to improve the traffic flow of traffic across the 23.8 kilometre section of freeway from the Citylink tunnels to Melbourne Airport in Tullamarine.
Key milestones for 2016–17 included:
 - Wider English Street bridge, opened January 2017
 - New two-lane bridge at Mount Alexander Road, opened February 2017
 - New four lane arrangement of CityLink between the West Gate Freeway and Flemington Road, opened April 2017
 - New pedestrian bridge at Vaughan Street, Essendon Fields, opened May 2017.
- West Gate Distributor — Northern section: The West Gate Distributor will increase freight and port efficiency through greater truck access to the Port of Melbourne, particularly for high productivity freight vehicles. Major works undertaken on the Northern Section in 2016–17 included:
 - \$40 million Shepherd Bridge upgrade
 - Moreland Street duplication from two to four lanes
 - New signalised intersections at Footscray Road, Parker Street and Whitehall Street
 - New shared cyclist / pedestrian path crossing the Maribyrnong River.

Major projects completed in 2016–17

- Sand Road Interchange: This \$31.2 million project, funded by both the Victorian and Australian Governments, has separated local Sand Road traffic and fast-moving Princes Freeway traffic, improving safety for all road users and providing more reliable journeys along this important freight corridor. The new interchange opened to traffic on 22 February, ahead of schedule and under budget.
- Sneydes Road Intersection Improvements: The new interchange on the Princes Freeway at Sneydes Road, which required the lifting and installing of 70 bridge beams over the Princes Freeway, includes on and off ramps for better access to Melbourne and Geelong. We also widened Sneydes Road to meet traffic demand, and upgraded signals and facilities to provide safe movement for cyclists and pedestrians.

Transforming outer western roads

In addition to the projects outlined above, the Victorian Government has fast-tracked eight critical road upgrades in Melbourne’s western suburbs to improve safety, cut travel times and increase access to employment, community spaces and freight hubs.

The \$1.8 billion Western Suburbs Roads Package is an Australia-first program being delivered through an availability-based Public Private Partnership.

This delivery approach is designed to encourage the private sector to develop innovative design, construction and asset maintenance solutions that offer value for money over the long term.

This delivery approach is designed to encourage the private sector to develop innovative design, construction and asset maintenance solutions that offer value for money over the long term.

The Western Suburbs Roads Package will transform the outer western road network by upgrading strategically significant roads, as well as maintaining roads to an improved performance standard over a 20-year period.

Contract close is expected by the end of 2017. The road upgrades will be delivered by 2021 and the maintenance and rehabilitation contract will continue for a further 20 years.

The roads to be upgraded are:

- Derrimut Road, Sayers Road to Dohertys Road, Tarneit
- Dohertys Road, Fitzgerald Road to Grieve Parade, Laverton North
- Dohertys Road, Foundation Road to Palmers Road, Truganina
- Duncans Road and Princes Freeway interchange, Werribee and Werribee South
- Dunnings Road and Palmers Road corridor, Point Cook Road to Princes Freeway, Point Cook
- Leakes Road, Fitzgerald Road to Derrimut Road, Truganina
- Palmers Road, Princes Freeway to Western Freeway, Truganina
- Princes Freeway and Forsyth Road interchange, Hoppers Crossing.

Innovation in compliance

In November 2016, VicRoads streamlined its heavy vehicle compliance operations with the introduction of vCOM. This is an online mobile application that enables VicRoads' Transport Safety Services (TSS) officers to access vehicle and driver information in real time at the roadside and to issue warnings, infringements and defect notices immediately at the point of intercept.

The digitalisation of heavy vehicle compliance operations replaces time-consuming, paper-based processing, significantly reducing the administration burden while improving data integrity and intelligence gathering.

To support Heavy Vehicle Services compliance operations, between March and June 2017 VicRoads installed five heavy vehicle compliance monitoring automatic number plate recognition (ANPR) camera sites at the Hume Freeway, Wallan; Calder Freeway, Gisborne; Western Freeway, Ballan; Goulburn Valley Freeway, Murchison; and Princes Freeway, Yarragon (inbound) and Longwarry (outbound).

These cameras are a first for Victoria and the data and images will be shared with existing safety camera sites in NSW, SA and other jurisdictions through the National Heavy Vehicles Regulator's (NHVR) National Compliance Information System (NCIS) to monitor heavy vehicle driver compliance with the law.

Improved access for heavy vehicles

To improve heavy vehicle productivity in Victoria, the heavy vehicle services team has reduced the need for heavy vehicle operators to obtain permits from over 7,000 per annum in 2015–16 to fewer than 4,000 per annum in 2016–17. This has been achieved by the introduction of access supported by gazettes and interactive network maps. At the same time the average turnaround time for permits in Victoria reduced from six working days to four.

Stronger country bridges

As economic activity and traffic intensity grows, bridges are sometimes required to carry loads for which they were not designed. Accordingly, a program of bridge enhancement is under way throughout Victoria. Significant projects completed in 2016–17 include:

- Pyrenees Highway bridge: replacement — road bridge and pedestrian bridge combined into a new bridge
- Glenelg Highway bridge: strengthening — Wennicott Creek; bridge re-decking, Muntham
- Portland-Casterton Road bridge: strengthening — Merino Creek, patching of beams and new deck overlay
- Murray Valley Highway bridge: strengthening — Murray Valley Highway, Mahers Creek 28.2 km — bridge deck overlay and strengthening
- Loddon Valley Highway bridge: strengthening — deck overlay and substructure strengthening
- Monash Freeway bridges: strengthening — Strengthen eight bridges on Monash Freeway—Toorak Road to South Gippsland Freeway Bridge
- Mornington Peninsula bridge: strengthening — Mornington Peninsula Freeway culverts
- Burnley-Kew Road bridge: strengthening — Wallen Road bridge over the Yarra River
- Kerang-Koondrook Road bridge: strengthening — Barham Bridge over the Murray River.

Regional overtaking lanes

Community engagement, planning and pre-construction was undertaken during 2016–17 for delivery of new overtaking lanes on key arterials in regional Victoria, including:

- Princes Highway East, between Orbost and the NSW border
- Midland Highway, between Bannockburn and Meredith
- Midland Highway at Nillahcootie
- Alpine Roads (Great Alpine Road, Bright-Tawonga Road, Mount Buffalo Road and Bogong High Plains).

This \$47.8 million initiative will improve travel times and safety, and is being delivered over three years.

Other road and rail works

An additional \$6.4 million was allocated in 2016–17 for a road and rail minor works package. Some of the projects completed under the package include:

- Grange Road — New intersection signals
- Midland Highway — Pedestrian crossing at Huntly
- Old Melbourne Road — Pedestrian Crossing at Ballan
- Planning and Investigation — 50-year-old easement review along a section of Punt Road
- Drysdale-Ocean Grove Road — Pedestrian Signals
- Barwon Heads Road — Pedestrian crossing to improve safety, Bridge Road and Hitchcock Avenue in Barwon Heads
- Ballarat-Buninyong Road — Buninyong pedestrian operated signal
- Mount Dandenong Road — Installation of electronic variable speed limit signs at Mount Dandenong Primary School
- Queens Lane — Delineation/signage Improvements — Queens Lane is a local road, bid for improvement on local street.

Building our Regions

\$51.1 million was allocated for Building our Regions works during 2016–17. This program currently consists of 25 projects, 19 of which have commenced, including:

- Hattah-Robinvale Road — Pavement widening and shoulder sealing
- Midland Highway — Castlemaine to Harcourt
- Midland Highway — Duplication planning between Geelong and Bannockburn
- Barwon Heads Road — Duplication planning
- Western Highway Project — Upgrade Ararat to Stawell pre-construction activities
- Phillip Island — transport network improvements.

Of these 19 commenced projects, several have reached practical completion in 2016–17:

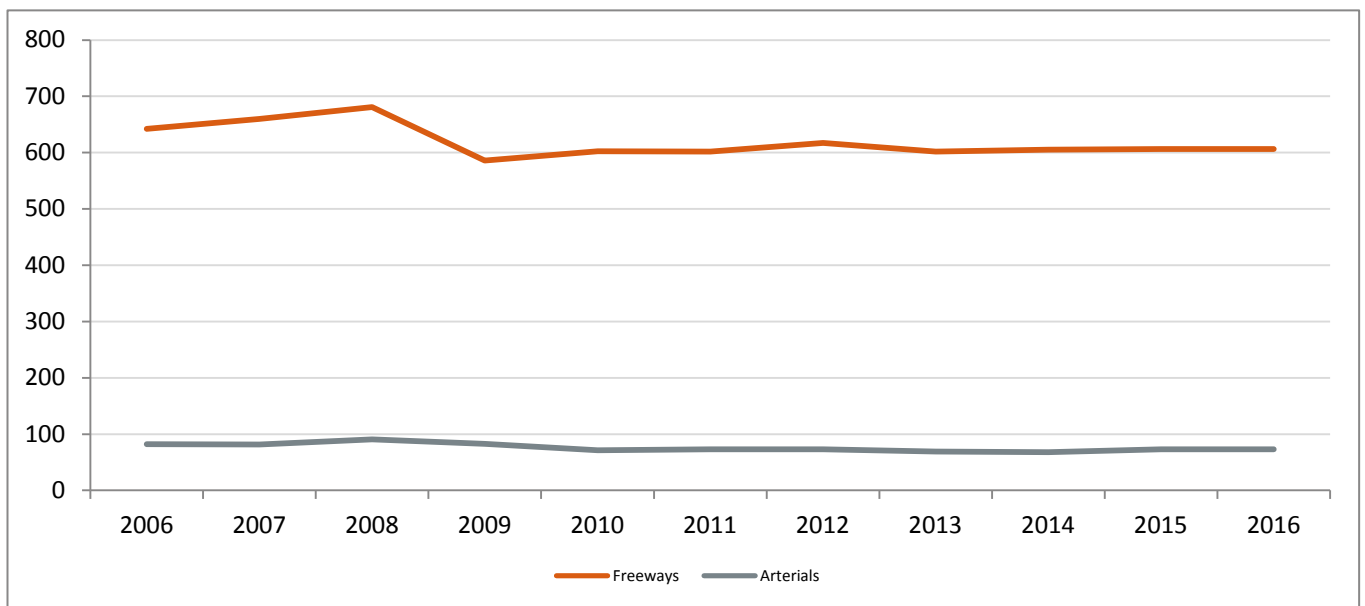
- Building our regions — A package of works on regional roads will address community safety and amenity and plan for future upgrades that cater for growth, connectivity and improved productivity. The projects range from small local improvements to planning and pre-construction works on major regional highways including Western Highway, Princes Highway East, Midland Highway (between Castlemaine and Harcourt and between Bannockburn and Geelong) and the Shepparton Alternative Route.
- Princes Highway East duplication, Traralgon to Sale planning and pre-construction
- Wangaratta-Whitfield Road, Oxley — Improvements to school crossing, bus stop and parking area
- Hattah-Robinvale Road — pavement widening and shoulder sealing
- Midland Highway — footpath extension at Elaine.

Key performance indicators

Freight lane occupancy

Freight lane occupancy is higher than that of arterial network. The increase in freight density for freeways is marginal compared to last year. This has been consistent for the past seven years. For arterial roads, freight density has demonstrated consistency over the past ten years.

Figure 3: Freight lane occupancy in 2016–17



Key financial results

Table 5: Five-year financial summary

Year ended 30 June	2017 \$m	2016 \$m	2015 \$m	2014 \$m	2013 \$m
Financial performance					
Income from transactions	2,497.1	2,077.5	1,398.7	1,550.1	1,504.9
Expenses from transactions	(2,376.4)	(2,243.3)	(1,588.6)	(1,489.0)	(1,499.0)
Net result from transactions	120.7	(165.8)	(189.9)	61.1	5.9
Other economic flows included in net result	(10.0)	(3.9)	(78.5)	7.5	7.5
Net result	110.7	(169.7)	(268.4)	68.6	13.4
Net change in asset revaluation reserve	4,455.6	(48.1)	(1,276.7)	10.2	(28.4)
Comprehensive result	4,566.3	(217.8)	1,008.3	78.8	(15.0)
Cash flows					
Cash flows from operating activities	950.8	466.6	445.5	616.1	641.9
Cash flows from investing activities	(985.1)	(596.5)	(671.1)	(762.9)	(838.4)
Cash flows from financing activities	27.7	131.9	223.5	146.9	198.9
Net increase/(decrease) in cash held	(6.6)	2.0	(2.1)	0.1	2.4
Capital works					
Total expenditure	1,031.7	596.9	703.2	755.4	876.7
Funding sources					
State Government funding derived from the Federal Government					
Construction	246.6	167.9	156.3	115.8	283.4
Asset maintenance and minor works	60.0	58.5	55.8	51.3	49.9
Federal Interstate Road Transport Scheme	18.4	18.9	19.7	20.1	21.0
National Blackspot program	22.8	30.9	14.7	13.3	17.0
Federal other	0.7	0.3	1.6	2.1	0.5
Total Federal Government funding	348.5	276.5	248.1	202.6	371.8
State Government					
Outputs appropriations	579.7	550.1	135.0	155.2	126.0
Contributed capital appropriations	307.0	246.6	237.9	168.7	198.9
Better Roads Victoria Trust Account	484.0	264.3	571.1	822.9	654.0
Total State Government funding	1,370.7	1,061.0	944.0	1,146.8	978.9
Other Funding Sources					
Transport Accident Commission Program Funding	135.2	68.1	105.5	85.4	82.8
Level Crossing Removal Authority Program Funding	638.7	591.1	0.0	0.0	0.0
VicRoads generated revenue	304.2	292.5	303.2	275.0	257.5
Total other funding sources	1,078.1	951.7	408.7	360.4	340.3
Total funding	2,797.3	2,289.2	1,600.8	1,709.8	1,691.0

Year ended 30 June	2017 \$m	2016 \$m	2015 \$m	2014 \$m	2013 \$m
Income collected on behalf of the Victorian Government and other government agencies					
Transport accident commission fees	2,137.5	2,028.8	1,972.6	1,873.1	1,797.1
Motor vehicle registration	1,535.4	1,439.5	1,381.0	1,215.2	1,160.9
Stamp duty	813.8	777.0	717.8	660.7	633.7
Driver licences	109.5	133.3	132.2	126.4	78.1
Federal Interstate Road Transport Scheme registrations	36.9	40.2	41.3	42.1	42.8
Other	84.5	75.6	75.2	73.3	72.8
Total income	4,717.6	4,494.4	4,320.1	3,990.8	3,785.4
Income administered on behalf of the Victorian Government	34.9	33.1	31.6	30.3	29.0

Table 6: Key financial results 2016–17

Year ended 30 June	2017 \$m	2016 \$m	Change \$m inc/(dec)
FINANCIAL PERFORMANCE			
Income from transactions	2,497.1	2,077.5	419.6
Expenses from transactions	(2,376.4)	(2,243.3)	(133.1)
NET RESULT FROM TRANSACTIONS	120.7	(165.8)	286.5
Other economic flows included in net result	(10.0)	(3.9)	(6.2)
OPERATING RESULT	110.7	(169.7)	280.4
Expenses from Transactions			
Road Operations and Network Improvements	1,640.3	1,528.1	112.2
Road Asset Management	429.1	413.4	15.7
Transport Safety, Security and Emergency Management	246.1	247.4	(1.3)
Ports and Freight Network Improvements and Maintenance	60.9	54.4	6.5
TOTAL	2,376.4	2,243.3	133.1
CAPITAL WORKS EXPENDITURE			
Infrastructure assets	925.8	509.4	416.4
Other assets	105.9	87.5	18.4
TOTAL	1,031.7	596.9	434.8
TOTAL EXPENDITURE	3,408.1	2,840.2	567.9
INCOME COLLECTED ON BEHALF OF THE VICTORIAN GOVERNMENT AND OTHER GOVERNMENT AGENCIES	4,717.7	4,494.4	223.3
INCOME ADMINISTERED ON BEHALF OF THE VICTORIAN GOVERNMENT	34.9	33.1	1.8

Year ended 30 June	2017 \$m	2016 \$m	Change \$m inc/(dec)
FINANCIAL POSITION			
Total assets	52,374.6	47,497.3	4,877.3
Total liabilities	(1,346.3)	(1,303.9)	(42.4)
NET ASSETS	51,028.3	46,193.4	4,834.9
ASSETS AND LIABILITIES ADMINISTERED ON BEHALF OF THE VICTORIAN GOVERNMENT			
Total assets	58.0	23.8	34.2
Total liabilities	(501.4)	(405.6)	(95.8)
NET ASSETS	(443.4)	(381.8)	(61.6)

Financial overview

VicRoads' total expenditure was \$3.4 billion in 2016–17, \$567.9 million higher than the previous year due primarily to increased investment in capital works by the State and Federal governments. This total expenditure comprised \$2.4 billion in expenses from transactions and \$1 billion in capital works expenditure.

The value of road infrastructure and other assets managed by VicRoads increased by \$4.9 billion to \$52.4 billion during 2016–17 and total liabilities increased by \$42.4 million to \$1.3 billion. These movements in assets and liabilities resulted in an increase in net assets of \$4.8 billion to \$51.0 billion as at 30 June 2017.

Financial performance

The net result for 2016–17 was a surplus of \$110.7 million compared with a deficit of \$169.7 million in 2015–16. The improvement in the net result for 2016–17 is primarily due to an increase in grants received for investment in capital works.

The net result surplus of \$110.7 million in 2016–17 has occurred due to the recognition of income totalling \$772.5 million, being income received for capital works expenditure and finance lease repayments, funding not utilised in the current year, and assets received free of charge. This income was partly offset by the recognition of expenses totalling \$661.8 million, being depreciation and assets given free of charge or disposed, for which funding was recognised as income in previous years, or funded from shareholder equity contributions.

Funding sources

VicRoads' funding is derived from the Victorian Government annual budget, program funding from the Transport Accident Commission (TAC), revenue from regulatory fees and fee-for-service charges. Funding for operating outputs and capital works from all sources totalled \$2.8 billion during 2016–17, an increase of \$508.1 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 2016–17 were \$348.5 million, an increase of \$72 million compared to the previous year. The increase in funding is principally due to funding received for the CityLink Tullamarine Freeway widening, Metropolitan Ring Road upgrade and Princes Highway West duplication projects.

In 2016–17, VicRoads received Victorian Government output and asset appropriation grants of \$1.4 billion, an increase of \$309.7 million on the previous year primarily due to new grant funding received as part of the Government's commitment to repair and upgrade roads in outer suburban and regional areas and for other project delivery including the Monash Freeway upgrade and Thompsons Road duplication. The increase in funding is also attributed to existing major projects including the Metropolitan Ring Road upgrade, CityLink Tullamarine Freeway widening, and Princes Highway West duplication projects reaching their delivery phase.

In 2016–17, VicRoads received a funding of \$638.7 million for level crossing removal works undertaken on behalf of the LXRA. This is an increase of \$47.6 million on previous year.

VicRoads generated revenue from regulatory fees and fee for service charges totalling \$304.2 million in 2016–17, an increase of \$11.7 million on the previous year. This increase is mainly due to funding received for natural disaster insurance claims and increased fees for cost recovery activities.

The TAC provides funding for a range of road safety infrastructure projects and motorcycle safety initiatives. During 2016–17 this funding amounted to \$135.2 million, an increase of \$67.1 million on the previous year principally due to acceleration of the Road Safety Strategy 2013-22 Program and new funding received under the Towards Zero Program.

Capital works expenditure

VicRoads undertook asset construction works and acquisitions totalling \$1 billion during 2016–17, an increase of \$434.8 million from the previous year. This expenditure supports VicRoads' strategic objectives of making lives better, and supporting a liveable, thriving and linked Victorian community.

Cash flows

During 2016–17, VicRoads utilised cash funds received from the Victorian Government and collections of revenue totalling \$2.9 billion to fund operating activities totalling \$1.9 billion and capital works activities totalling \$1 billion.

Financial position

During 2016–17, VicRoads' financial assets increased by \$91.2 million to \$723.5 million. This was primarily due to an increase in receivables from the Victorian Government reflecting an increase in funding levels and the timing of expenditure payments. VicRoads' non-financial assets increased by \$4.8 billion to \$51.7 billion, primarily due to a revaluation of land assets.

VicRoads' total liabilities increased by \$42.4 million to \$1.3 billion principally due to increases in provisions for land acquisition and compensation, and land tax.

As a result of the above changes, VicRoads' net assets increased by \$4.8 billion to \$51 billion as at 30 June 2017.

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 Regional Development. These amounts are not recognised as VicRoads income but are paid to the Victorian Government's Consolidated Fund or other government agencies. During 2016–17, collections on behalf of the Victorian Government and other government agencies totalled \$4.7 billion compared with \$4.5 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.

Table 7: Financial position

Year ended 30 June	2017 \$m	2016 \$m	2015 \$m	2014 \$m	2013 \$m
Financial position					
Total assets	52,374.6	47,497.3	47,732.8	45,579.0	45,372.8
Total liabilities	(1,346.3)	(1,303.9)	(1,201.4)	(370.7)	(411.9)
NET ASSETS	51,028.3	46,193.4	46,531.4	45,208.3	44,960.9
Contributed capital	16,191.4	15,922.9	16,043.0	15,728.1	15,559.5
Asset revaluation reserve	18,966.3	14,510.6	14,558.7	13,282.0	13,271.8
Accumulated surplus/(deficit)	15,870.6	15,759.9	15,929.7	16,198.1	16,129.5
NET WORTH	51,028.3	46,193.4	46,531.4	45,208.2	44,960.8
ASSETS AND LIABILITIES ADMINISTERED ON BEHALF OF THE VICTORIAN GOVERNMENT					
Total assets	58.0	23.8	0.0	0.0	0.0
Total liabilities	(501.4)	(405.6)	(352.0)	(351.4)	(348.6)
NET ASSETS	(443.4)	(381.8)	(352.0)	(351.4)	(348.6)

Graphs

Figure 4: Funding sources 2016–17

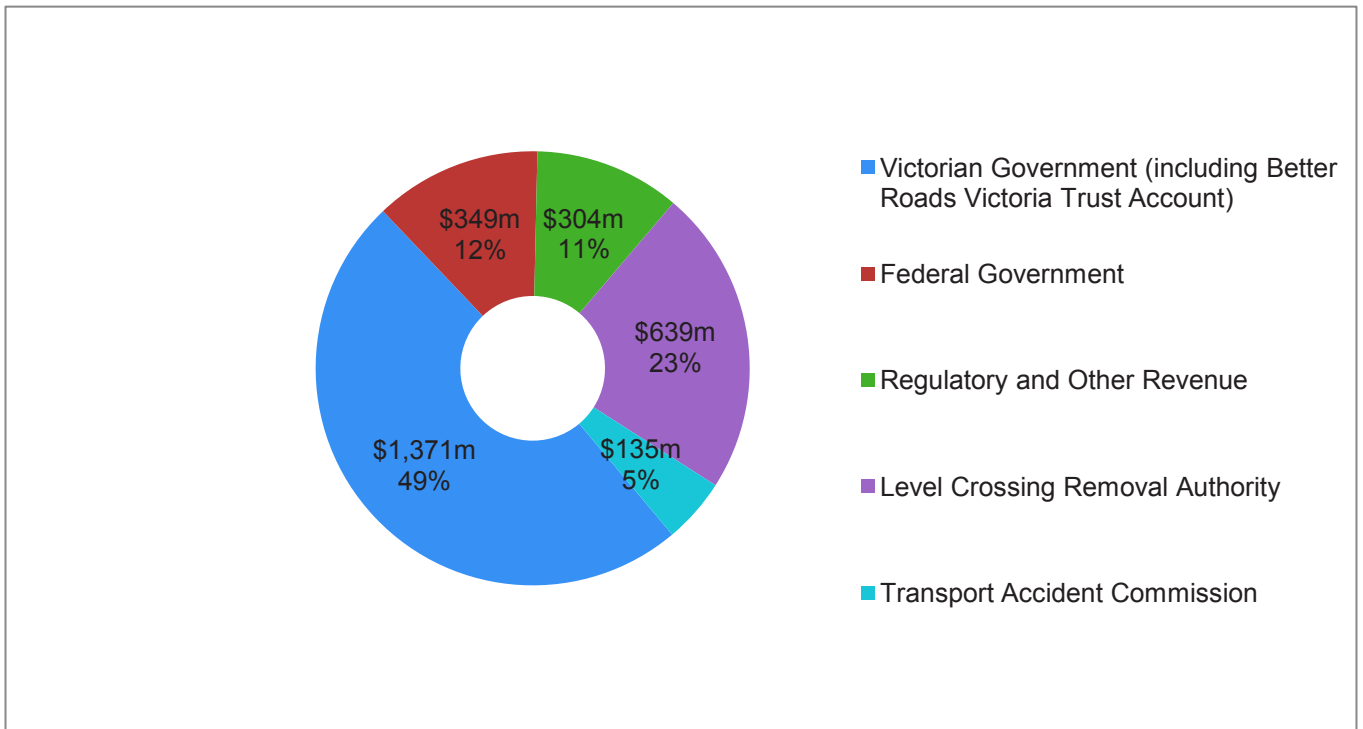


Figure 5: Operating output expenditure 2016–17

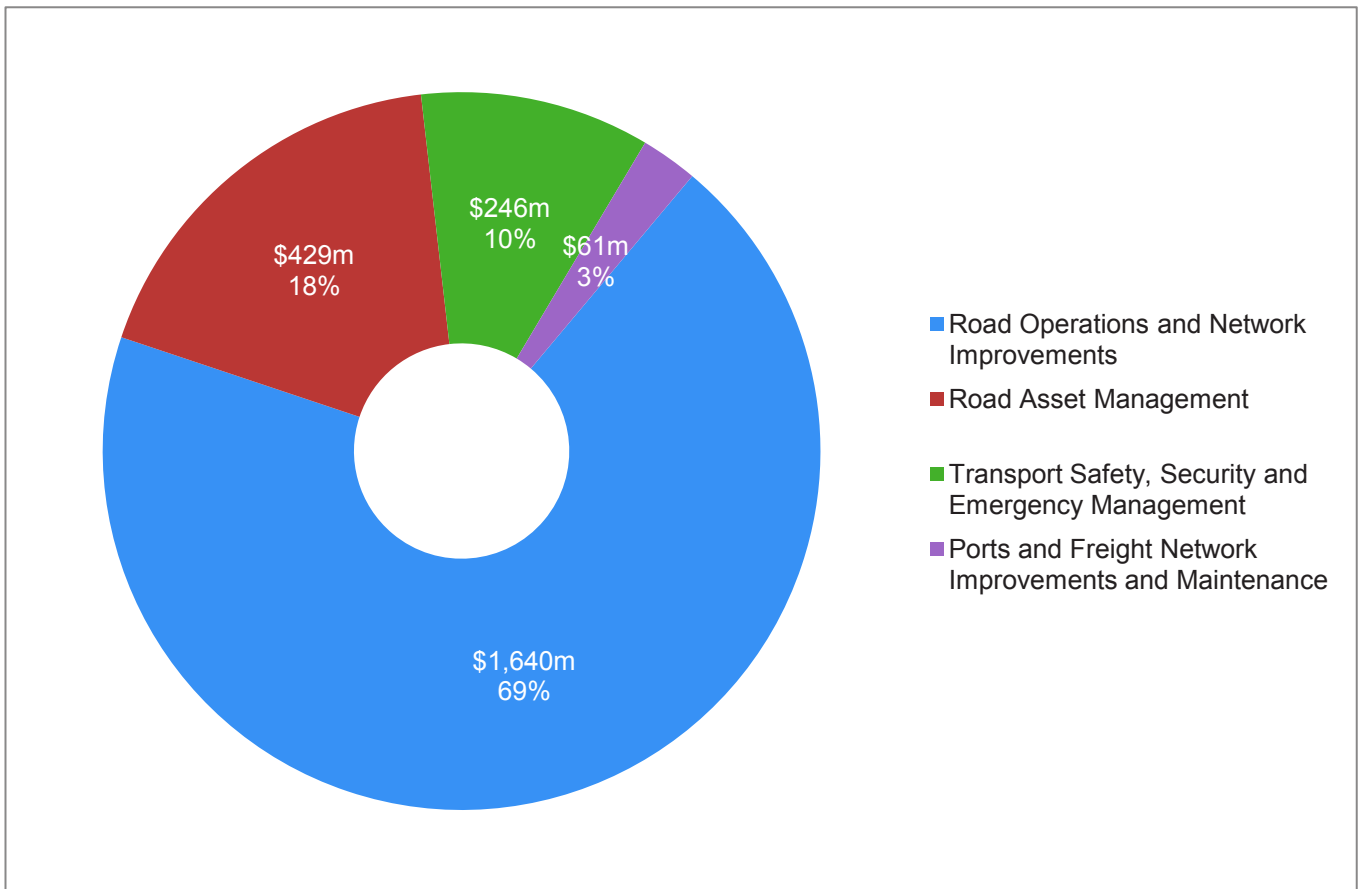
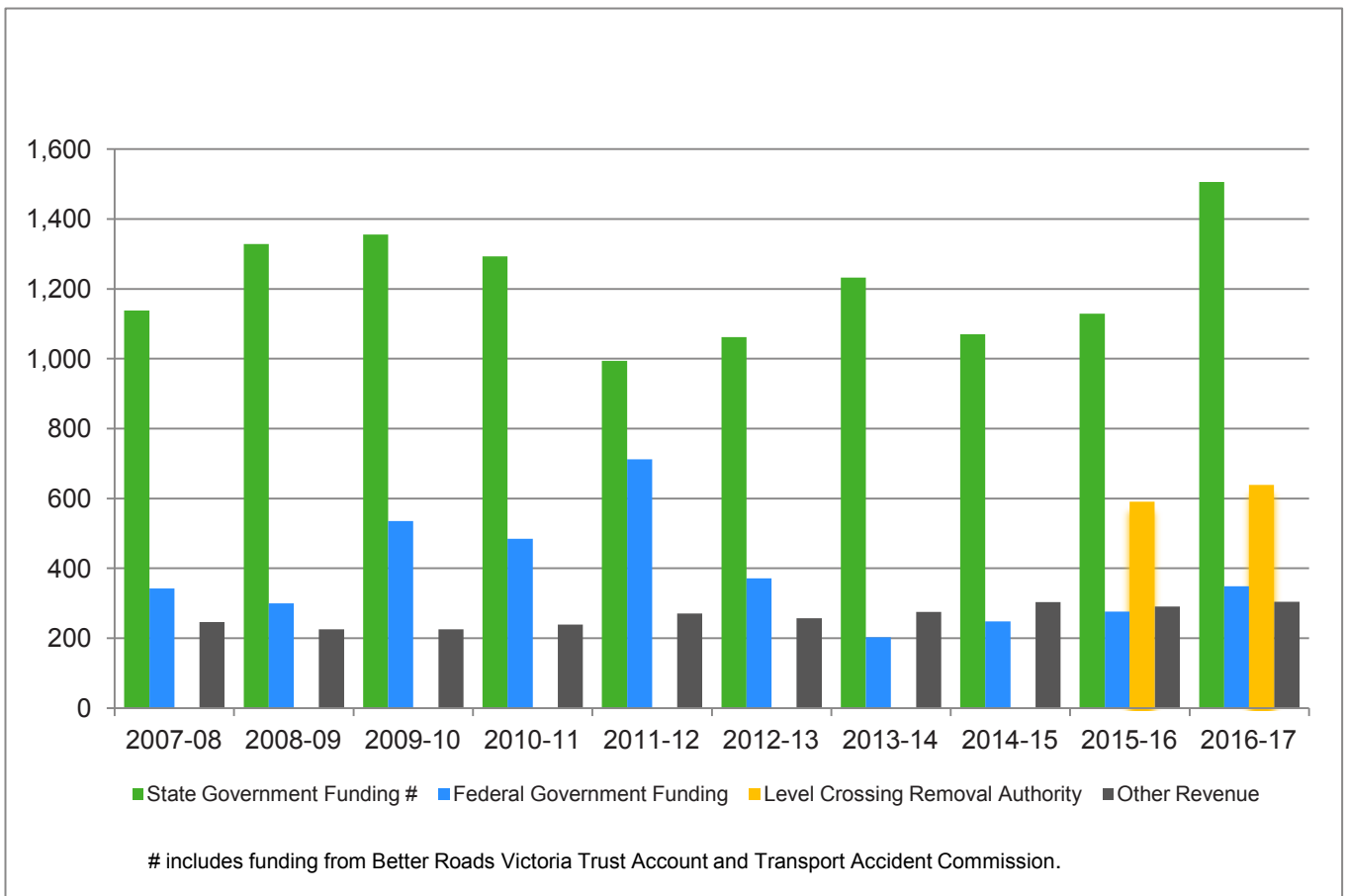


Figure 6: Composition of funding sources (\$million)



Section 2: Governance and organisational structure

Figure 7: Organisational chart as at 30 June 2017



Senior executives/officers

as at 30 June 2017

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, Deputy Chief Executive

Peter Todd was appointed Chief Operating Officer in May 2013 and Deputy Chief Executive in July 2016. 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.

Louise Perry, Executive Director, Strategic Communication and Stakeholder Engagement

Louise Perry has stepped into the newly created role of Executive Director, Public Engagement. With more than 15 years of experience in the media, public affairs, issues management and community engagement, Louise brings her forward-thinking leadership and knowledge of public engagement to lead strong across Victoria in an effort to better tell the VicRoads Story and to engage the public with our work.

Anita Curnow, Executive Director, Access and Operations

Anita Curnow was appointed Executive Director, Policy and Programs in February 2015 and Executive Director, Access and Operations in August 2016. Anita is responsible for collaboratively developing policies and programs that meet the needs of the community and deliver significant outcomes for Victoria.

Judith Pettitt, Executive Director, Corporate Services

Judith Pettitt, appointed in August 2015, 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, occupational health and safety (OH&S), information management and technology, stakeholder engagement and the agile workplace project, and governance.

Andrew Williams, Executive Director, Major Projects

Andrew Williams was appointed Executive Director, Major Projects in June 2016. Andrew has responsibility for the planning and delivery of major infrastructure projects on behalf of VicRoads. Andrew has had a long and distinguished career at VicRoads and has extensive experience in high profile projects including the CityLink Tulla Widening project, Albury Wodonga Bypass and Williams Landing Project.

Bill Glasgow, Executive Director, Regional Services

Bill Glasgow was appointed as Executive Director, Regional Services in April 2016. Bill is responsible for VicRoads' seven operating regions, specifically around planning, maintaining and improving the performance of 22,000 kilometres of Victoria's arterial and highway road network, and engaging directly with communities and stakeholders across Victoria. The role also includes responsibility for VicRoads' Safe Systems Road Infrastructure Programs group which is helping to deliver the State Government's \$1.4 billion Towards Zero safety initiatives.

David Shelton, Executive Director Registration and Licensing

David Shelton, appointed in April 2015, 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.

Risk and Audit Governance Committee

Table 8: Audit committee

Members as at 30 June 2016	Role
Jane Brockington	Independent Chair
Dennis Cavagna	Independent member
Greg Larsen	Independent member
Peter Todd	Deputy Chief Executive, VicRoads
Observers	
John Merritt	Chief Executive, VicRoads
Mark Dale	Chief Financial Officer, VicRoads

The Risk and Audit Governance Committee is established in accordance with the requirements for audit committees under the Standing Directions of the Minister for Finance (Standing Directions) under the *Financial Management Act 1994*. The committee provides assurance to the Chief Executive that accountability, risk and internal control environments are operating efficiently and effectively.

The Risk and Audit Governance Committee oversees financial management and performance, operation and implementation of the risk management framework, internal and external audit (including performance audit) and accountability, internal controls and compliance.

The committee met five times during the year, and held one strategy and planning day. Representatives of the internal and external auditors received an invitation to attend every meeting. The internal audit representatives attended every meeting and the representatives of the external auditors attended most meetings. The committee's achievements in 2016–17 include a comprehensive review of its terms of reference, adoption of an internal audit charter, oversight of implementation of revised Standing Directions and the appointment of three new independent members who will take their positions in 2017–18.

Governance

VicRoads established a governance framework, which supports the Chief Executive in fulfilling his governance obligations in 2015–16. This committee arrangement provides the basis for effective corporate governance. In 2016–17 two additional committees were established: Commercial Enterprises and Safe Systems.

Vision and Governance Committee

The Vision and Governance Committee (VGC) supports the Chief Executive to set the long-term strategic direction and performance expectations of VicRoads. VGC focuses on:

- setting the cultural and ethical tone for the organisation
- setting the organisation's long term vision, strategic objectives and priorities to meet the Government's expectations of the road system
- ensuring the organisation complies with laws and Government directions and has robust and effective governance mechanisms in place
- overseeing implementation of major corporate initiatives

The Lead Deputy Secretary — Transport has a standing invitation to attend VGC meetings.

Executive Leadership Team

Executive Leadership Team (ELT) is responsible for guiding, reviewing and approving key business operations and initiatives. ELT primarily focuses on a timeframe within the next 12 to 18 months.

Both the Vision and Governance Committee and the Executive Leadership Team comprise the VicRoads Executive Directors and are chaired by the Chief Executive.

Governance Committees

Ten Governance Committees support VGC and ELT. The purpose of each committee is set out below.

Commercial Enterprises Governance Committee

The Commercial Enterprises Governance Committee (CEGC) oversees the direction of VicRoads' Commercial Enterprises and Business Development business area. The CEGC ensures that each commercial enterprise has an adequate governance system of rules, practices and processes to direct and control its activities; and that commercial enterprises balance the interests of customers, suppliers, government and the community.

Chair: Judith Pettitt, Executive Director Corporate Services

Engagement Governance Committee

The Engagement Governance Committee (EGC) was established to develop a culture of consistent, high-quality, authentic engagement with our internal and external customers, community and stakeholders that enables greater participation in decision making and ownership of outcomes.

Chair: Bill Glasgow, Executive Director, Regional Services

Finance Governance Committee

The Finance Governance Committee (FGC) advises the Vision and Governance Committee and the Executive Leadership Team on matters relating to the financial performance of VicRoads, and provides oversight and advice on organisational financial activities.

Chair: David Shelton, Executive Director, Registration and Licensing

Information Access and Technology Governance Committee

The Information Access and Technology Governance Committee (IATGC) oversees investment, application and management of information assets and Information Communication Technology, providing assurance for transparent and accountable investment.

Chair: Andrew Williams, Executive Director, Major Projects

Network Pipeline Governance Committee

The purpose of the Network Pipeline Governance Committee (NPGC) is to establish a clear pipeline of road planning and infrastructure projects and programs to meet Victoria's short, medium and long-term needs and priorities.

Chair: Mark Dale, Chief Financial Officer

People and Culture Governance Committee

People and Culture Governance Committee (PCGC) 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.

Chair: Anita Curnow, Executive Director, Access and Operations

Procurement Governance Committee

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

Chair: Judith Pettitt, Executive Director, Corporate Services

Risk and Audit Governance Committee

The Risk and Audit Governance Committee (RAGC) is established in accordance with the requirements for audit committees under the Standing Directions of the Minister for Finance (Standing Directions) under the *Financial Management Act 1994*. The committee provides assurance to the Chief Executive and Executive Leadership Team that accountability, risk and internal control environments are operating efficiently and effectively.

Independent chair: Jane Brockington

Safe Systems Governance Committee

The purpose of the Safe System Governance Committee (SSGC) is: to foster, monitor and report on VicRoads' progress in embedding a Safe System approach in all aspects of its business, and to be accountable for ensuring that VicRoads delivers on those elements of the Victorian Government's road safety commitments, and Toward Zero 2016–020, for which it is responsible. Committee membership includes senior management of the TAC and VicRoads.

Chair: John Merritt, Chief Executive

Strategy and Policy Governance Committee

The Strategy and Policy Governance Committee (SPGC) was established to connect the corporate plan to the management of the transport system by approving priorities for transport system-related policy and strategy development, and transport system related-policies and strategies.

Chair: Peter Todd, Deputy Chief Executive

Safety and wellbeing

Safety

Increased focus on safety

As Victoria experiences a significant increase in road construction, VicRoads is committed to ensuring that a safety first culture is fully integrated into the way it does business. A Director Safety and Wellbeing was appointed in early 2017, with a number of specialist roles created following a review of the Safety and Wellbeing management framework.

A safety and wellbeing strategy was approved by the Executive Leadership Team in April 2017. The program of work focuses on risk management, culture, contractors, systems and processes.

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.

Eighty leader-led workshops on the subject of wellbeing were held across VicRoads over the period November 2016 to February 2017. The workshops gave staff the opportunity to shape how the organisation protects, supports and cares for its staff at all levels, with the understanding that work can play a significant role in contributing to an individual's health and wellbeing.

Through this program we gathered valuable data on how staff can thrive through positive team culture and relationships, recognition and engagement by leaders; organisational support; and flexible working arrangements. The data will be used to develop health and wellbeing programs for future years.

During 2016–17, health and wellbeing programs offered to employees included:

- mental health education and training
- heart health checks
- subsidised opportunities to participate in community health activities
- health and wellbeing sponsorships for team initiatives
- executive health checks
- Employee Assistance Program.

WorkCover

Table 9: VicRoads WorkCover performance

Measure	KPI	2012–13	2013–14	2014–15	2015–16	2016–17
Claims	Number of standard claims	33	37	27	34	32
	Rate per 100 FTE	1.03	1.35	1.02	1.38	1.30
	Number of lost time claims	24	29	20	25	30
	Number of claims exceeding 13 weeks	5	11	9	9	4
	Premium rate (Prem/Rem*100)	0.93	0.89	1.11	1.22	1.10
Fatalities	Fatality claims					
Claim costs	Average cost per standard claim (\$)	30,053	29,902	18,344	10,730	14,278

Section 3: Workforce data

Employment and conduct principles

VicRoads is committed to applying merit and equity principles in its recruitment processes and appointments. 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.

Comparative workforce data

Table 10: Workforce data (a)

	Ongoing employees			Fixed term and casual	
	Number (Headcount)	Full time (Headcount)	Part time (Headcount)	FTE	FTE
June 2017	2,609	2,317	292	2,416	84
June 2016	2,475	2,205	270	2,382	64

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 Contract for the supply of agency staff.

Table 11: Workforce data (b)

	June 2017			June 2016		
	Ongoing		Fixed term and casual	Ongoing		Fixed term and casual
	Number (Headcount)	FTE	FTE	Number (Headcount)	FTE	FTE
DEMOGRAPHIC DATA						
Gender						
Male	1,625	1,569	47	1,566	1,560	40
Female	984	857	37	909	823	24
Age						
Under 25	62	58	3	52	52	3
25–34	554	504	36	509	497	28
35–44	680	616	22	646	600	18
45–54	645	606	15	621	602	13
55–64	578	556	7	561	549	2
Over 64	90	86	1	86	83	0
CLASSIFICATION DATA						
VRO 1–6 grades						
VRO1	7	5	1	9	8	2
VRO2	599	552	4	576	536	18
VRO3	636	584	35	583	569	23
VRO4	741	689	32	707	688	14
VRO5	395	375	7	377	362	4
VRO6	155	145	5	154	151	4
Senior employees						
STS	15	15	0	19	19	0
PS	-	-	-	-	-	-
SMA	-	-	-	-	-	-
SRA	-	-	-	-	-	-
Executives	61	61	0	50	50	0
Other	-	-	-	-	-	-
Total employees	2,609	2,426	84	2,475	2,383	64

Diversity and inclusion commitment

Our commitment is to have a diverse workforce and inclusive culture. For instance, VicRoads celebrated International Day of People with Disabilities with key speakers.

Women in leadership

In 2014, VicRoads set a target to increase the number of women in senior management roles by up to 37 per cent of our workforce by the end of 2017. We are well on the way to meeting that target in Executive Officer roles.

Table 12: Women in leadership data

Row Labels	F	M	Grand Total	per cent F	per cent M
EO1		1	1	0 per cent	100 per cent
EO2	6	9	15	40 per cent	60 per cent
EO3	14	30	44	32 per cent	68 per cent
VPS GRADE 1	7	1	8	88 per cent	13 per cent
VPS GRADE 2	341	276	617	55 per cent	45 per cent
VPS GRADE 3	245	405	650	38 per cent	62 per cent
VPS GRADE 4	231	519	750	31 per cent	69 per cent
VPS GRADE 5	126	273	399	32 per cent	68 per cent
VPS GRADE 6	46	112	158	29 per cent	71 per cent
VPS GRADE 7	5	11	16	31 per cent	69 per cent
Grand Total	1021	1637	2658	38 per cent	62 per cent

VicRoads runs an annual mentoring program called My Mentor to support women in their career aspirations. This six-month program partners participants with a senior leader as a mentor. This year there were 30 participants and at the end of this program a total of 110 women will have graduated from the program over four years.

In November 2016, the Chair of the RAGC launched *Unfinished Business*, a book of stories of women across VicRoads and their working experiences, published by the Women Networking at VicRoads networking group (see below).

A flexible working policy was introduced in December 2016. All roles at VicRoads can be worked in a flexible way.

Indigenous employment

VicRoads has a target that by 2020, 1.5 per cent of our workforce will be Indigenous (currently at 0.7 per cent). A school scholarship program provides financial support to 12 Indigenous students each year to help them complete high school. We have an Indigenous traineeship program to offer employment pathways at VicRoads.

VicRoads runs regular Indigenous Cultural Awareness training days to meet its commitment that 70 per cent of new employees undertake the training each year to build awareness of Indigenous issues.

Employee-driven Diversity Networks

VicRoads actively empowers and supports employee driven Diversity Networks. These include:

Women Networking at VicRoads

Women Networking at VicRoads (WN@V) is a peer networking group supporting the aim of building a strong community of talented women across the organisation to take on leadership positions and support each other.

In 2016–17, WN@V supported the secondments of female project managers to Victoria Police to help planning for implementing of findings from the Royal Commission into Family Violence. WN@V also collaborated with not-for-profit agency Fitted for Work on a pilot program to provide a safe environment for women seeking to gain work experience.

WN@V ran successful events for International Women's Day and White Ribbon Day with eminent external speakers and guests attending.

VicRoads Pride Network

The VicRoads Pride Network was launched in August 2016 with successful Wear it Purple Day events at VicRoads locations across the state, winning the inaugural Victorian Public Sector Pride award for best event.

The Pride Network promotes a diverse and inclusive workplace that supports LGBTI employees through internal and external events; raises awareness of the issues faced by LGBTI people; connects LGBTI employees with their peers; and facilitates networking opportunities.

CALD Network

The Culturally and Linguistically Diverse (CALD) Network advocates for workers of CALD backgrounds. The network has held a number of very successful internal events including Diwali, Chinese New Year, and Eid and several external events, including a stand at Federation Square during Victoria's Cultural Diversity Week in March 2017.

Executive remuneration and other personnel

Remuneration of executives

Table 13: Annualised total salary, by \$20,000 bands, for executives and other senior non-executive staff

Income band (salary \$)	Note	Executives	STS	PS	SMA	SRA	Other
<160,000	#1						
160,000–179,999	#2	6	14				
180,000–199,999	#3	31	1				
200,000–219,999		10					
220,000–239,999	#4	2					
240,000–259,999	#5	3					
260,000–279,999		3					
280,000–299,999	#6	5					
300,000–319,999							
320,000–339,999							
340,000–359,999							
360,000–379,999							
380,000–399,999							
400,000–419,999							
420,000–439,999	#7	1					
440,000–459,999							
460,000–479,999							
480,000–499,999							
Total		61	15				

Notes:

1. The salaries reflect the equivalent per FTE
2. There are three purchased leave people in this band
3. There are two part-time (0.84) and five purchased leave people in this band
4. There are two purchased leave people in this band
5. There is one person on purchased leave in this band
6. There is one part-time (0.8) and one purchased leave people in this band
7. There is one person on purchased leave in this band.

Section 4: Other disclosures

Local jobs first — Victorian Industry Participation Policy (VIPP)

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 \$1 million or more for procurement activities in regional Victoria.

During 2016–17, VicRoads commenced and/or completed 76 contracts totalling \$827.5 million for which a VIPP Plan or Local Industry Development Plan (LIDP) was required.

During 2016–17, VicRoads commenced 21 contracts with a average total of 97 per cent estimated to be of local content for which a VIPP Plan or LIDP was not required as the procurement activity was local in nature.

During 2016–17, VicRoads had no contracts where a VIPP Plan was not required owing to the procurement activity being international in nature.

During 2016–17, 115 VIPP plans were prepared by small to medium sized businesses.

During 2016–17, 16 contracts commenced and/or completed for which a VIPP Plan was required occurred in metropolitan Melbourne, representing an average of 92.1 per cent of estimated local content.

During 2016–17, 53 contracts commenced and/or completed for which a VIPP Plan was required occurred in regional Victoria, representing an average of 93.4 per cent of estimated local content.

The total VIPP Plan or LIDP commitments achieved as a result of contracts commenced include:

- local content average of 92.9 per cent of the total value of the contracts
- 205 new jobs and 910 retained jobs (AEE)
- 78 new apprenticeships/traineeships and 136 retained apprenticeships/traineeships.

The total VIPP Plan or LIDP commitments achieved as a result of contracts completed include:

- local content average of 91 per cent of the total value of the contracts
- 42 new jobs and 204 retained jobs (AEE)
- 19 new apprenticeships/traineeships and 32 retained apprenticeships/traineeships.

During 2016–17, 37 contracts which commenced on or after 1 September had the minimum formal weighting of 10 per cent applied for local content in the tender evaluation of the VIPP Plan or LIDP.

Disclosure of government advertising expenditure

VicRoads undertook one advertising campaign with a media spend of greater than \$100,000 during 2016–17. Expenditure during 2016–17 is outlined in Table 15.

Table 14: Advertising expenditure

Name of campaign	Summer Roadworks
Campaign summary	A public awareness campaign was developed to inform Victorians of the significant program of works occurring throughout Melbourne during the summer of 2016–17, including a three-day closure of the Tullamarine Freeway.
Start/End date	Dec 2016–Jan 2017
Advertising (media) expenditure 2016–17 (\$ excluding GST)	350,000
Creative and campaign development expenditure 2016–17 (\$ excluding GST)	90,000
Research and evaluation expenditure 2016–17 (\$ excluding GST)	20,000
Print and collateral expenditure 2016–17 (\$ excluding GST)	N/A
Other campaign expenditure 2016–17 (\$ excluding GST)	N/A

Consultancy expenditure

In 2016–17, there were 26 consultancies where the total fees payable to the consultants were \$10,000 or greater. The total expenditure incurred during 2016–17 in relation to these consultancies was \$1,562,730 (excluding GST). Details of individual consultancies can be viewed at vicroads.vic.gov.au.

In 2016–17, there were four consultancies where the total fees payable to the consultants were less than \$10,000. The total expenditure incurred during 2016–17 in relation to these consultancies is \$11,370 (excluding GST).

Disclosure of Information and Communication Technology expenditure

For the 2016–17 reporting period, VicRoads had a total ICT expenditure of \$129.3 million with the details shown below.

Table 15: ICT expenditure (\$'000)

Business As Usual (BAU) ICT expenditure	Non-Business As Usual (non-BAU) ICT expenditure	Operational expenditure	Capital expenditure
(Total)	(Total = Operational expenditure and Capital Expenditure)		
88,569	40,729	4,722	36,007

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. Non-BAU ICT expenditure relates to extending or enhancing VicRoads current ICT capabilities.

BAU ICT expenditure is all remaining ICT expenditure which relates primarily to ongoing activities to operate and maintain the current ICT capability.

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 entered into during the year ended 30 June 2017.

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

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 2017, VicRoads received 1,245 Freedom of Information (FOI) applications.

Table 16 summarises the decisions that were made in response to the 1,245 FOI requests received.

As listed in Table 17, of the 1,245 FOI requests received by VicRoads in 2016–17, 13 requests came from Members of Parliament and the remainder from the general public, including media, private companies, solicitors, and private individuals.

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 \$28.40 (as at 1 July 2017) 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

Freedom of Information requests should be sent to:

Mr Chris O'Donnell
Manager, Freedom of Information and Information Privacy
VicRoads
Level 5, 60 Denmark Street
KEW VIC 3101
Email: foistaff@roads.vic.gov.au

Table 16: FOI decisions

FOI decisions/outcomes	Number of requests
Access granted in full	434
Access granted in part	451
Access denied	88
Withdrawn	1
No proceed with	11
Not processed	1
No documents	74
Outside the Act	5
Other/no response from applicant	58
Not yet finalised	122
TOTAL	1,245

Table 17: Request categories

Category	Number of requests
Media (TV, radio, newspaper)	10
Member of Parliament	13
Private company	508
Private person	496
Public interest group	0
Solicitor	158
Government Department/Agency	4
Misc	56
TOTAL	1,245

Published information

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

- 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. This information is located throughout this document and more specifically in the ‘Year in review’ section on pages 3 to 48 and ‘Governance and organisational structure’ section on pages 49 to 54.
- 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
 - committees
 - community and stakeholder relationships
 - contract management
 - corporate governance
 - emergency management
 - environmental management
 - equipment and plant
 - financial management
 - government relations
 - human resource management
 - information management and systems
 - legal
 - occupational health and safety
 - property and land management
 - registration and licensing
 - road asset maintenance
 - road network improvement
 - road safety management
 - statutory planning
 - strategic planning
 - technical information and services
 - traffic management.

- 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 03 8391 3255.
- A statement listing the literature available by way of subscription services or free mailing lists. This information is provided on the VicRoads website.
- 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 64
- 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 64
- 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.

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.

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.

Compliance with the *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* and any subsequent reforms.

Compliance with the *Protected Disclosure Act 2012*

Pursuant to the *Protected Disclosure Act 2012*, VicRoads is not an entity that can receive 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

Additional 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.

Attestation for compliance with Ministerial Standing Direction 3.7.1 Risk Management Framework and Processes

I, John Merritt certify that VicRoads has complied with the requirements of Ministerial Standing Direction 3.7.1 *Risk management framework and processes*, with the exception of inter-agency risks and state significant risks.

VicRoads has collaborated with other State Government transport portfolio agencies in the identification of inter-agency risks and will continue to collaborate with these agencies in evolving the management of these risks.

The State Significant Risks Interdepartmental Committee is currently working on the identification of state significant risks. VicRoads will contribute to the management of state significant risks where required by the Committee.

The VicRoads Risk and Audit Governance Committee has verified this statement.



JOHN MERRITT
VicRoads Chief Executive

Compliance with DataVic Access Policy

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

VicRoads is committed to the DataVic Open Data policy with the aim of fostering greater transparency and accountability, to drive innovation and economic opportunities for the community as well as enhance sharing of, and access to, information-rich resources to support evidence-based decision-making in the public sector.

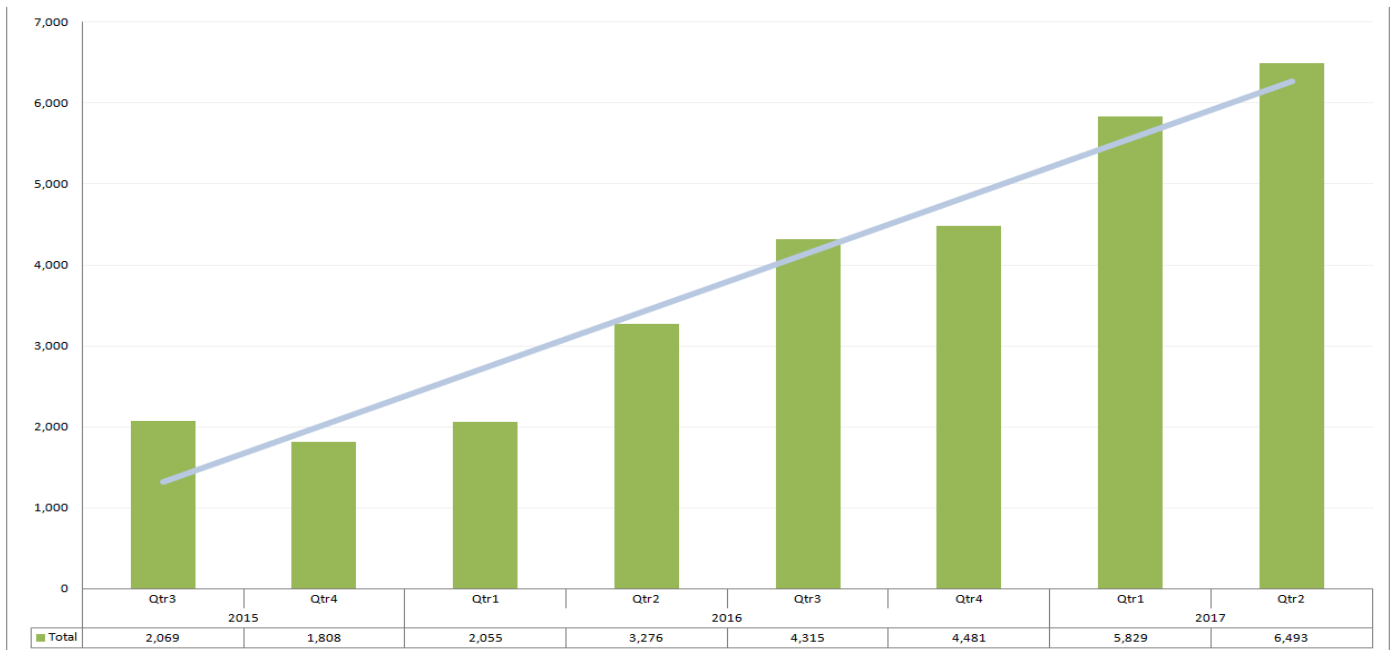
VicRoads has continued to work closely with the open data developer community and is actively involved in a range of initiatives, including:

- the Code for Australia Academy, which fosters innovation thinking and action between public and private sectors

- GovHack, a national competition to help find new ways to solve the challenges facing government, while also contributing towards social and economic development
- development of a data exchange platform to facilitate sharing of more enriched content in real time
- collaboration with private and public sector groups, 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 141 per cent in 2016–17 (from 12,556 to 30,326) and they are still among the most downloaded items from the Victorian Data Directory at data.vic.gov.au.

Table 18: VicRoads Datasets downloads from DataVic



Compliance with Section 22 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 2016–17 are listed in Table 19.

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 19: Ministerial Directions

Minister	Start	End	Designated road project (location)
Minister for Roads and Road Safety	30/07/2014	31/12/2016	Dingley Bypass Project
Minister for Roads and Road Safety	29/08/2014	31/12/2016	East Werribee Sneydes Road Interchange
Minister for Roads and Road Safety	12/10/2015	31/03/2018	Main Road and Furlong Road Level Crossing Removal Project
Minister for Roads and Road Safety	12/11/2015	31/12/2017	North, McKinnon and Centre Road Level Crossing Removal Project
Minister for Roads and Road Safety	14/12/2015 01/12/2016	30/06/2017 30/06/2017	Blackburn Road and Heatherdale Road Level Crossing Removal Project
Minister for Roads and Road Safety	16/02/2016	30/06/2018	Bayswater Level Crossing Removal Projects (Mountain Highway and Scoresby Road) (Variation of DRP)
Minister for Roads and Road Safety	28/01/2016	30/06/2018	Ramp M Project (Webb Dock)
Minister for Roads and Road Safety	10/06/2015	31/12/2017	Burke Road Level Crossing Removal Project, Glen Iris (Variation of DRP)

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.

Financial statements

How these financial statements are structured

These financial statements represent the audited general purpose financial statements of the Roads Corporation (the Corporation) for the year ended 30 June 2017. The purpose of these financial statements is to provide users with information about the Corporation's stewardship of resources entrusted to it. The financial statements are presented in the following structure:

Financial statements	Page
Comprehensive operating statement	74
Balance sheet	75
Cash flow statement	76
Statement of changes in equity	77

Notes to the financial statements

1. About these financial statements	78
The basis on which the financial statements have been prepared and compliance with reporting regulations	
2. Funding delivery of our services	79
Revenue recognised in respect of appropriations and other income sources	
3. The cost of delivering services	82
Operating expenses of the Corporation	
4. Key assets available to support service delivery	88
Land, property, infrastructure, plant and equipment, intangible assets and other financial assets	
5. Other assets and liabilities	102
Working capital balances and other key assets and liabilities	
6. Financing our operations	109
Borrowings, cash flow information and leases	
7. Risks, contingencies and valuation judgements	118
Financial risk management, contingent assets and liabilities as well as fair value determination	
8. Transactions administered on behalf of the State of Victoria	135
The Corporation's Administered (non-controlled) items	
9. Other disclosures	141

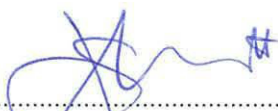
Accountable Officer's and Chief Financial Officer's Declaration

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

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


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

We authorise the attached financial statements for issue on 28 August 2017.


.....
John Merritt

Chief Executive
Roads Corporation

Melbourne
28 August 2017


.....
Mark Dale

Chief Financial Officer
Roads Corporation

Melbourne
28 August 2017

Comprehensive operating statement

for the year ended 30 June 2017

	Notes	2017 \$'000	2016 \$'000
Continuing operations			
income from transactions			
Victorian Government grants	2.2	1,412,448	1,092,070
Sale of goods and services	2.3	236,601	219,382
Other Grants	2.4	801,311	699,206
Fair value of assets received free of charge	2.5	6,777	34,949
Other income	2.6	39,953	31,895
Total income from transactions		2,497,090	2,077,502
Expenses from transactions			
Employee benefit expenses	3.1.1.1	(210,780)	(206,169)
Depreciation and amortisation	4.3.1	(622,320)	(610,208)
Interest expense	6.1.2	(85,129)	(87,973)
Grants expense	3.1.2	(96,156)	(87,082)
Capital asset charge	3.1.3	(49,800)	(49,800)
Fair value of assets provided free of charge		(25,594)	(2,588)
Other operating expenses	3.1.4	(1,286,625)	(1,199,478)
Total expenses from transactions		(2,376,404)	(2,243,298)
Net result from transactions (net operating balance)		120,686	(165,796)
Other economic flows included in net result			
Net gain/(loss) on non-financial assets	9.1	(12,017)	(189)
Net gain/(loss) on financial instruments	9.1	23	(546)
Other gains/(losses) from other economic flows	9.1	2,001	(3,218)
Total other economic flows included in net result		(9,993)	(3,953)
Net result		110,693	(169,749)
Other economic flows — other comprehensive income items that will not be reclassified to net result			
Revaluation gain/(loss) to asset revaluation reserve		4,455,634	(48,085)
Total other economic flows — other comprehensive income		4,455,634	(48,085)
Comprehensive result		4,566,327	(217,834)

The accompanying notes form part of these financial statements.

Balance sheet

as at 30 June 2017

	Notes	2017 \$'000	2016 \$'000
Assets			
Financial assets			
Cash and cash equivalents	6.3.1	36,346	40,277
Receivables	5.1	687,184	592,046
Total financial assets		723,530	632,323
Non-financial assets			
Prepayments		7,459	3,996
Inventories		2,144	1,456
Non-financial physical assets classified as held for sale	5.2	17,771	14,382
Property, plant and equipment	4.1	51,542,116	46,774,200
Intangible assets	4.2	81,636	70,946
Total non-financial assets		51,651,126	46,864,980
Total assets		52,374,656	47,497,303
Liabilities			
Payables	5.3	288,089	328,103
Borrowings	6.1	740,235	760,756
Employee related provisions	3.1.1.2	101,780	104,425
Other provisions	5.5	181,718	79,990
Unearned income	5.4	34,512	30,603
Total liabilities		1,346,334	1,303,877
Net assets		51,028,322	46,193,426
Equity			
Contributed capital		16,191,383	15,922,814
Asset revaluation reserve		18,966,317	14,510,683
Accumulated surplus		15,870,622	15,759,929
Net worth		51,028,322	46,193,426

The accompanying notes form part of these financial statements

Cash flow statement

for the year ended 30 June 2017

	Notes	2017 \$'000	2016 \$'000
Cash flows from operating activities			
Receipts			
Receipts from government grants		1,528,121	1,180,685
Receipts from other sources		1,137,088	787,627
Goods and Services Tax collected		130,057	108,580
Goods and Services Tax recovered from the Australian Taxation Office		98,110	83,285
Interest received		1,369	1,581
Total receipts		2,894,745	2,161,758
Payments			
Payments to suppliers and employees		(1,491,720)	(1,285,210)
Payments of grants and other transfers		(96,156)	(87,082)
Interest and other costs of finance paid		(79,238)	(81,233)
Goods and Services Tax paid on purchases		(227,082)	(191,866)
Payments of capital asset charge		(49,800)	(49,800)
Total payments		(1,943,996)	(1,695,191)
Net cash flows from operating activities	6.3.2	950,749	466,567
Cash flows from investing activities			
Payments for purchase of non-financial assets		(989,485)	(606,544)
Proceeds from sale of non-financial assets		3,824	9,739
Loans granted to other parties		600	314
Net cash flows used in investing activities		(985,061)	(596,491)
Cash flows from financing activities			
Repayment of interest bearing liabilities		(20,521)	(24,782)
Proceeds from capital contributions by the Victorian Government		48,244	156,676
Net cash flows from financing activities		27,723	131,894
Net increase / (decrease) in cash held		(6,589)	1,970
Cash at the beginning of the financial year		6,132	4,162
Cash held at the end of the Financial Year	6.3.1	(457)	6,132

The accompanying notes form part of these financial statements.

Statement of changes in equity

for the year ended 30 June 2017

	Asset revaluation reserve	Accumulated surplus	Contributed capital	Total
	2017 \$'000	2017 \$'000	2017 \$'000	2017 \$'000
Balance at 1 July 2016	14,510,683	15,759,929	15,922,814	46,193,426
Net result for the year	-	110,693	-	110,693
Other economic flows — other comprehensive income	4,455,634	-	-	4,455,634
Capital appropriations	-	-	306,972	306,972
Assets transferred to other Victorian Government agencies	-	-	(38,403)	(38,403)
Balance at 30 June 2017	18,966,317	15,870,622	16,191,383	51,028,322

	Asset revaluation reserve	Accumulated surplus	Contributed capital	Total
	2016 \$'000	2016 \$'000	2016 \$'000	2016 \$'000
Balance at 1 July 2015	14,558,768	15,929,678	16,043,037	46,531,483
Net result for the year	-	(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

The accompanying notes form part of these financial statements.

1 About these financial statements

The Corporation is a statutory authority of the State of Victoria, established under the *Transport Integration Act 2010*. Its principal address is 60 Denmark Street, Kew Vic 3101.

A description of the nature of the Corporation's operations and its principal activities is included in the Report of Operations, which does not form part of these financial statements.

Basis of preparation

These financial statements are presented in Australian dollars and the historical cost convention is used unless a different measurement basis is specifically disclosed in the relevant notes.

The accrual basis of accounting has been applied in preparing 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.

Accounting policies selected and applied in these financial statements ensure 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.

Judgements, estimates and assumptions are required to be made about financial information being presented in these financial statements. 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 applying Australian Accounting Standards that have a significant effect on these financial statements and estimates are disclosed in the notes where the affected amounts are disclosed, under the heading 'Significant judgement'.

These financial statements cover the Corporation as an individual reporting entity and include all the controlled activities.

All amounts in these financial statements have been rounded to the nearest thousand dollars unless otherwise stated.

Compliance information

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 *Australian Accounting Standard AASB 1049 Whole of Government and General Government Sector Financial Reporting*.

Where appropriate, Australian Accounting Standards provisions which are applicable to not-for-profit entities have been applied.

2 Funding the delivery of our services

Introduction

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.

Structure	Page
2.1 Summary of income from transactions that funds the delivery of our services	79
2.2 Victorian Government Grants	80
2.3 Sale of goods and services	80
2.4 Other Grants	80
2.5 Fair value of assets received free of charge	81
2.6 Other income	81

2.1 Summary of income from transactions that funds the delivery of our services

	Notes	2017 \$'000	2016 \$'000
Victorian Government grants	2.2	1,412,448	1,092,070
Sale of goods and services	2.3	236,601	219,382
Other Grants	2.4	801,311	699,206
Fair value of assets received free of charge	2.5	6,777	34,949
Other income	2.6	39,953	31,895
Total income from transactions		2,497,090	2,077,502

Income is recognised to the extent it is probable the economic benefits will flow to the Corporation and the income can be reliably measured.

Where applicable, amounts disclosed as income are net of returns, allowances, duties and taxes. All amounts of income over which the Corporation does not have control, are disclosed as administered income (refer to *Note 8.1 Administered items*).

2.2 Victorian Government Grants

	2017 \$'000	2016 \$'000
Victorian Government grants	1,412,448	1,092,070
Total Victorian Government grants	1,412,448	1,092,070

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

2.3 Sale of goods and services

	2017 \$'000	2016 \$'000
Regulatory revenue	149,491	135,432
External works	38,528	37,624
Transport Accident Commission premium collection commission	43,463	41,305
Victorian Government agency commission	5,119	5,021
Total sale of goods and services	236,601	219,382

Regulatory income is derived from regulatory 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, and is recognised when received by the Corporation.

Income from the sale of goods and services is recognised by reference to the stage of completion of the services being performed. The income is recognised when:

- the amount of the income, stage of completion and transaction costs incurred can be reliably measured; and
- it is probable that the economic benefits associated with the transaction will flow to the Corporation.

2.4 Other Grants

	2017 \$'000	2016 \$'000
Transport Accident Commission grants	135,182	68,145
Level Crossing Removal grants	638,683	591,093
Other specific purpose grants	27,446	39,968
Total other grants	801,311	699,206

Grant income arises from transactions in which a party provides assets to the Corporation without receiving approximately equal value in return.

Other grants are received for specific purposes and/or have conditions attached regarding their use. These specific purpose grants are recognised when the related outputs have been delivered and expenditure is incurred.

2.5 Fair value of assets received free of charge

	2017 \$'000	2016 \$'000
Infrastructure assets at fair value	6,777	34,949
Total fair value of assets received free of charge	6,777	34,949

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

2.6 Other income

	2017 \$'000	2016 \$'000
Rental	14,851	14,067
Recoveries	23,733	16,247
Interest	1,369	1,581
Total other income	39,953	31,895

Rental income relates primarily to operating leases of properties acquired for future road development and is recognised on a straight-line basis over the lease term.

The lease terms between one and 38 years. The lessee does not have an option to purchase the property at the expiry of the lease period.

Recoveries principally relate to insurance claims lodged for damage to infrastructure as a result of natural disaster events, recovery of damages to infrastructure and recovery of shared costs.

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

Non-cancellable operating lease receivables

Non-cancellable operating lease receivables	2017 \$'000	2016 \$'000
Not later than one year	6,168	7,897
Later than one year but not later than five years	22,399	23,586
Later than five years	64,349	68,017
Total lease receivables	92,916	99,500

3 The cost of delivering services

Introduction

This note provides details of the expenses incurred by the Corporation in delivering services. In *Note 2 Funding delivery of our services*, the funds that enable the provision of services were disclosed and in this note, the costs associated with provision of services are disclosed.

Structure	Page
3.1 Expenses incurred in the delivery of services	82
3.1.1 Employee benefits	82
3.1.1.1 Employee benefits in the comprehensive operating statement	82
3.1.1.2 Employee benefits in the balance sheet	83
3.1.1.3 Superannuation contributions	84
3.1.2 Grant expense	85
3.1.3 Capital asset charge	85
3.1.4 Other operating expenses	86

3.1 Expenses incurred in the delivery of services

	Notes	2017 \$'000	2016 \$'000
Employee benefit expenses	3.1.1	210,780	206,169
Grant expenses	3.1.2	96,156	87,082
Capital asset charge	3.1.3	49,800	49,800
Fair value of assets provided free of charge		25,594	2,588
Other operating expenses	3.1.5	1,286,625	1,199,478
Total expenses incurred in the delivery of services		1,668,955	1,545,117

3.1.1 Employee benefits

3.1.1.1 Employee benefits in the comprehensive operating statement

	2017 \$'000	2016 \$'000
Salaries and related on-costs	149,290	150,455
Leave entitlements	29,056	25,193
Superannuation expenses	31,125	29,933
Termination benefits	1,309	588
Total employee benefit expenses	210,780	206,169

Employee benefits expenses include all forms of consideration given by the Corporation in exchange for service rendered by employees, or for the termination of employment. These expenses include wages and salaries, leave entitlements, and termination payments, and related costs including fringe benefits tax and payroll tax.

The amount recognised in the comprehensive operating statement in relation to **Superannuation** is employer contributions for members of both defined benefit and defined contribution superannuation plans that are paid or payable during the reporting period.

The Corporation does not recognise any defined benefit liabilities as it has no legal or constructive obligation to pay future benefits relating to its employees. The Corporation's only obligation is to pay employer contributions as they fall due. The Department of Treasury and Finance discloses in its annual financial statements, the net defined benefit cost related to the members of defined benefit plans, as an administered liability, on behalf of the State of Victoria as the sponsoring employer.

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 when providing termination benefits as a result of an offer made to encourage voluntary redundancy.

3.1.1.2 Employee benefits in the balance sheet

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.

	2017 \$'000	2016 \$'000
Current provisions:		
Annual leave		
Unconditional and expected to be settled within 12 months	14,537	14,073
Unconditional and expected to be settled after 12 months	4,213	4,027
Long service leave		
Unconditional and expected to be settled within 12 months	7,906	8,076
Unconditional and expected to be settled after 12 months	53,610	54,422
Provisions for on-costs		
Unconditional and expected to be settled within 12 months	3,571	3,522
Unconditional and expected to be settled after 12 months	9,315	9,476
Performance and other entitlements	4,725	6,058
Total current provisions for employee benefits	97,877	99,654
Non-current provisions:		
Conditional long service leave	3,360	4,103
Provision for on-costs	543	668
Total non-current provisions	3,903	4,771
Total provisions for employee benefits	101,780	104,425

Reconciliation of movement in employee benefits provision

	2017 \$'000	2016 \$'000
Current provisions:		
Provisions for on-costs		
Unconditional and expected to be settled within 12 months	3,571	3,522
Unconditional and expected to be settled after 12 months	9,315	9,476
Total current provisions for employee benefits	12,886	12,998
Non-current provisions:		
Provision for on-costs	543	668
Total non-current provisions	543	668
Total provisions for employee benefits	13,429	13,666

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 which are expected to be settled after twelve months are measured on a present value basis.

Unconditional long service leave is disclosed as a current liability, even where the Corporation does not expect to settle the liability within 12 months, because it does not have an unconditional right to defer the settlement of the entitlement should an employee take leave within 12 months.

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

Conditional long service leave is disclosed as a non-current liability as there is an unconditional right to defer the settlement of the entitlement until the employee has completed the requisite years of service. This liability is measured at present value.

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

3.1.1.3 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 basis of employer contributions to defined benefit plans is determined by the actuaries of the respective plans.

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

Details of the major employee superannuation plans and contributions by the Corporation are as follows:

	Contributions paid for the reporting period		Contributions outstanding at the end of the reporting period	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Defined benefit plans:				
State Revised and New Superannuation Schemes	4,987	5,468	93	57
Transport Superannuation Scheme	2,766	2,805	52	42
Defined contribution plans:				
VicSuper	16,145	15,445	297	231
Other	7,075	6,127	131	90
Total superannuation contributions	30,973	29,845	573	420

3.1.2 Grant expense

	2017 \$'000	2016 \$'000
General purpose grants	2,175	1,521
Payments for specific purposes	93,981	85,561
Total grant expenses	96,156	87,082

Transactions in which the Corporation provides funding to another party without receiving approximately equal value in return are categorised as grant expenses. Grants can either be operating or capital in nature.

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

Grants 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.

3.1.3 Capital asset charge

	2017 \$'000	2016 \$'000
Capital asset charge	49,800	49,800
Total capital asset charge	49,800	49,800

A **capital asset charge** is 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 to provide incentives to the Corporation to identify and dispose of underutilised or surplus assets in a timely manner.

3.1.4 Other operating expenses

	2017 \$'000	2016 \$'000
Supplies and services:		
Payment to contractors	1,133,345	1,033,391
Management and operating	108,853	127,251
Public Private Partnerships maintenance and operation	9,327	7,735
Services alterations	5,713	3,285
Operating lease rental expenses:		
Property	12,665	12,528
Plant	11,928	10,519
Motor vehicle	4,794	4,769
Total other operating expenses	1,286,625	1,199,478

Other operating expenses generally represent the day-to-day running costs incurred in normal operations.

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 the inventories are distributed.

Operating lease rental expenses are recognised on a straight line basis over the lease term.

4 Key assets available to support service delivery

Introduction

The Corporation controls property, plant, equipment and intangibles assets that are utilised in fulfilling its objectives and conducting its activities. These assets represent the key resources that have been entrusted to the Corporation to be utilised for delivery of outputs.

Fair value measurement

Where the assets included in this note are carried at fair value, additional information is disclosed in *Note 7.3 Fair value determination*, in connection with how those fair values were determined.

Structure

	Page
4.1 Property, plant and equipment	94
4.1.1 Buildings and leasehold improvement assets	91
4.1.1.1 Carrying value of buildings and leasehold assets	91
4.1.1.2 Reconciliation of movements in carrying value of buildings and leasehold assets	91
4.1.2 Plant and equipment	92
4.1.2.1 Carrying value of plant and equipment	92
4.1.2.2 Reconciliation of movements in carrying value of plant and equipment	92
4.1.3 Land	93
4.1.3.1 Carrying value of land	93
4.1.3.2 Reconciliation of movements in carrying value of land	93
4.1.4 Infrastructure assets	95
4.1.4.1 Carrying value of Infrastructure assets	95
4.1.4.2 Reconciliation of movements in carrying value of infrastructure assets	96
4.2 Intangible assets	98
4.2.1 Carrying value of intangible assets	99
4.2.2 Reconciliation of movements in carrying value of intangible assets	99
4.3 Depreciation and impairment	99
4.3.1 Depreciation and amortisation charge for the reporting period	99
4.3.2 Impairment	100
4.3.3 Useful lives	100

4.1 Property, plant and equipment

	Gross carrying amount		Accumulated depreciation		Accumulated impairment		Net carrying amount	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Buildings and leasehold improvements	54,175	53,423	(2,628)	(1,315)	-	-	51,547	52,108
Plant and equipment	71,962	64,136	(42,409)	(40,804)	(1,272)	(1,059)	28,281	22,273
Land	23,631,188	19,098,939	-	-	-	-	23,631,188	19,098,939
Infrastructure assets ⁽ⁱ⁾⁽ⁱⁱ⁾	47,177,109	46,283,763	(19,186,078)	(18,587,939)	(159,931)	(94,944)	27,831,100	27,600,880
Total property, plant and equipment at fair value	70,934,434	65,500,261	(19,231,115)	(18,630,058)	(161,203)	(96,003)	51,542,116	46,774,200

(i) Infrastructure assets comprise completed and under construction assets

(ii) Of the balance in 'infrastructure assets', \$565.5 million [\$574.9 million in 2016] is attributable to assets contracted under Public Private Partnership arrangements.

Classification

The Corporation's property, plant and equipment assets are classified into the Victorian Government's 'transport and communications' purpose group in accordance with *Financial Reporting Direction 103F Non-financial physical assets*.

Property, plant and equipment assets are further classified into the following nature based categories:

Buildings and leasehold improvements 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 comprises office fit outs, furnishings and fittings, computers, and other technical equipment.

Land comprises land used for operations, land acquired for future public roads, land under declared roads and land in commercial use.

Infrastructure and leased infrastructure comprises road pavements, sound barriers, earthworks, bridges, traffic control systems and works in progress.

Initial recognition

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*.

Land under roads acquired prior to 1 July 2008 was initially recognised at its fair value on 30 June 2008.

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.

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.

The initial cost of property, plant and equipment assets acquired under a finance lease is measured at amounts equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease.

Certain infrastructure assets are acquired under finance leases which form part of Public Private Partnership service concession arrangements.

Subsequent measurement

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 market value, or in the absence of a market value, depreciated replacement cost. Additional information in relation to the fair value determination of property, plant and equipment is included in *Note 7.3 Fair value determination*.

Fair value measurement by asset category is summarised below:

Land for operations and land in commercial use is measured based on the amounts for which these 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 (the market approach).

Theoretical opportunities that may be available in relation to an asset are not taken into account unless 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 and buildings acquired for future public roads are measured using the market approach. However, a community service obligation adjustment is made to reflect the specialised nature of the land being valued. The community service obligation adjustment is a reflection of the valuer's assessment of the impact of restrictions associated with an asset, to the extent that it is also equally applicable to market participants.

Land under declared roads is measured based on average rateable values for each municipal area and applied to the land area under the arterial road network including related reservations. The average values are discounted to reflect the value prior to subdivision and also community service obligations. The discount factors range from 40 per cent for rural land under freeways to 80 per cent for metropolitan residential land under arterial roads.

Operational buildings and leasehold improvements are measured using the market approach.

Infrastructure and leased infrastructure assets are measured 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.

Plant and equipment fair value is determined as the original acquisition cost less any accumulated depreciation and accumulated impairment losses.

Revaluations

Property, plant and equipment assets are revalued at fair value every five years in accordance with the Government purpose classifications defined in *Financial Reporting Direction 103F Non-Financial Physical Assets*.

The Valuer-General Victoria is the Government's independent valuation agency and is used by the Corporation 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 such instances, interim managerial revaluations are undertaken in accordance with the requirements of *Financial Reporting Direction 103F Non-Financial Physical Assets*.

The Corporation, in conjunction with Valuer-General Victoria, monitors changes in the fair value of each asset class through relevant data sources, in order to determine whether a revaluation is required. A review undertaken during the reporting period indicated that a material change had occurred in respect of land assets and consequently, an interim managerial revaluation was undertaken of this class as at 30 June 2017.

The most recent fair value measurement of each asset class is summarised below:

- Buildings, leasehold improvements and land in commercial use were independently valued by the Valuer-General Victoria as at 30 June 2015.
- Infrastructure and leased infrastructure assets were valued using replacement cost unit rates independently assessed by the Valuer-General Victoria as at 30 June 2015.
- Land under roads was independently valued by the Valuer-General Victoria as at 30 June 2015 and subject to a managerial revaluation as at 30 June 2017.
- Land for operations and land acquired for future public roads were revalued as at 30 June 2015 and subject to a managerial revaluation as at 30 June 2017 using index rates provided by the Valuer-General Victoria.

Accounting for revaluation movements

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 other assets in that class but are not offset against assets in different classes. An asset revaluation surplus is not transferred to accumulated funds on the de-recognition of the related 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, in which case 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, in which case the decrement is debited directly to the asset revaluation reserve.

4.1.1 Buildings and leasehold improvement assets

4.1.1.1 Carrying value of buildings and leasehold assets

	Gross carrying amount		Accumulated depreciation		Net carrying amount	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Buildings operational at fair value	12,841	12,841	(642)	(321)	12,199	12,520
Buildings on land acquired for future public roads at fair value	26,521	25,769	(1,245)	(624)	25,276	25,145
Leasehold improvements at fair value	14,813	14,813	(741)	(370)	14,072	14,443
Total buildings and leasehold improvements	54,175	53,423	(2,628)	(1,315)	51,547	52,108

4.1.1.2 Reconciliation of movements in carrying value of buildings and leasehold assets

Reconciliation	Buildings operational	Buildings on land acquired for future public roads	Leasehold improvements	Total
	2017 \$'000	2017 \$'000	2017 \$'000	2017 \$'000
Carrying amount at the beginning of the year	12,520	25,144	14,443	52,107
Acquisitions	-	1,355	-	1,355
Depreciation expense	(321)	(650)	(371)	(1,342)
Disposals	-	(95)	-	(95)
Properties incorporated into declared roads	-	(118)	-	(118)
Transfers from/(to) properties held for sale	-	(360)	-	(360)
Carrying amount at the end of the year	12,199	25,276	14,072	51,547

4.1.1.2 Reconciliation of movements in carrying value of buildings and leasehold assets (continued)

Reconciliation	Buildings operational	Buildings on land acquired for future public roads	Leasehold improvements	Total
	2016 \$'000	2016 \$'000	2016 \$'000	2016 \$'000
Carrying amount at the beginning of the year	11,039	24,844	14,868	50,751
Acquisitions	-	1,054	-	1,054
Asset register adjustments	1,802	3	(55)	1,750
Depreciation expense	(321)	(630)	(370)	(1,321)
Assets transferred to Victorian Government as contributed capital	-	(117)	-	(117)
Properties incorporated into declared roads	-	(10)	-	(10)
Carrying amount at the end of the year	12,520	25,144	14,443	52,107

(i) Fair value of assets transferred to 'administered items' and sold with proceeds being returned to the Victorian Government

4.1.2 Plant and equipment

4.1.2.1 Carrying value of plant and equipment

	Gross carrying amount		Accumulated depreciation		Accumulated impairment		Net carrying amount	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Plant and equipment	71,962	64,136	(42,409)	(40,804)	(1,272)	(1,059)	28,281	22,273
Total Plant and equipment	71,962	64,136	(42,409)	(40,804)	(1,272)	(1,059)	28,281	22,273

4.1.2.2 Reconciliation of movements in carrying value of plant and equipment

Reconciliation	2017 \$'000	2016 \$'000
Carrying amount at the beginning of the year	22,273	20,694
Acquisitions	10,977	6,207
Depreciation expense	(4,545)	(4,341)
Disposals	(99)	(210)
Impairment expense	(325)	(77)
Carrying amount at the end of the year	28,281	22,273

4.1.3 Land

4.1.3.1 Carrying value of land

	2017 \$'000	2016 \$'000
Land for operations at fair value	42,987	38,136
Land acquired for future public roads at fair value	1,472,445	1,204,279
Land under declared roads at fair value	22,036,496	17,811,450
Land in commercial use at fair value	79,260	45,074
Total land	23,631,188	19,098,939

4.1.3.2 Reconciliation of movements in carrying value of land

Reconciliation	Land for operations	Land acquired for future public roads	Land under declared roads	Land in commercial use	Total
	2017 \$'000	2017 \$'000	2017 \$'000	2017 \$'000	2017 \$'000
Carrying amount at the beginning of the year	38,136	1,204,279	17,811,450	45,074	19,098,939
Acquisitions	-	55,557	-	-	55,557
Asset register adjustments	-	(335)	-	-	(335)
Assets transferred to other entities as contributed capital	-	(26,150)	-	-	(26,150)
Disposals	-	(2,007)	-	-	(2,007)
Assets transferred to Victorian Government as contributed capital ⁽ⁱ⁾	-	(9176)	-	-	(35,326)
Revaluation Increment/(decrement)	4,851	260,195	4,221,389	34,186	4,520,621
Transfers from/(to) land under declared roads	-	(3,657)	3,657	-	-
Transfers from/(to) properties held for sale	-	(6,261)	-	-	(6,261)
Carrying amount at the end of the year	42,987	1,472,445	22,036,496	79,260	23,631,188

4.1.3.2 Reconciliation of movements in carrying value of land (continued)

Reconciliation	Land for operations	Land acquired for future public roads	Land under declared roads	Land in commercial use	Total
	2016 \$'000	2016 \$'000	2016 \$'000	2016 \$'000	2016 \$'000
Carrying amount at the beginning of the year	36,741	1,225,801	17,801,320	45,074	19,108,936
Acquisitions	-	8,283	-	-	8,283
Asset register adjustments	1,395	(959)	-	-	436
Assets transferred from other entities	-	15	-	-	15
Disposals	-	(2,917)	-	-	(2,917)
Assets transferred to Victorian Government as contributed capital ⁽ⁱ⁾	-	(9,070)	-	-	(9,070)
Transfers from/(to) land under declared roads	-	(10,130)	10,130	-	-
Transfers from/(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

(i) Fair value of assets transferred to 'administered items' and sold with proceeds being returned to the Victorian Government

4.1.4 Infrastructure assets

4.1.4.1 Carrying value of Infrastructure assets

	Gross carrying amount		Accumulated depreciation		Accumulated impairment		Net carrying amount	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Road pavements	27,644,812	27,475,626	(14,896,278)	(14,436,665)	(154,393)	(89,684)	12,594,141	12,949,277
Earthworks	8,107,504	8,059,283	-	-	-	-	8,107,504	8,059,283
Sound barriers	595,928	595,785	(185,548)	(169,168)	-	-	410,380	426,617
Bridges	8,505,469	8,439,432	(3,441,261)	(3,351,441)	(5,538)	(5,260)	5,058,670	5,082,731
Traffic signal control systems	938,091	912,309	(662,991)	(630,665)	-	-	275,100	281,644
Subtotal	45,791,804	45,482,435	(19,186,078)	(18,587,939)	(159,931)	(94,944)	26,445,795	26,799,552
Assets under construction at cost	1,385,305	801,328	-	-	-	-	1,385,305	801,328
Total infrastructure assets⁽ⁱ⁾	47,177,109	46,283,763	(19,186,078)	(18,587,939)	(159,931)	(94,944)	27,831,100	27,600,880

(i) Of the balance in 'infrastructure assets', \$565.5 million [\$574.9 million in 2016] is attributable to assets contracted under Public Private Partnership arrangements.

4.1.4.2 Reconciliation of movements in carrying value of infrastructure assets

	Road pavements	Earthworks	Sound barriers	Bridges	Traffic signal control systems	Work in progress	Total
Reconciliation	2017 \$'000	2017 \$'000	2017 \$'000	2017 \$'000	2017 \$'000	2017 \$'000	2017 \$'000
Carrying amount at the beginning of the year	12,949,277	8,059,283	426,617	5,082,731	281,644	801,328	27,600,880
Asset register adjustments	3,272	(1,619)	-	(3,680)	2,793	-	766
Assets transferred from other entities	4,394	623	-	1,760	-	-	6,777
Assets transferred to other entities	(13,881)	(6,008)	-	(4,293)	(1,412)	-	(25,594)
Capitalised work in progress	177,040	55,225	143	75,735	17,137	(325,280)	-
Construction expenditure	-	-	-	617	6,860	918,264	925,741
Depreciation expense	(461,252)	-	(16,380)	(93,231)	(31,922)	-	(602,785)
Disposals	-	-	-	(691)	-	(9,007)	(9,698)
Impairment adjusted to asset revaluation reserve	(64,709)	-	-	(278)	-	-	(64,987)
Carrying amount at the end of the year	12,594,141	8,107,504	410,380	5,058,670	275,100	1,385,305	27,831,100

4.1.4.2 Reconciliation of movements in carrying value of infrastructure assets (continued)

	Road pavements	Earthworks	Sound barriers	Bridges	Traffic signal control systems	Work in progress	Total
Reconciliation	2016 \$'000	2016 \$'000	2016 \$'000	2016 \$'000	2016 \$'000	2016 \$'000	2016 \$'000
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
Asset register adjustments	(5,727)	(481)	-	7,221	846	(6,757)	(4,898)
Assets transferred from/(to) Victorian Government agencies as contributed capital	-	-	-	-	-	(357,200)	(357,200)
Assets transferred from other entities	20,592	13,857	-	-	500	-	34,949
Assets transferred to other entities	(1,156)	(1,302)	-	-	(130)	-	(2,588)
Capitalised work in progress	427,054	211,070	7,286	92,880	40,857	(779,147)	-
Construction expenditure	-	-	-	-	3,191	506,155	509,346
Depreciation expense	(452,908)	-	(16,152)	(92,317)	(31,160)	-	(592,537)
Disposals	-	-	-	(951)	(386)	-	(1,337)
Impairment adjusted to asset revaluation reserve	(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

4.2 Intangible assets

Classification

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

Initial recognition

Intangible assets are initially recognised at cost. Costs incurred subsequent to initial acquisition are capitalised when it is expected that additional future economic benefits will flow to the Corporation.

Internally generated intangible assets are recognised when the recognition criteria in Australian Accounting Standard *AASB 138 Intangible Assets* are met.

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following are demonstrated:

- the technical feasibility of completing the asset so that it will be available for use or sale;
- the intention to complete the asset and use or sell it;
- the ability to use or sell 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 or sell the asset; and
- the ability to measure reliably the expenditure attributable to the asset.

Subsequent measurement

Subsequent to initial recognition, intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses.

Significant assets

The Corporation has significant software assets as follows:

- Registration and licensing systems with a carrying amount of \$34 million to be fully amortised by 2027
- Freeway management systems with a carrying value of \$17.5 million to be fully amortised by 2026

4.2.1 Carrying value of intangible assets

	Gross carrying amount		Accumulated amortisation		Net carrying amount	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Software at cost	168,029	163,004	(105,595)	(104,608)	62,434	58,396
Work in progress at cost	18,271	11,619	-	-	18,271	11,619
Water rights at cost	931	931	-	-	931	931
Total intangible assets	187,231	175,554	(105,595)	(104,608)	81,636	70,946

4.2.2 Reconciliation of movements in carrying value of intangible assets

	Software	Work in progress	Water rights	Total
	2017 \$'000	2017 \$'000	2017 \$'000	2017 \$'000
Carrying amount at the beginning of the year	58,396	11,619	931	70,946
Acquisitions	-	28,230	-	28,230
Amortisation expense	(13,648)	-	-	(13,648)
Capitalised work in progress	17,686	(17,686)	-	-
De-recognition of expenditure	-	(3,892)	-	(3,892)
Carrying amount at the end of the year	62,434	18,271	931	81,636

	Software	Work in progress	Water rights	Total
	2016 \$'000	2016 \$'000	2016 \$'000	2016 \$'000
Carrying amount at the beginning of the year	55,092	4,671	931	60,694
Acquisitions	-	22,261	-	22,261
Amortisation expense	(12,009)	-	-	(12,009)
Capitalised work in progress	15,313	(15,313)	-	-
Carrying amount at the end of the year	58,396	11,619	931	70,946

4.3 Depreciation and impairment

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 calculated on a straight-line basis, at rates that allocate the asset's value, less any estimated residual value, over its estimated useful life.

4.3.1 Depreciation and amortisation charge for the reporting period

Depreciation and amortisation	2017 \$'000	2016 \$'000
Buildings and leasehold improvements	1,342	1,321
Plant and equipment	4,545	4,341
Infrastructure assets ⁽ⁱ⁾		
Road pavements	461,252	452,908
Sound barriers	16,380	16,152
Bridges	93,231	92,317
Traffic signal control systems	31,922	31,160
Intangible assets	13,648	12,009
Total depreciation and amortisation	622,320	610,208

(i) Of the amounts included in 'infrastructure assets' \$9.4 million [\$9.4 million in 2016] is related to assets contracted under Public Private Partnership arrangements.

4.3.2 Impairment

Impairment	2017 \$'000	2016 \$'000
Plant and equipment	325	77
Total impairment	325	77

4.3.3 Useful lives

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

Asset class	Useful life
Infrastructure asset	
Road pavements	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

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

Leasehold improvements are depreciated over the shorter of the lease term and their estimated useful lives.

Indefinite life assets

Land, earthworks and intangible water rights are considered to have an indefinite life. It has been determined by experts in infrastructure valuations that earthworks do not have a limited useful life to the Corporation.

Depreciation is not recognised in respect of these assets because their service potential has not, in any material sense, been consumed during the reporting period.

Impairment

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. Recoverable amount is measured as the higher of depreciated replacement cost and fair value less costs to sell.

The Corporation has 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.

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 reporting periods.

5 Other assets and liabilities

Introduction

This note sets out the details of other assets and liabilities that have arisen from the Corporation's controlled operations.

Structure	Page
5.1 Receivables	102
5.1.1 Movement in the provision for doubtful debts	103
5.1.2 Ageing analysis of contractual receivables	104
5.2 Non-financial physical assets classified as held for sale	105
5.3 Payables	105
5.3.1 Maturity analysis of contractual payables (i)	106
5.4 Unearned Income	107
5.5 Other provisions	107
5.5.1 Reconciliation of movements in other provisions	108

5.1 Receivables

	2017 \$'000	2016 \$'000
Current receivables		
Contractual		
Sale of goods and services	35,271	36,698
Loans	263	577
Other receivables	72,145	144,370
Provision for doubtful debts	(1,109)	(1,182)
Statutory		
Amounts owing from the Victorian Government	487,029	327,044
Goods and Services Tax input tax credit recoverable	8,827	9,937
Total current receivables	602,426	517,444
Non-current receivables		
Contractual		
Compensation payments recoverable	76,898	66,456
Loans	7,860	8,146
Total non-current receivables	84,758	74,602
Aggregate carrying amount of receivables		
Current	602,426	517,444
Non-current	84,758	74,602
Total receivables	687,184	592,046

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 input tax credits recoverable.

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

Statutory receivables are recognised and measured similarly to contractual receivables (except for impairment), but are not classified as financial instruments as they do not arise from a contract. Amounts owing from the Victorian Government represent funding for all commitments incurred and are drawn from the Consolidated Fund as the commitments fall due.

Loans are repayable in accordance with the terms of each loan. Where payment is not expected within 12 months after the reporting period, these balances are classified as non-current.

5.1.1 Movement in the provision for doubtful debts

	2017 \$'000	2016 \$'000
Balance at beginning of the year	(1,182)	(1,022)
Amounts written off during the year	50	386
Decrease/(increase) in allowance recognised in the net result	23	(546)
Balance at the end of the year	(1,109)	(1,182)

Doubtful debts

Receivables are assessed for bad and doubtful debts on a regular basis. A provision for doubtful debts is recognised when there is objective evidence that a debt may not be collected, and is impaired. Bad debts are written off when identified.

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

Any change in the provision for the reporting period is recognised in the net result.

5.1.2 Ageing analysis of contractual receivables

	Carrying amount	Not past due and not impaired	Past due but not impaired				Impaired financial assets
			Less than 1 month	1-3 months	3-12 months	1-5 years	
			2017 \$'000	2017 \$'000	2017 \$'000	2017 \$'000	
Receivables							
Sale of goods and services	34,162	16,153	3,631	12,361	1,488	1,638	1,109
Other receivables	72,145	72,145	-	-	-	-	-
Compensation payments recoverable	76,898	76,898	-	-	-	-	-
Loans	8,123	8,123	-	-	-	-	-
Total	191,328	173,319	3,631	12,361	1,488	1,638	1,109

	Carrying amount	Not past due and not impaired	Past due but not impaired				Impaired financial assets
			Less than 1 month	1-3 months	3-12 months	1-5 years	
			2016 \$'000	2016 \$'000	2016 \$'000	2016 \$'000	
Receivables							
Sale of goods and services	35,516	2,714	22,381	7,275	3,393	935	1,182
Other receivables	144,370	144,370	-	-	-	-	-
Compensation payments recoverable	66,456	66,456	-	-	-	-	-
Loans	8,723	8,723	-	-	-	-	-
Total	255,065	222,263	22,381	7,275	3,393	935	1,182

The average credit period for sales of goods and services and other receivables is 30 days. There are no material financial assets that are individually determined to be impaired.

The Corporation holds mortgages over property relating to interest free loans and encumbrances against properties relating to compensation payments recoverable. The Corporation 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 contractual financial assets were impaired.

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

5.2 Non-financial physical assets classified as held for sale

	2017 \$'000	2016 \$'000
Carrying amount		
Properties held for sale at fair value	17,771	14,382
Total properties held for sale	17,771	14,382

Reconciliation	2017 \$'000	2016 \$'000
Carrying amount at the beginning of the year	14,382	10,811
Transfers from/(to) land	6,261	6,744
Transfers from buildings	360	-
Assets transferred to Victorian Government as contributed capital ⁽ⁱ⁾	(3,077)	(499)
Disposals	(155)	(2,674)
Carrying amount at the end of the year	17,771	14,382

(i) Fair value of assets transferred to 'administered items' and sold with proceeds being returned to the Victorian Government

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

5.3 Payables

Payables	2017 \$'000	2016 \$'000
Current payables		
Contractual		
Creditors and accruals	251,790	292,925
Amounts Payable to Victorian Government, government agencies and other entities	17,185	15,720
Statutory		
Amounts Payable to Victorian Government, government agencies and other entities	19,114	19,458
Total current payables	288,089	328,103
Aggregate carrying amount of payables		
Current	288,089	328,103
Total payables	288,089	328,103

Payables consist of:

- contractual payables, such as creditors 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 measured at amortised cost.

Statutory payables are recognised and measured similarly to contractual payables, but are not classified as financial instruments and not included in the category of financial liabilities at amortised cost 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 reporting period and which are unpaid. These 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.

5.3.1 Maturity analysis of contractual payables ⁽ⁱ⁾

	Maturity dates						
	Carrying amount	Nominal amount	Less than 1 month	1-3 months	3-12 months	1-5 years	5+ years
	2017 \$'000	2017 \$'000	2017 \$'000	2017 \$'000	2017 \$'000	2017 \$'000	2017 \$'000
Amounts payable to other government agencies	17,185	17,185	17,185	-	-	-	-
Creditors and accruals	251,790	251,790	224,283	27,507	-	-	-
Total contractual payables	268,975	268,975	241,468	27,507	-	-	-

	Maturity dates						
	Carrying amount	Nominal amount	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
Amounts payable to other government agencies	15,720	15,720	15,720	-	-	-	-
Creditors and accruals	292,925	292,925	291,906	1,019	-	-	-
Total contractual payables	308,645	308,645	307,626	1,019	-	-	-

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

5.4 Unearned Income

	2017 \$'000	2016 \$'000
Current liability	20,959	18,697
Non-current liability	13,553	11,906
Total unearned income	34,512	30,603

Unearned income primarily relates to payments received in advance of works being undertaken, from developers requesting works to be undertaken on arterial roads, including enhancements to road infrastructure.

The non-current component primarily relates to future maintenance obligations associated with these infrastructure assets.

5.5 Other provisions

	2017 \$'000	2016 \$'000
Current provisions		
Contractor retentions and other provisions	38,806	25,373
Property acquisition liabilities	74,826	31,975
Compensation payable to property owners	63,408	11,981
Total current provisions	177,040	69,329
Non-current provisions		
Contractor retentions and other provisions	1,599	2,271
Property acquisition liabilities	2,442	8,148
Compensation payable to property owners	637	242
Total non-current provisions	4,678	10,661
Total other provisions	181,718	79,990

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 obligation, 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.

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 with 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.

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. Wherever practicable, this liability is based on an independent valuation.

Compensation payable to property owners

In circumstances where the Corporation has caused financial loss to property owners due to planning 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. Wherever practicable, this liability is based on an independent valuation.

5.5.1 Reconciliation of movements in other provisions

	Contractor retentions and other provisions	Property acquisition provision	Compensation payable to property owners	Total
	2017 \$'000	2017 \$'000	2017 \$'000	2017 \$'000
Opening balance	27,644	40,123	12,223	79,990
Additional provisions recognised	20,825	64,086	61,066	145,977
Reductions arising from payments/other sacrifices of future economic benefits	(7,252)	(17,042)	(720)	(25,014)
Additions/(reductions) from re-measurement or settlement without cost	(813)	(9,899)	(8,524)	(19,236)
Closing balance	40,404	77,268	64,045	181,717

	Contractor retentions and other provisions	Property acquisition provision	Compensation payable to property owners	Total
	2016 \$'000	2016 \$'000	2016 \$'000	2016 \$'000
Opening balance	16,087	22,379	26,008	64,474
Additional provisions recognised	24,369	32,787	7,440	64,596
Reductions arising from payments/other sacrifices of future economic benefits	(11,444)	(12,574)	(4,267)	(28,285)
Additions/(reductions) from re-measurement or settlement without cost	(1,368)	(2,469)	(16,958)	(20,795)
Closing balance	27,644	40,123	12,223	79,990

6 Financing our operations

Introduction

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

This note includes disclosures of balances that are financial instruments (such as borrowings and cash balances). *Notes 7.1 Financial instruments specific disclosures* and *7.3 Fair value determination* provide additional, specific financial instrument disclosures.

Structure	Page
6.1 Borrowings	109
6.1.1 Maturity analysis of borrowings	110
6.1.2 Interest expense	110
6.2 Leases	110
6.2.1 Finance lease liabilities (Corporation as lessee)	111
6.2.2 Operating leases (Corporation as lessee)	112
6.3 Cash flow information	113
6.3.1 Cash balances	113
6.3.2 Reconciliation of net result for the reporting period to cash flow from operating activities	114
6.3.3 Non-cash financing and investing activities	115
6.4 Commitments for expenditure	116
6.4.1 Total commitments payable	116
6.4.2 Public Private Partnership commitments	117

6.1 Borrowings

	Notes	2017 \$'000	2016 \$'000
Current borrowings			
Public Private Partnership related finance lease liabilities ⁽ⁱ⁾	6.2.1	19,022	20,521
Total current borrowings		19,022	20,521
Non-current borrowings			
Public Private Partnership related finance lease liabilities ⁽ⁱ⁾	6.2.1	721,213	740,235
Total non-current borrowings		721,213	740,235
Total borrowings		740,235	760,756

(i) Finance leases are effectively secured by the assets leased as the rights to the leased assets revert to the lessor in the event of default.

Borrowings refer to interest bearing liabilities associated with finance leases and are classified as financial instruments. These borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs, and are subsequently recorded at amortised cost.

During the current and prior reporting periods, there were no defaults or breaches of any borrowings.

6.1.1 Maturity analysis of borrowings

	Carrying amount	Nominal amount	Maturity dates				
			Less than 1 month	1-3 months	3-12 months	1-5 years	5+ years
			2017 \$'000	2017 \$'000	2017 \$'000	2017 \$'000	2017 \$'000
Borrowings	740,235	1,789,208	-	-	76,573	399,585	1,313,050
Total	740,235	1,789,208	-	-	76,573	399,585	1,313,050

	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
Borrowings	760,756	1,894,857	-	-	79,944	403,687	1,411,226
Total	760,756	1,894,857	-	-	79,944	403,687	1,411,226

6.1.2 Interest expense

	2017 \$'000	2016 \$'000
Interest on public private partnership finance leases	85,129	87,973
Total interest expense	85,129	87,973

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

6.2 Leases

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

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and rewards incidental to ownership. Leases of 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. All other leases are classified as operating leases.

For public private partnerships, the commencement of the lease is deemed to be the date the asset is commissioned.

6.2.1 Finance lease liabilities (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 leased property or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease.

The leased asset is accounted for as a non-financial physical asset. Where there is certainty that the Corporation will obtain ownership at the end of the lease term, the asset is depreciated over the useful life of the asset. Where there is no reasonable certainty of ownership, the asset is depreciated over the shorter of the estimated useful life of the asset or the term of the lease.

Minimum finance lease payments are apportioned between the reduction of the outstanding lease liability and the periodic finance expense which is calculated using the interest rate implicit in the lease, and recognised as an expense in the comprehensive operating statement.

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

Commissioned public private partnerships

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 of the Peninsula Link Project to the Corporation on behalf of the State of Victoria.

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. Details of future commitment for ongoing operation and maintenance expenditure are presented in *Note 6.4 Commitments for expenditure*.

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 per cent, (2016: 11.31 per cent).

The total contracted minimum future lease payments and the present value of the minimum future lease payments relating to the Peninsula Link contract are disclosed in the table below:

	Nominal Value	Nominal Value	Present Value	Present Value
Commissioned Public Private Partnership related finance lease liabilities payable	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Minimum future lease payments⁽ⁱ⁾				
Not longer than 1 year	101,946	105,650	19,022	20,521
Longer than 1 year but not longer than 5 years	398,341	402,634	90,133	84,613
Longer than 5 years	1,288,921	1,386,573	631,080	655,622
Minimum future lease payments	1,789,208	1,894,857	740,235	760,756

(i) Minimum future lease payments include the aggregate of all base payments and any guaranteed residual.

6.2.2 Operating leases (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. 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.

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.

Refer to *Note 6.4.1 Total commitments payable* for future commitments associated with non-cancellable operating leases.

6.3 Cash flow information

6.3.1 Cash balances

Cash and cash equivalents	2017 \$'000	2016 \$'000
Cash relating to operating activities		
Cash on hand	106	106
Cash at bank	(563)	6,026
Total cash relating to operating activities	(457)	6,132
Cash and cash equivalent collections on behalf of the Victorian Government, government agencies and other entities		
Cash at bank	36,053	33,245
Fixed deposits	750	900
Total cash and cash equivalent collections on behalf of the Victorian Government, government agencies and other entities	36,803	34,145
Total cash and cash equivalents	36,346	40,277

Cash and deposits, including cash equivalents, 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, which are held with the Treasury Corporation Victoria, which are held for the purpose of meeting short-term cash commitments rather than for investment purposes, and which are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

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.

Due to the State's investment policy and funding arrangements, the Corporation does not hold a large cash reserve in its bank accounts for operating activities.

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

	2017 \$'000	2016 \$'000
Net result for the reporting period	110,693	(169,749)
Adjustments for non-cash revenue and expense items		
Non-cash movements		
Depreciation	622,320	610,208
Impairment of non-current assets	325	77
Assets given/(received) free of charge	18,817	(32,361)
Net loss/(gain) on disposal of non-current assets	8,231	(2,600)
Loss on de-recognition of non-financial assets	3,892	-
Properties incorporated into roadworks	118	10
Asset register adjustments	(431)	2,712
Movements in assets and liabilities		
(Increase) decrease in receivables	173,433	(76,933)
(Increase) decrease in prepayments	(3,463)	1,896
Decrease (increase) in inventories	(688)	254
Increase (decrease) in payables	3,477	111,760
Increase (decrease) in provisions	10,115	16,475
Increase (decrease) in prepaid revenue	3,910	4,818
Net cash flows from operating activities	950,749	466,567

6.3.3 Non-cash financing and investing activities

2017

On 29 June 2017, the Minister for Roads and Road Safety approved an Allocation Statement pursuant to *Financial Reporting Direction 119A Contributions by Owners* transferring land associated with the Healesville Freeway reserve from the Corporation to the Department of Environment, Land, Water and Planning. This land had a carrying value of \$26.2 million.

In addition, land and building assets with a written down value of \$12.2 million were transferred to 'administered items' during the reporting period and subsequently sold, with the proceeds being remitted to the Victorian Government.

2016

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

In addition, land and building assets with a written down value of \$9.7 million were transferred to 'administered items' during the reporting period and subsequently sold, with the proceeds being remitted to the Victorian Government.

Fair value of net assets allocated	2017 \$'000	2016 \$'000
Assets		
Property	(38,403)	(9,671)
Infrastructure assets	-	(357,200)
Net assets recognised at the date of allocation	(38,403)	(366,871)

6.4 Commitments for expenditure

Commitments for future expenditure include operating and capital commitments arising from contracts. These commitments are recorded in this note at their nominal value and inclusive of Goods and Services Tax. Where it is considered appropriate and provides additional relevant information to users, the net present values of significant individual projects are stated.

Future expenditure commitments cease to be disclosed once the related liabilities are recognised in the balance sheet. Future finance lease payments are not disclosed as commitments as they are recognised in the balance sheet.

6.4.1 Total commitments payable

	Within one year	One to five years	Later than five years	Total
	2017 \$'000	2017 \$'000	2017 \$'000	2017 \$'000
Public private partnership commitments	9,647	77,202	362,982	449,831
Capital expenditure commitments	905,686	244,134	1,465	1,151,285
Non-cancellable operating lease commitments	19,782	49,979	77,504	147,265
Other expenditure commitments	95,791	89,781	16,383	201,955
Total Commitments (inclusive of GST)	1,030,906	461,096	458,334	1,950,336
Less GST Recoverable	(93,719)	(41,918)	(41,667)	(177,304)
Total Commitments (exclusive of GST)	937,187	419,178	416,667	1,773,032

	Within one year	One to five years	Later than five years	Total
	2016 \$'000	2016 \$'000	2016 \$'000	2016 \$'000
Public private partnership commitments	10,362	74,740	375,533	460,635
Capital expenditure commitments	1,174,905	556,179	999	1,732,083
Non-cancellable operating lease commitments	21,158	31,392	57,091	109,641
Other expenditure commitments	82,831	134,153	-	216,984
Total Commitments (inclusive of GST)	1,289,256	796,464	433,623	2,519,343
Less GST Recoverable	(117,205)	(72,406)	(39,420)	(229,031)
Total Commitments (exclusive of GST)	1,172,051	724,058	394,203	2,290,312

6.4.2 Public Private Partnership commitments

As disclosed in *Note 6.2.1 Finance lease liabilities*, the State of Victoria has entered into a project deed with Southern Way Pty Ltd, for the construction, financing and operation of the Peninsula Link road infrastructure. At the date of commitment to the principal provisions of the arrangement, the estimated periodic payments were allocated between the component related to the design and construction of the project (accounted for as a finance lease) and the component related to the ongoing operation and maintenance of the project (accounted for as future commitments for operating costs).

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. The components of the project deed relating to the future operation and maintenance commitments, which are not recognised as liabilities in the balance sheet, are set out in the table below.

The reduction between reporting periods in the total nominal amount of the commitments reflects payments made during the reporting period.

	Nominal Value	Nominal Value	Present Value	Present Value
	2017	2016	2017	2016
Public Private Partnership commitments	\$'000	\$'000	\$'000	\$'000
Pavement intervention commitments				
Within one year	-	-	-	-
Later than one year but not later than five years	22,027	22,027	16,776	15,669
Later than five years	77,736	77,736	25,752	24,052
Total Pavement Intervention commitments (inclusive of GST)	99,763	99,763	42,528	39,721
Less GST Recoverable	(9,069)	(9,069)	(3,866)	(3,611)
Total Pavement Intervention commitments (exclusive of GST)	90,694	90,694	38,662	36,110
Operation and maintenance commitments				
Within one year	9,647	10,362	9,010	9,678
Later than one year but not later than five years	55,175	52,713	43,026	40,566
Later than five years	285,246	297,797	113,446	114,164
Total Operation and Maintenance commitments (inclusive of GST)	350,068	360,872	165,482	164,408
Less GST Recoverable	(31,824)	(32,807)	(15,044)	(14,946)
Total Operation and Maintenance commitments (exclusive of GST)	318,244	328,065	150,438	149,462
Total Public Private Partnership commitments (inclusive of GST)	449,831	460,635	208,010	204,129
Less GST Recoverable	(40,893)	(41,876)	(18,910)	(18,557)
Total Public Private Partnership commitments (exclusive of GST)	408,938	418,759	189,100	185,572

7 Risks, contingencies and valuation judgements

Introduction

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

Structure	Page
7.1 Financial instruments specific disclosures	118
7.1.1 Financial instruments: Categorisation	119
7.1.2 Financial risk management objectives and policies	120
7.1.2.2 Financial instruments: Liquidity risk	122
7.1.2.3 Financial instruments: Market risk	122
7.2 Contingent assets and contingent liabilities	125
7.3 Fair value determination	126
7.3.1 Fair value determination of financial assets and liabilities	127
7.3.1.1 Fair value of financial instruments measured at amortised cost	127
7.3.2 Fair value determination: Non-financial physical assets	127
7.3.2.1 Fair value measurement hierarchy for assets as at 30 June 2017	129
7.3.2.2 Reconciliation of Level 3 fair value movements	131
7.3.3 Description of significant unobservable inputs to level 3 valuations	133

7.1 Financial instruments specific disclosures

Introduction

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 (for example receivables arising from taxes, fines and penalties). Such assets and liabilities do not meet the definition of financial instruments in *Australian Accounting Standard AASB 132 Financial Instruments: Presentation*.

Categories of financial instruments

Cash and receivables are financial instrument assets with fixed and determinable payments that are not quoted on an active market.

The Corporation recognises the following assets in this category:

- cash and cash equivalents; and
- receivables (excluding statutory receivables).

Financial liabilities at amortised cost are initially recognised on the date they are originated. They are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial instruments are measured at amortised cost with any difference between the initial recognised amount and the redemption value being recognised in profit and loss over the period of the interest bearing liability, using the effective interest rate method.

The Corporation recognises the following liabilities in this category:

- payables (excluding statutory payables); and
- borrowings (including finance lease liabilities).

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 Asset*.

7.1.1 Financial instruments: Categorisation

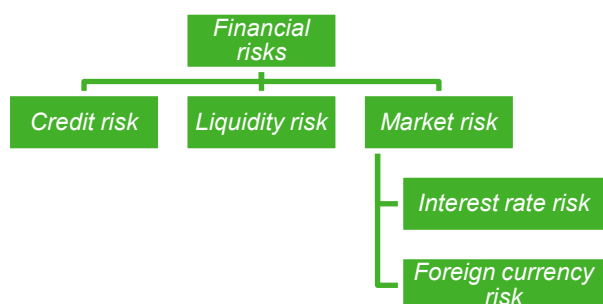
	Notes	Contractual financial assets – loans and receivables 2017 \$'000	Contractual financial liabilities at amortised cost 2017 \$'000	Total 2017 \$'000
Contractual financial assets				
Cash and cash equivalent	6.3.1	(457)	-	(457)
Receivables	5.1	191,328	-	191,328
Total contractual financial assets		190,871	-	190,871
Contractual financial liabilities				
Payables	5.3			
Creditors and accruals		-	251,790	251,790
Victorian Government, government agencies and other entities		-	17,185	17,185
Interest Bearing Liabilities				
Finance lease liabilities	6.1	-	740,235	740,235
Total contractual financial liabilities		-	1,009,210	1,009,210

7.1.1 Financial instruments: Categorisation (continued)

		Contractual financial assets – loans and receivables	Contractual financial liabilities at amortised cost	Total
	Notes	2016 \$'000	2016 \$'000	2016 \$'000
Contractual financial assets				
Cash and cash equivalent	6.3.1	6,132	-	6,132
Receivables	5.1	255,065	-	255,065
Total contractual financial assets		261,197	-	261,197
Contractual financial liabilities				
Payables	5.3			
Creditors and accruals		-	292,925	292,925
Victorian Government, government agencies and other entities		-	15,720	15,720
Interest Bearing Liabilities				
Finance lease liabilities	6.1	-	760,756	760,756
Total contractual financial liabilities		-	1,069,401	1,069,401

7.1.2 Financial risk management objectives and policies

The Corporation is exposed to a number of financial risks as follows:



As a whole, the Corporation's financial risk management program seeks to manage these risks and the associated volatility of its financial performance.

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 are disclosed in *Note 7.3 Fair value determination*.

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

The Corporation's main financial risks include credit risk, liquidity risk, interest rate risk and foreign currency 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.

7.1.2.1 Financial instruments: Credit risk

Credit risk arises from the contractual financial assets of the Corporation, which comprise cash and deposits and non-statutory receivables. Credit risk refers to the possibility that a borrower will default on its financial obligations when they fall due. The Corporation's exposure to credit risk arises from the potential default of a counter party 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 as the main debtor is the Victorian Government.

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.

There has been no material change to the Corporation's credit risk profile during the reporting period.

Credit quality of contractual financial assets that are neither past due nor impaired⁽ⁱ⁾

	Government Agencies (min triple B credit rating)	Other (min triple B credit rating)	Other (non rated)	Total
	2017 \$'000	2017 \$'000	2017 \$'000	2017 \$'000
Cash and cash equivalents	-	(563)	106	(457)
Receivables	100,678	-	90,650	191,328
Total contractual financial assets	100,678	(563)	90,756	190,871

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

(i) The amounts disclosed in these tables exclude statutory amounts.

7.1.2.2 Financial instruments: Liquidity risk

Liquidity risk arises from being unable to meet financial obligations when they fall due.

The Corporation operates under the Victorian Government's fair payments policy of settling financial obligations within 30 days and in the event of a dispute, making payments 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 Corporation's 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 reporting period data and the current assessment of risk.

7.1.2.3 Financial instruments: Market risk

The Corporation's exposure to market risks is 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 below.

Sensitivity disclosure analysis and assumptions

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 per cent or -1 per cent in market interest rates (Australian Dollar) from reporting period end rates of 1 per cent.
- a proportional exchange rate movement of -5 per cent (depreciation of the Australian Dollar) or +5 per cent (appreciation of the Australian Dollar) against foreign currency rates.

Interest rate risk

Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate because of 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 the future cash flows of a financial instrument will fluctuate as a result of changes in market interest rates. The Corporation has minimal exposure to cash flow interest rate risks through cash and cash equivalents, and term deposits, that are held at floating rates.

The Corporation primarily manages this risk 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 considers that cash at bank can be held at floating rates without necessarily exposing the Corporation to significant negative risk, and monitors movements in interest rates on a daily basis.

The Corporation's sensitivity to interest rate movements is limited to cash at bank. Management has estimated that a 1 per cent increase/decrease in interest rates would not have a material impact on the Corporation's net result.

The carrying amounts of financial assets and financial liabilities that are exposed to interest rates are set out in the following table:

Interest rate exposure of financial instruments

	Weighted average effective interest rate	Carrying amount	Interest rate exposure		
			Fixed interest rate	Variable interest rate	Non-interest bearing
			2017 \$'000	2017 \$'000	2017 \$'000
Cash and cash equivalents					
Cash at bank	1.50	(563)	-	(563)	-
Cash on hand	-	106	-	-	106
Receivables					
Debtors	-	34,162	-	-	34,162
Other receivables	-	72,145	-	-	72,145
Compensation payments recoverable	-	76,898	-	-	76,898
Loans	4.18	8,123	7,745	-	378
Total		190,871	7,745	(563)	183,689
Payables					
Creditors	-	251,790	-	-	251,790
Victorian Government and government agencies	-	17,185	-	-	17,185
Borrowings					
Lease liability at amortised cost	11.31	740,235	740,235	-	-
Total		1,009,210	740,235	-	268,975

Interest rate exposure of financial instruments (continued)

	Weighted average effective interest rate	Carrying amount	Interest rate exposure		
			Fixed interest rate	Variable interest rate	Non-interest bearing
			2016 \$'000	2016 \$'000	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
Other receivables	-	144,370	-	-	144,370
Compensation payments recoverable	-	66,456	-	-	66,456
Loans	4.10	8,723	8,325	-	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
Borrowings					
Lease liability at amortised cost	11.31	760,756	760,756	-	-
Total		1,069,401	760,756	-	308,645

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.

The Corporation's sensitivity to foreign currency movements is limited to overseas cash holdings. Management have estimated that a 5 per cent increase/decrease in foreign currency rates would not have a material impact on the Corporation's net result.

7.2 Contingent assets and contingent liabilities

Introduction

Contingent assets and contingent liabilities are not recognised in the balance sheet but are disclosed in this note and are measured at nominal value. Contingent assets and liabilities are presented inclusive of Goods and Services Tax receivable or payable respectively.

Quantifiable contingent assets

	2017 \$'000	2016 \$'000
Contingent assets		
Pending insurance claims associated with damage caused to Corporation assets	10,000	1,500
Recovery of legal expenses	7,090	7,090
Total contingent assets	17,090	8,590

Contingent assets are possible assets that arise from past events, whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Corporation.

Quantifiable contingent liabilities

	2017 \$'000	2016 \$'000
Contingent liabilities		
Contract claims against the Corporation for variations to contracts. In a number of cases, the Corporation is contesting the associated claims.	7,399	23,007
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.	8,384	27,452
Total contingent liabilities	15,783	50,459

Contingent liabilities are:

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

Non-quantifiable contingent assets and liabilities

The Corporation does not have any non-quantifiable contingent assets or liabilities as part of its controlled operations.

7.3 Fair value determination

Significant judgement

Fair value determination requires judgement and the use of assumptions. This note discloses the most significant assumptions used in determining fair values. Changes to assumptions could have a material impact on the results and financial position of the Corporation.

Introduction

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

The following assets and liabilities are carried at fair value:

- financial assets and liabilities; and
- land, buildings, infrastructure, and plant and equipment.

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

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

Fair value hierarchy

In determining fair values, a number of inputs are used. In order to improve consistency and comparability in the financial statements, these inputs are categorised into three levels (also known as the fair value hierarchy).

Consistent with *Australian Accounting Standard AASB 13 Fair Value Measurement*, all assets for which fair value is measured or disclosed in the financial statements, are categorised within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole.

The levels in the fair value hierarchy are as follows:

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

The 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.

Disclosures

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

- the carrying amount and the fair value (which is the same for those assets measured at fair value);

- the level of the fair value hierarchy used to determine the fair value; and
- in respect of those assets and liabilities subject to fair value determination using level 3 inputs:
- a reconciliation of the movements in fair values during the reporting period; and
- details of significant unobservable inputs used in the fair value determination.

7.3.1 Fair value determination of financial assets and liabilities

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	Financial liabilities
Cash and cash equivalents Receivables: <ul style="list-style-type: none"> • Sale of goods and services • Loans to third parties • Other receivables 	Payables: <ul style="list-style-type: none"> • Creditors and accruals • Amounts payable to the Victorian government and government agencies Borrowings: <ul style="list-style-type: none"> • Finance lease liability

7.3.1.1 Fair value of financial instruments measured at amortised cost

None of the Corporation's financial assets or liabilities are recorded at fair value after initial recognition. The amounts disclosed in the following table exclude statutory amounts.

	Notes	Carrying Amount 2017 \$'000	Fair Value 2017 \$'000	Carrying Amount 2016 \$'000	Fair Value 2016 \$'000
Contractual financial assets					
Cash and cash equivalents	6.3.1	(457)	(457)	6,132	6,132
Receivables	5.1	191,328	191,328	255,065	255,065
Total contractual financial assets		190,871	190,871	261,197	261,197
Contractual financial liabilities					
Payables	5.3	268,975	268,975	308,645	308,645
Borrowings	6.1	740,235	740,235	760,756	760,756
Total contractual financial liabilities		1,009,210	1,009,210	1,069,401	1,069,401

7.3.2 Fair value determination: Non-financial physical assets

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.

Operational land and buildings, land in commercial use and leasehold improvements are valued using the market approach. Under this valuation method, the assets are compared to recent comparable sales. As these assets 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 land under roads, and land and buildings acquired for future public roads, 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 current and future use of the assets being valued. This community service obligation adjustment 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, land under roads, and land and buildings acquired for future public roads, are classified as a level 3 fair value measurements.

Infrastructure and leased infrastructure assets are measured using the depreciated replacement cost method, adjusted for the associated depreciation impact. As depreciation adjustments are considered as significant, unobservable inputs in nature, these assets are classified as level 3 fair value measurements.

The fair value of plant and equipment is determined as the original acquisition cost less any accumulated depreciation and impairment losses. As depreciation and impairment adjustments are considered as significant, unobservable inputs in nature, these assets are classified as level 3 fair value measurements.

7.3.2.1 Fair value measurement hierarchy for assets as at 30 June 2017

	Carrying amount as at 30 June 2017 \$'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	42,987	-	42,987	-
Land acquired for future public roads	1,472,445	-	-	1,472,445
Land under declared roads	22,036,496	-	-	22,036,496
Land in commercial use	79,260	-	79,260	-
Total of land at fair value	23,631,188	-	122,247	23,508,941
Buildings at fair value				
Buildings operational	12,199	-	12,199	-
Buildings on land acquired for future public roads	25,276	-	-	25,276
Leasehold improvements	14,072	-	14,072	-
Total of buildings at fair value	51,547	-	26,271	25,276
Plant and equipment at fair value				
Plant and equipment	28,281	-	-	28,281
Total of plant and equipment at fair value	28,281	-	-	28,281
Infrastructure assets at fair value				
Road pavements	12,594,141	-	-	12,594,141
Earthworks	8,107,504	-	-	8,107,504
Sound barriers	410,380	-	-	410,380
Bridges	5,058,670	-	-	5,058,670
Traffic signal control systems	275,100	-	-	275,100
Total of infrastructure assets at fair value	26,445,795	-	-	-
Total property, plant and equipment	50,156,811	-	148,518	50,008,293

7.3.2.1 Fair value measurement hierarchy for assets as at 30 June 2017 (continued)

	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	-
Total of land at fair value	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	-
Total of buildings at fair value	52,108	-	26,963	25,145
Plant and equipment at fair value				
Plant and equipment	22,273	-	-	22,273
Total of plant and equipment at fair value	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
Total of infrastructure assets at fair value	26,799,552	-	-	26,799,552
Total property, plant and equipment	45,972,872	-	110,173	45,862,699

7.3.2.2 Reconciliation of Level 3 fair value movements

	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
	2017 \$'000	2017 \$'000	2017 \$'000	2017 \$'000	2017 \$'000	2017 \$'000	2017 \$'000	2017 \$'000	2017 \$'000
Opening balance	1,204,279	17,811,450	25,145	22,273	12,949,277	8,059,283	426,617	5,082,731	281,644
Acquisitions	55,557	-	1,355	10,977	-	-	-	-	-
Asset register adjustments	(335)	-	-	-	3,272	(1,619)	-	(3,680)	2,793
Assets transferred from other entities	-	-	-	-	4,394	623	-	1,760	-
Assets transferred to other entities	-	-	-	-	(13,881)	(6,008)	-	(4,293)	(1,412)
Assets transferred to other entities as contributed capital	(26,150)	-	-	-	-	-	-	-	-
Capitalised work in progress	-	-	-	-	177,040	55,225	143	75,735	17,137
Construction expenditure	-	-	-	-	-	-	-	617	6,860
Depreciation expense	-	-	(650)	(4,545)	(461,252)	-	(16,380)	(93,231)	(31,922)
Disposals	(2,007)	-	(95)	(99)	-	-	-	(691)	-
Assets transferred to Victorian Government as contributed capital	(9,176)	-	-	-	-	-	-	-	-
Impairment expense	-	-	-	(325)	-	-	-	-	-
Properties incorporated into declared roads	-	-	(118)	-	-	-	-	-	-
Transfers from/(to) land under declared roads	(3,657)	3,657	-	-	-	-	-	-	-
Transfers from/(to) properties held for sale	(6,261)	-	(360)	-	-	-	-	-	-
Subtotal	1,221,250	17,815,107	25,277	28,281	12,658,850	8,107,504	410,380	5,058,948	275,100
Gains or losses recognised in other economic flows — other comprehensive income									
Revaluation Increment/(decrement)	260,195	4,221,389	-	-	-	-	-	-	-
Impairment adjusted to asset revaluation reserve	-	-	-	-	(64,709)	-	-	(278)	-
Subtotal	260,195	4,221,389	-	-	(64,709)	-	-	(278)	-
Closing balance	1,472,445	22,036,496	25,277	28,281	12,594,141	8,107,504	410,380	5,058,670	275,100

7.3.2.2 Reconciliation of Level 3 fair value movements (continued)

	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
Acquisitions	8,283	-	1,054	6,207	-	-	-	-	-
Asset register adjustments	(959)	-	3	-	(5,727)	(481)	-	7,221	846
Assets transferred from other entities	15	-	-	-	20,592	13,857	-	-	500
Assets transferred to other entities	-	-	-	-	(1,156)	(1,302)	-	-	(130)
Capitalised work in progress	-	-	-	-	427,054	211,070	7,286	92,880	40,857
Construction expenditure	-	-	-	-	-	-	-	-	3,191
Depreciation expense	-	-	(630)	(4,341)	(452,908)	-	(16,152)	(92,317)	(31,160)
Disposals	(2,917)	-	(117)	(210)	-	-	-	(951)	(386)
Assets transferred to Victorian Government as contributed capital	(9,070)	-	-	-	-	-	-	-	-
Impairment loss	-	-	-	(77)	-	-	-	-	-
Transfers between classes	(10,130)	10,130	-	-	-	-	-	-	-
Transfers to properties held for sale	(6,744)	-	-	-	-	-	-	-	-
Transfers from/(to) land under declared roads	-	-	(10)	-	-	-	-	-	-
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	-	-	-	-	-	-	-	-	-
Impairment adjusted to asset revaluation reserve	-	-	-	-	(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

7.3.3 Description of significant unobservable inputs to level 3 valuations

Classification	Valuation technique	Significant unobservable inputs
Land		
Land acquired for future public roads	Market approach	Community services obligation adjustment
Land under declared roads	Market approach	Community services obligation adjustment
Buildings		
Buildings on land acquired for future public roads	Depreciated replacement cost	Direct cost per square metre Useful life
Plant and equipment		
Furniture, fittings, computers and other technical equipment	Depreciated replacement cost	Cost per unit Useful life
Infrastructure Assets		
Road pavements	Depreciated replacement cost	Cost per km lane Useful life
Earthworks	Depreciated replacement cost	Cost per km of length
Sound barriers	Depreciated replacement cost	Cost per square metre Useful life
Bridges	Depreciated replacement cost	Cost per square metre Useful life
Traffic signal control systems	Depreciated replacement cost	Cost per unit Useful life

Significant unobservable inputs have remained unchanged since June 2016.

Non-financial physical assets held for sale measured at fair value and their categorisation in the fair value hierarchy

	Carrying amount as at 30 June 2017 \$'000	Fair value measurement at end of reporting period using:		
		Level 1 \$'000	Level 2 \$'000	Level 3 \$'000
Properties held for sale	17,771	-	17,771	-
Total properties held for sale	17,771	-	17,771	-

	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	-

There have been no transfers between levels during the period. There were no changes in valuation techniques throughout the reporting period.

8 Transactions administered on behalf of the State of Victoria

Introduction

A distinction between controlled and administered items is drawn based on whether the Corporation has the ability to deploy the resources in question for its own benefit (controlled items), or whether it does so on behalf of the State of Victoria (administered items).

While the Corporation remains accountable for transactions involving administered items, it does not recognise these items in its financial statements.

This note provides information on those items which the Corporation administers in connection with its objectives but which do not form part of the controlled balances and transactions of the Corporation.

Structure	Page
8.1 Administered items	135
8.1.1 Income collections	135
8.1.2 Private provision of public infrastructure	136
8.1.2.1 Melbourne CityLink	136
8.1.2.2 EastLink	137
8.2 Transactions administered on behalf of the State of Victoria	138
8.3 Collections on behalf of other government agencies	140
8.4 Administered contingent assets	140

8.1 Administered items

Administered income includes taxes, fees and fines, and proceeds from the sale of administered surplus land and buildings. Administered expenses include payments made on behalf of the State. Administered assets include income earned but yet to be collected. Administered liabilities include expenses incurred but yet to be paid.

Except as otherwise disclosed, administered resources are accounted for on an accrual basis using the same accounting policies adopted for recognition of the controlled items in the Corporation's financial statements. Both controlled and administered items of the Corporation are consolidated into the Whole of Victorian Government financial statements.

The Corporation does not gain control over assets arising from taxes, fines and regulatory fees, consequently no income is recognised in the Corporation's financial statements. The Corporation collects these amounts on behalf of the State of Victoria. These amounts are disclosed as income in this note.

8.1.1 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.

Expenses incurred in the collection of this income are recognised as the Corporation's expenses. These expenses are funded from Victorian Government grants and fees paid by the Transport Accident Commission, which are recognised as the Corporation's income.

Income collected, but not remitted to the State of Victoria and government agencies as at the reporting date is recognised as an asset and a corresponding liability in the Corporations' balance sheet.

Cash flows relating to administered income collected are not recognised in the Corporation's cash flow statement.

8.1.2 Private provision of public infrastructure

The State of Victoria enters into arrangements with private sector participants to design and construct or upgrade assets used to provide public services. These arrangements include the provision of operations and maintenance services for a specified period of time. Certain arrangements involve the State of Victoria granting to an operator, for a specified period of time (referred to a concession period), the right to collect fees from users of the assets. Under these arrangements, the private sector entities typically lease land, and sometimes State infrastructure works, from the State of Victoria and construct infrastructure. At the end of the concession period, the land and state infrastructure works, together with the constructed infrastructure, will be returned to the Corporation.

Australian Accounting Standard AASB 1059 Service Concession Arrangements: Grantors was issued in July 2017 and will become effective from 1 January 2019. As the new standard is not currently effective, there has been no change to the existing policy and the right to receive constructed infrastructure at the end of the concession period, has not been recognised as an administered asset in this note.

8.1.2.1 Melbourne CityLink

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, under the contractual arrangements existing as at 30 June 2017, will 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 this note.

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.

8.1.2.2 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.

8.2 Transactions administered on behalf of the State of Victoria

	2017 \$'000	2016 \$'000
Administered income from transactions		
Collections on behalf of the State of Victoria		
Registration fees	1,535,382	1,439,478
Driver licences	109,502	133,260
Other fees and permits	56,951	49,281
Total collections on behalf of the State of Victoria	1,701,835	1,622,019
City Link concession notes revenue		
Concession notes revenue	34,880	33,128
Total City Link concession notes revenue	34,880	33,128
Total administered income from transactions	1,736,715	1,655,147
Administered expense from transactions		
City Link concession notes deferred revenue revaluation increment	(30,768)	(32,213)
Total administered expense from transactions	(30,768)	(32,213)
Total administered net result from transactions (net operating balance)	1,705,947	1,622,934
Administered net gain/loss on non-financial assets		
Proceeds from disposal of surplus non-financial assets	23,800	14,269
Written-down value of disposed non-financial assets	(12,253)	(9,686)
Total administered net gain/loss on non-financial assets	11,547	4,583
Total administered comprehensive result	1,717,494	1,627,517

	2017 \$'000	2016 \$'000
Administered financial assets		
Receivables	-	7,637
Infrastructure work in progress	58,015	16,160
Total administered assets	58,015	23,797
Administered liabilities		
Present value of City Link unearned revenue	336,130	340,242
City Link Tullamarine widening unearned revenue	152,593	54,083
Unclaimed monies administered on behalf of the State of Victoria	12,723	11,290
Total administered liabilities	501,446	405,615
Total administered net assets / (liabilities)	(443,431)	(381,818)

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

	2017 \$'000	2016 \$'000
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	-	-

	2017 \$'000	2016 \$'000
Reconciliation of the present value of deferred City Link revenue		
Present value at beginning of the year	340,242	341,157
Concession notes revenue	(34,880)	(33,128)
Deferred revenue revaluation increment	30,768	32,213
Present value at the end of the year	336,130	340,242

8.3 Collections on behalf of other government agencies

	2017 \$'000	2016 \$'000
Transport Accident Charge and related stamp duty (Transport Accident Commission)	2,137,533	2,028,823
Stamp duty (State Revenue Office)	813,834	776,968
Motorboat registrations and licenses (Transport Safety Victoria)	27,592	26,381
Federal interstate registrations (Department of Infrastructure and Regional Development)	36,932	40,240
Total collections on behalf of other government agencies	3,015,891	2,872,412

8.4 Administered 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 remain outstanding.

EastLink 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 the Peninsula Link road network. This claim remains outstanding.

9 Other disclosures

Introduction

This note includes additional material disclosures which are required by accounting standards or otherwise enhance the understanding of the financial statements.

Structure	Page
9.1 Other economic flows included in net result	141
9.2 Responsible persons	142
9.3 Remuneration of executives	142
9.4 Related parties	143
9.5 Remuneration of auditors	145
9.6 Other accounting policies	146
9.7 Subsequent events	146
9.8 Australian Accounting Standards issued that are not yet effective	147
9.9 Glossary of technical terms	149

9.1 Other economic flows included in net result

Other economic flows relate to changes in the volume or value of an asset or liability that do not result from transactions.

	2017 \$'000	2016 \$'000
Net gain/(loss) on non-financial assets		
Proceeds from disposal of surplus non-financial assets	3,818	9,739
Written-down value of disposed non-financial assets	(12,049)	(7,137)
De-recognised non-financial assets	(3,892)	-
Assets register adjustments	431	(2,714)
Impairment of assets	(325)	(77)
Total net gain/(loss) on non-financial assets	(12,017)	(189)
Net gain/(loss) on financial instruments		
Bad and doubtful debts	23	(546)
Total net gain/(loss) on financial instruments	23	(546)
Other gains/(losses) from other economic flows		
Gain/(loss) on revaluation of provision for employee benefits	2,049	(3,273)
Gain/(loss) arising from transactions in foreign exchange	(48)	55
Total other gains/(losses) from other economic flows	2,001	(3,218)
Total other economic flows included in net result	(9,993)	(3,953)

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/(loss) from the disposal of surplus assets is recognised at the date that control of the asset is passed from the Corporation to the buyer, and is determined after deducting from the proceeds of disposal, the carrying value of the asset at that time.

Net gain/(loss) on financial instruments

Net gain/(loss) on financial instruments relates to impairment of financial instruments at amortised cost.

Other gains/(losses) from other economic flows

Other gains/(losses) from other economic flows relate to gain/(loss) from the revaluation of the present value of long service leave liabilities due to changes in the bond interest rates, and foreign currency translation differences.

9.2 Responsible persons

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

Remuneration

Remuneration received or receivable by the Accountable Officer in connection with the management of the Corporation during the reporting period was in the range: \$430,000–\$439,000 (\$400,000–\$410,000 in 2015–16).

Names

The persons who held the positions of Minister and Accountable Officer in the Corporation are as follows:

Minister for Roads and Road safety:

The Hon. Luke Donnellan

1 July 2016 to 30 June 2017

Accountable Officer:

Mr John Merritt

1 July 2016 to 30 June 2017

9.3 Remuneration of executives

The number of executive officers, (other than the Minister and Accountable Officer), and their total remuneration during the reporting period are shown in the table below.

Total annualised employee equivalents provide a measure of full time equivalent executive officers over the reporting period and is based on 38 paid ordinary working hours per week over a 52 week reporting period.

Remuneration comprises employee benefits in all forms of consideration paid, payable or provided by the Corporation, or on behalf of the Corporation, in exchange for services rendered in the following categories:

- short-term employee benefits include amounts such as salaries, annual leave or sick leave that are usually paid or payable on a regular basis

- post-employment benefits comprise employer superannuation contributions
- other long-term benefits comprise long service leave entitlements
- termination benefits include payments on termination of employment, such as severance packages.

The disclosure in this note is presented in accordance *Financial Reporting Direction 21C Disclosures of responsible persons and executive officers in the financial report*. No comparative information has been reported as remuneration in prior years was determined in accordance with *Financial Reporting Direction 21B Disclosures of responsible persons, executive officers and other personnel (contractors with significant management responsibilities) in the financial report* which applied a different basis and definition.

Remuneration	Total 2017 \$'000
Short-term employee benefits	11,497
Post-employment benefits	942
Other long-term benefits	570
Termination benefits	978
Total remuneration	13,987
Total number of executives	70
Total annualised employee equivalents	53.5

9.4 Related parties

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

- all key management personnel and their close family members;
- all cabinet ministers and their close family members; and
- all Victorian Government departments and public sector entities that are controlled and consolidated into the Whole of Victorian Government consolidated financial statements.

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

Key management personnel of the Corporation include the Portfolio Minister, the Accountable Officer and members of the Corporation's Executive Leadership Team who report directly to the Accountable Officer. The compensation detailed in the table below excludes the salaries and benefits the Portfolio Minister receives. The Minister's remuneration and allowances is set by the *Parliamentary Salaries and Superannuation Act 1968* and is reported within the Department of Parliamentary Services' financial statements.

Compensation of key management personnel	2017 \$'000
Short-term employee benefits	2,349
Post-employment benefits	158
Other long-term benefits	80
Total	2,587

Significant transactions with government-related entities

The table below details the significant transactions entered into by the Corporation during the reporting period, with government-related entities.

Related Party	Nature of transaction	Category	Note	2017 \$'000	2016 \$'000
Transport Accident Commission	Payment of income collected as agent.	Agency payments	8.3	2,137,533	2,028,823
		Payables	5.3	12,671	9,468
	Commission received for provision of collection service	Income	2.3	43,463	41,305
		Program funding for delivery of specific projects	Income	2.4	135,182
	Receivables		5.1	40,366	11,790
Department of Economic Development, Jobs, Transport and Resources	Program funding	Income	2.2	1,412,448	1,092,070
		Contributed capital	Statement of changes in equity	306,972	246,648
		Receivables	5.1	487,029	327,044
Consolidated Fund	Payment of income collected on behalf of the State of Victoria	Administered payment	8.2	1,701,835	1,622,019
	Payment of income collected as agent for State Revenue Office	Agency payments	8.3	813,834	776,968
	Payment of income collected as agent for Transport Safety Victoria	Agency payments	8.3	27,592	26,381
	Income collected and not paid	Payables	5.3	19,114	19,458
	Land and buildings transferred to administered items as equity	Property, plant and equipment	4.1.3.2 4.1.1.2	9,176 -	9,070 117
		Assets held for sale	5.2	3,077	499
		Contributed capital	Statement of changes in equity	12,253	9,686
Payment of proceeds from disposal of assets on behalf of the State of Victoria	Administered payments	8.2	23,800	14,269	
Transport Safety Victoria	Commission received for provision of collection service	Income	2.3	5,119	5,021
Level Crossing Removal Authority	Funding for the management of level crossing removal projects	Income	2.4	638,683	591,093
		Receivables	5.1	23,914	130,611
Department of Treasury and Finance	Capital asset charge for opportunity cost of capital used in service delivery	Expenses	3.1.3	49,800	49,800
Department of Environment, Land, Water and Planning	Transfer of land	Property, plant and equipment	4.1.3.2	26,150	-

Transactions with key management personnel and other related parties

Given the breadth and depth of Victorian Government activities, related parties transact with the Victorian Government public sector in a manner which is consistent with other members of the public (e.g. payment of Government fees and charges).

Employment within the Corporation occurs on terms and conditions consistent with the *Public Administration Act 2004* and code of conduct and standards, issued by the Victorian Public Sector Commission.

Procurement processes occur on terms and conditions consistent with the Victorian Government Procurement Board requirements.

The Department of Treasury and Finance manages the collation of related party information for cabinet Ministers with specific advice being provided to impacted entities. The Corporation has not received advice of any related party transactions involving cabinet Ministers and their close family members.

Outside of normal citizen type transactions with the Corporation, there were no related party transactions that involved key management personnel or their close family members.

No provision has been required, nor any expense recognised, for impairment of receivables from related parties.

9.5 Remuneration of auditors

	2017 \$'000	2016 \$'000
Victorian Auditor-General's Office		
Audit or review of the financial statements	396	384
Other non-audit services ⁽ⁱ⁾	-	-
Total auditors' remuneration	396	384

(i) The Victorian Auditor General's Office is not allowed to provide non-audit service

9.6 Other accounting policies

Fair Value of assets provided free of charge

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

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.

Prepayments

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

Foreign currency balances/transactions

All foreign currency transactions during the reporting period 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 on 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.

Foreign currency translation differences are recognised in other economic flows in the comprehensive operating statement.

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 do not form part of the income and expenses of the Corporation.

Additions to net assets that 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 certain surplus properties are paid into the Victorian Government's Consolidated Fund. An amount equivalent to the carrying of such properties is recognised as a reduction in contributed capital.

9.7 Subsequent events

The Corporation's policy in connection with recognising the impact of events that occur between the end of the reporting period and the date when the financial statements are authorised for issue, is as follows:

- adjustments are made to amounts recognised in the financial statements where subsequent events provide further information about conditions that existed at the reporting date; and/or
- disclosure is made where subsequent events relate to conditions that arose after the end of the reporting period that are considered to be of material interest.

9.8 Australian Accounting Standards issued that are not yet effective

Certain new Australian accounting standards have been published that are not mandatory for the 30 June 2017 reporting period. The Department of Treasury and Finance assesses the impact of these new standards and advises the Corporation of their applicability and early adoption where applicable.

The table below provides a detailed listing of the Australian accounting standards which have been issued but are not yet effective for the 2016–17 reporting period.

New Accounting Standards and interpretations

Standard/Interpretation	Summary	Applicable for annual reporting periods beginning on	Impact on Corporation's financial statements
<p><i>AASB 9 Financial Instruments</i> <i>AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)</i> <i>AASB 2014-1 Amendments to Australian Accounting Standards [Part E Financial Instruments]</i> <i>AASB 2014-7 Amendments to Australian Accounting Standards arising from AASB 9</i></p>	<p>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.</p>	1 January 2018	No material impact on the Corporation's financial statements.
<p><i>AASB 15 Revenue from Contracts with Customers</i> <i>AASB 2014-5 Amendments to Australian Accounting Standards arising from AASB 15</i> <i>AASB 2016-3 Amendments to Australian Accounting Standards — Clarifications to AASB 15</i></p>	<p>The core principle of <i>AASB 15</i> requires an entity to recognise revenue when the entity satisfies a performance obligation by transferring a promised good or service to a customer.</p>	1 January 2019	<p>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.</p> <p>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.</p>
<p><i>AASB 2016-4 Amendments to Australian Accounting Standards — Recoverable Amount of Non-Cash-Generating Specialised Assets of Not-for-Profit Entities</i></p>	<p>The standard amends <i>AASB 136 Impairment of Assets</i> to remove references to using depreciated replacement cost (DRC) as a measure of value in use for not-for-profit entities.</p>	1 January 2017	<p>No material impact on the Corporation's financial statements. Given the specialised nature and restrictions of public sector assets, the existing use is presumed to be the highest and best use (HBU), hence current replacement cost under <i>AASB 13 Fair Value Measurement</i> is the same as the depreciated replacement cost concept under <i>AASB 136</i>.</p>
<p><i>AASB 16 Leases</i></p>	<p>The key changes introduced by <i>AASB 16</i> include the recognition of most operating leases (which are currently not recognised) on balance sheet.</p>	1 January 2019	<p>Most of the Corporation's operating leases will need to be recognised on the balance sheet.</p>

New Accounting Standards and interpretations (continued)

Standard/Interpretation	Summary	Applicable for annual reporting periods beginning on	Impact on Corporation's financial statements
AASB 1058 Income of Not-for-Profit Entities	<p>This Standard will replace AASB 1004 Contributions and establishes principles for transactions that are not within the scope of AASB 15, where the consideration to acquire an asset is significantly less than fair value to enable not-for-profit entities to further their objectives.</p>	1 January 2019	Revenue from capital grants that are provided under an enforceable agreement that have sufficiently specific obligations, will be deferred and recognised as performance obligations are satisfied. As a result, the timing recognition of revenue will change.
<p><i>AASB 2016-8 Amendments to Australian Accounting Standards — Australian Implementation Guidance for Not-for-Profit Entities</i></p>	<p>This Standard amends <i>AASB 9</i> and <i>AASB 15</i> to include requirements and implementation guidance to assist not-for-profit entities in applying the respective standards to particular transactions and events.</p> <p>The amendments:</p> <ul style="list-style-type: none"> • require non-contractual receivables arising from statutory requirements (i.e. taxes, rates and fines) to be initially measured and recognised in accordance with <i>AASB 9</i> as if those receivables are financial instruments; and • clarifies circumstances when a contract with a customer is within the scope of <i>AASB 15</i>. 	1 January 2019	No significant impact for the Corporation, other than the impacts identified for <i>AASB 9</i> and <i>AASB 15</i> above.
<p><i>AASB 1059 Service Concession Arrangements: Grantors</i></p>	<p>This Standard addresses the accounting for service concession arrangements by a grantor that is a public sector entity by prescribing the accounting for the arrangement from the grantor's perspective.</p>	1 January 2019	There will be an impact to the balance sheet if the Corporation is required to record assets and liabilities associated with City Link and Eastlink operations as controlled assets and liabilities.

9.9 Glossary of technical terms

Administered item

Administered item generally refers to an item where the Corporation lacks 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 an intangible asset.

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 reporting period. It is the aggregate of the operating result and other comprehensive income.

Controlled item

Controlled item generally refers to an item where the Corporation has 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.

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 physical 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:

- cash;
- 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:

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

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.

Interest bearing liabilities

Interest bearing liabilities are related to finance leases.

Interest expense

Costs incurred in connection with the borrowing of funds including the interest component of finance lease 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 reporting period. It is the net result of items of income, gains and expenses (including losses) recognised for the reporting 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.

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.

Other economic flows-other comprehensive income are related to changes in the physical asset revaluation reserve.

Payables

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

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

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.

Supplies and services

Supplies and services generally represent 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.

Independent Auditor's Report

To the Chief Executive of the Roads Corporation

Opinion	<p>I have audited the financial report of the Roads Corporation (the Entity) which comprises the:</p> <ul style="list-style-type: none"> • balance sheet as at 30 June 2017 • comprehensive operating statement for the year then ended • statement of changes in equity for the year then ended • cash flow statement for the year then ended • notes to the financial statements, including a summary of significant accounting policies • accountable officer's and chief financial officer's declaration. <p>In my opinion the financial report presents fairly, in all material respects, the financial position of the Entity as at 30 June 2017 and their financial performance and cash flows for the year then ended in accordance with the financial reporting requirements of Part 7 of the <i>Financial Management Act 1994</i> and applicable Australian Accounting Standards.</p>
Basis for Opinion	<p>I have conducted my audit in accordance with the <i>Audit Act 1994</i> which incorporates the Australian Auditing Standards. My responsibilities under the Act are further described in the <i>Auditor's Responsibilities for the Audit of the Financial Report</i> section of my report.</p> <p>My independence is established by the <i>Constitution Act 1975</i>. My staff and I are independent of the Entity in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 <i>Code of Ethics for Professional Accountants</i> (the Code) that are relevant to my audit of the financial report in Australia. My staff and I have also fulfilled our other ethical responsibilities in accordance with the Code.</p> <p>I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.</p>
Chief Executive's responsibilities for the financial report	<p>The Chief Executive of the Entity is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and the <i>Financial Management Act 1994</i>, and for such internal control as the Chief Executive determines is necessary to enable the preparation and fair presentation of a financial report that is free from material misstatement, whether due to fraud or error.</p> <p>In preparing the financial report, the Chief Executive is responsible for assessing the Entity's ability to continue as a going concern, and using the going concern basis of accounting unless it is inappropriate to do so.</p>

Auditor's responsibilities for the audit of the financial report

As required by the *Audit Act 1994*, my responsibility is to express an opinion on the financial report based on the audit. My objectives for the audit are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

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

- identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Chief Executive
- conclude on the appropriateness of the Chief Executive's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

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



Anna Higgs

as delegate for the Auditor-General of Victoria

MELBOURNE
30 August 2017

Disclosure index

This Annual Report has been prepared in accordance with all relevant Victorian legislation and pronouncements. This index has been prepared to facilitate identification of compliance with statutory disclosure requirements.

Table 20: Disclosure index

Legislation	Disclosure required	Page
MINISTERIAL DIRECTIONS & FINANCIAL REPORTING DIRECTIONS		
Report of operations		
Charter and purpose		
FRD 22H	Manner of establishment and the relevant Ministers	5
FRD 22H	Purpose, functions, powers and duties	5
FRD 8D	Departmental objectives, indicators and outputs	7
FRD 22H	Key initiatives and projects	8
FRD 22H	Nature and range of services provided	5
MANAGEMENT AND STRUCTURE		
FRD 22H	Organisational structure	49
FINANCIAL AND OTHER INFORMATION		
FRD 8D	Performance against output performance measures	10
FRD 8D	Budget portfolio outcomes	7
FRD 10A	Disclosure index	155
FRD 12B	Disclosure of major contracts	34–36
FRD 15D	Executive officer disclosures	50
FRD 22H	Employment and conduct principles	55
FRD 22H	Occupational health and safety policy	54
FRD 22H	Summary of the financial results for the year	41
FRD 22H	Significant changes in financial position during the year	41
FRD 22H	Subsequent events	146
FRD 22H	Application and operation of <i>Freedom of Information Act 1982</i>	64–65
FRD 22H	Compliance with building and maintenance provisions of <i>Building Act 1993</i>	66
FRD 22H	Statement on National Competition Policy	66
FRD 22H	Application and operation of the <i>Protected Disclosure Act 2012</i>	66
FRD 22H	Details of consultancies over \$10,000	63
FRD 22H	Details of consultancies under \$10,000	61
FRD 22H	Disclosure of government advertising expenditure	62

Legislation	Disclosure required	Page
FRD 22H	Disclosure of ICT expenditure	63
FRD 22H	Statement of availability of other information	67
FRD 25C	Victorian Industry Participation Policy disclosures	61
FRD 29B	Workforce data disclosures	56–60
COMPLIANCE ATTESTATION AND DECLARATION		
SD 5.1.4	Attestation for compliance with Ministerial Standing Direction	68
SD 5.2.3	Declaration in report of operations	2
FINANCIAL STATEMENTS		
Declaration		
SD 5.2.2	Declaration in financial statements	73
Other requirements under Standing Directions 5.2		
SD 5.2.1(a)	Compliance with Australian accounting standards and other authoritative pronouncements	73, 78, 147
SD 5.2.1(a)	Compliance with Ministerial Directions	68
OTHER DISCLOSURES AS REQUIRED BY FRDS IN NOTES TO THE FINANCIAL STATEMENTS(A)		
FRD 21C	Disclosures of responsible persons, executive officers and other personnel (contractors with significant management responsibilities) in the financial report	5, 50–51, 142–143
FRD 103F	Non-financial physical assets	87–97, 99–100, 105, 127–134
FRD 110A	Cash flow statements	76, 113–114
FRD 112D	Defined benefit superannuation obligations	84–85
(a) References to FRDs have been removed from the Disclosure Index if the specific FRDs do not contain requirements that are of the nature of disclosure.		
LEGISLATION		
<i>Building Act 1993</i>		66
<i>Protected Disclosure Act 2012</i>		66
<i>Victorian Industry Participation Policy Act 2003</i>		61
<i>Financial Management Act 1994</i>		2, 33, 51, 53, 78, 142
<i>Audit Act 1994</i>		51
<i>Road Management Act 1994</i>		68
<i>Disability Discrimination Act</i>		71
<i>Freedom of Information Act 1982</i>		64–65

