### PART FIVE: FINANCIAL MANAGEMENT 05

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# Financial Management Table 1. Key Financial Results

	2013	2012	\$m change
YEAR ENDED 30 JUNE	\$m	\$m	inc/(Dec)
FINANCIAL PERFORMANCE			
Income from Transactions	1,504.9	2,013.3	(508.4)
Expenses from Transactions	1,499.0	1,521.6	(22.6)
NET RESULT FROM TRANSACTIONS	5.9	491.7	(485.8)
Other Economic Flows included in Net Result	7.5	7.8	(0.3)
NET RESULT	13.4	499.5	(486.1)
Expenses from Transactions			
Network and Asset Planning	1,200.8	1,232.3	(31.5)
Road Safety	105.7	99.7	6.0
Registration and Licensing	147.6	152.8	(5.2)
Other Services	44.9	36.8	8.1
	1,499.0	1,521.6	(22.6)
CAPITAL WORKS EXPENDITURE			
Infrastructure assets	853.4	873.6	(20.2)
Other assets	23.3	44.9	(21.6)
	876.7	918.5	(41.8)
TOTAL EXPENDITURE	2,375.7	2,440.1	(64.4)
INCOME COLLECTED ON BEHALF OF THE VICTORIAN GOVERNMENT AND OTHER GOVERNMENT AGENCIES	3,785.5	3,458.1	327.4
INCOME ADMINISTERED ON BEHALF OF THE VICTORIAN GOVERNMENT	29.0	27.9	1.1

	2013	2012	\$m change
AS AT 30 JUNE	\$m	\$m	inc/(Dec)
FINANCIAL POSITION			
Total assets	45,372.8	45,136.6	236.2
Total liabilities	411.9	419.3	(7.4)
NET ASSETS	44,960.9	44,717.3	243.6
LIABILITIES ADMINISTERED ON BEHALF OF THE VICTORIAN GOVERNMENT			
Total liabilities	348.6	346.4	2.2

#### **Financial Overview**

VicRoads' total expenditure was \$2.4 billion in 2012-13, \$64.4 million less than the previous year. This expenditure comprised \$1.5 billion in expenses from transactions and \$0.9 billion in capital works expenditure.

The total expenditure for 2012-13 comprised \$1.8 billion in delivering outputs and \$0.6 billion relating to the expensing of assets recognised as outputs in previous years.

The value of road infrastructure and other assets managed by VicRoads increased by \$0.2 billion to \$45.4 billion during 2012-13, while total liabilities decreased by \$7.4 million to \$411.9 million. These movements in assets and liabilities resulted in a growth in net assets of \$0.2 billion to \$45.0 billion as at 30 June 2013.

#### **Financial Performance**

VicRoads recorded a net result surplus of \$13.4 million in 2012-13 compared with a net surplus of \$499.5 million in the previous year. The decrease in surplus was principally due to reduced funding received for capital expenditure, expenditure relating to revenue recognised in previous years, a reduction in the value of assets received free of charge, and increased depreciation expense following the revaluation of assets as at 30 June 2012. The reduced revenue funding for capital expenditure was partly offset by a higher level of capital contributions by the State Government.

The 2012-13 net result surplus was achieved after recognising as revenue \$677.7 million to fund capital works expenditure, \$12.9 million as assets received free of charge, and \$1.3 million arising from asset register adjustments. These revenue items were partly offset by the expensing of assets which were funded by revenue from Governments Grants in previous years, via depreciation, disposal or divestment, totalling \$638.6 million, and a decrease in working capital of \$39.9 million.

#### **Funding Sources**

VicRoads' funding is derived from the Victorian Government annual budget, program funding from the Transport Accident Commission, revenue from regulatory fees and fee-for-service charges. Funding for operating outputs and capital works from all sources totalled \$1.7 billion during 2012-13, a decrease of \$286.3 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 2009 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 2012-13 totalled \$371.8 million, a decrease of \$340.5 million compared to the previous year. The reduction in funding was principally due to the completion of major construction projects including the Goulburn Valley Highway – Nagambie Bypass and Geelong Ring Road section 4B, and the timing of Federal funding on joint Federal/State funded construction projects under the Nation Building Program.

In 2012-13, VicRoads was provided with Victorian Government output and asset appropriation grants of \$324.9 million, a decrease of \$12.8 million on the previous year.

The Victorian Government's Better Roads Victoria Trust Account was established under the *Business Franchise (Protection Products) Act 1979.* The Act originally required a State levy on petrol and diesel fuel sales to be utilised to fund construction and maintenance of roads. Following the abolition of this levy in August 1997, the Victorian Government has continued to make equivalent payments to the Trust Account, together with an indexed \$17 per motor vehicle registration applicable from 1 July 2003.

The funding of projects from the Better Roads Victoria Trust Account contributes to Victoria's economic development through reduced transport costs and increased efficiency of arterial roads. Two thirds of funding from the Trust Account is directed to metropolitan roads projects and one third to rural road projects. Since the Better Roads Victoria Trust Account was established in 1993, 2,101 road infrastructure projects (comprising 462 projects in the metropolitan area and 1,639 in regional Victoria) valued at more than \$5.3 billion have been approved. The Better Roads Victoria Trust Account provided funding for road construction and maintenance projects of \$310.6 million in 2012-13, an increase of \$67.2 million on the previous year. This is primarily due to the timing of expenditure on joint Federal/State funded projects.

From 1 July 2005, revenue raised from traffic cameras and on the spot speeding fines has also been paid into the Better Roads Victoria Trust Account and utilised to fund road construction and maintenance, road safety, and traffic and transport integration programs. VicRoads received traffic camera and speeding fine funding of \$343.4 million during 2012-13.

VicRoads generated revenue from regulatory fees, fee for service charges, and other revenue totalling \$257.5 million in 2012-13, a decrease of \$14.6 million on the previous year. This decrease is primarily due to higher levels of insurance recovery for flood restoration works in 2011-12.

The Transport Accident Commission provides funding for a range of road safety infrastructure projects and motorcycle safety initiatives. During 2012-13 this funding amounted to \$82.8 million, a decrease of \$19.0 million on the previous year.

#### **Capital Works Expenditure**

VicRoads undertook asset construction works and acquisitions totalling \$876.7 million during 2012-13, a decrease of \$41.8 million from the previous year. Details of significant capital works projects undertaken during 2012-13 are outlined in the section in this report which refers to the 'Develop the road system to improve connections between places that are important to customers' objective, see page 15.

#### **Cash Flows**

During 2012-13 VicRoads utilised cash funds received from the Victorian Government, collections of revenue and proceeds from asset disposals totalling \$1.9 billion to fund operating activities totalling \$1.0 billion and capital works activities totalling \$0.9 billion.

#### **Financial Position**

VicRoads' non-financial assets increased by \$0.3 billion to \$45.0 billion during 2012-13. This increase resulted from asset construction and acquisitions of \$0.9 billion, partially offset by the depreciation of assets amounting to \$0.5 billion.

VicRoads' financial assets decreased by \$43.7 million to \$392.0 million during 2012-13 and total liabilities decreased by \$7.4 million to \$411.9 million during the year.

As a result of the above changes, VicRoads' net assets increased by \$0.2 billion to \$45.0 billion as at 30 June 2013.

## Income Collected on Behalf of the Victorian Government and other Government Agencies

VicRoads administers the collection of certain fees, licences and duties on behalf of the Victorian Government, various State Government agencies, and the Commonwealth Department of Infrastructure and Transport. These amounts are not recognised as VicRoads' income but are paid to the Victorian Government's Consolidated Fund or other government agencies. During 2012-13, collections on behalf of the Victorian Government and other government agencies totalled \$3.8 billion compared with \$3.5 billion the previous year.

#### Melbourne CityLink

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

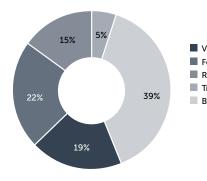
Details of the concession notes and related revenues are disclosed in Note 1(r)(ii) - 'Private Provision of Public Infrastructure' and Note 25 -'Transactions administered on behalf of the Victorian Government'.

### Table 2. Five year financial summary

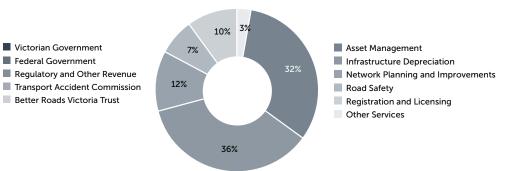
	2013	2012	2011	2010	2009
YEAR ENDED 30 JUNE	\$m	\$m	\$m	\$m	\$m
FINANCIAL PERFORMANCE					
Income from transactions	1,504.9	2,013.3	1,709.2	1,694.8	1,414.7
Expenses from transactions	1,499.0	1,521.6	1,496.2	1,420.3	1.381.2
NET RESULT FROM TRANSACTIONS	5.9	491.7	213.0	274.5	33.5
Other Economic Flows Included in Net Result	7.5	7.8	11.9	(3.1)	0.7
NET RESULT	13.4	499.5	224.9	271.4	34.2
Net change in asset revaluation reserve	(28.3)	2,282.5	(49.5)	3,472.7	-
COMPREHENSIVE RESULT	(14.9)	2,782.0	175.4	3,744.1	34.2
CASH FLOWS					
Cash flows from operating activities	640.3	801.4	706.9	637.9	486.3
Cash flows used in investing activities	(836.7)	(884.2)	(1,023.2)	(1,086.3)	(924.1)
5	(836.7)				
Cash flows from financing activities		82.0	318.0	448.4	422.0
NET INCREASE/(DECREASE) IN CASH HELD	2.5	(0.8)	1.7	-	(15.8)
CAPITAL WORKS	0767	040 5		4 0 0 0 0	0005
TOTAL EXPENDITURE	876.7	918.5	1,045.4	1,099.0	908.5
FUNDING SOURCES					
State Government Funding derived from the Federal Government					
Construction	283.4	627.1	400.2	426.4	215.9
Asset Maintenance and minor works	49.9	51.0	50.7	48.4	58.7
Federal Interstate Road Transport Scheme	21.0	21.6	19.7	16.3	13.4
National Blackspot program	17.0	11.7	13.6	44.5	11.4
Other	0.5	0.9	2.0	1.0	0.0
TOTAL FEDERAL GOVERNMENT FUNDING	371.8	712.3	486.2	536.6	299.4
State Government					
Outputs appropriations	126.0	255.7	251.8	236.6	191.4
Contributed capital appropriations	198.9	82.0	307.7	433.9	439.5
Better Roads Victoria Trust Account	654.0	553.4	610.7	571.9	569.6
TOTAL STATE GOVERNMENT FUNDING	978.9	891.1	1,170.2	1,242.4	1,200.5
Transport Accident Commission Program Funding	82.8	101.8	112.9	104.6	126.7
VicRoads generated revenue	257.5	272.1	247.4	233.7	227.1
TOTAL FUNDING	1,691.0	1,977.3	2,016.7	2,117.3	1,853.7
INCOME COLLECTED ON BEHALF OF THE VICTORIAN GOVERNMENT AND OTHER GOVERNMENT AGENCIES					
Transport Accident Commission fees	1,797.1	1,705.9	1,628.9	1,559.7	1,466.7
Motor vehicle registration	1,160.9	994.7	912.9	853.6	801.9
Stamp Duty	633.7	581.2	576.0	568.8	512.5
Driver licences	78.1	67.9	52.5	34.9	34.1
Federal Interstate Road Transport Scheme registrations	42.8	42.6	41.9	33.1	27.4
Other	72.8	65.7	71.2	58.5	53.8
TOTAL INCOME	3,785.4	3,458.0	3,283.4	3,108.6	2,896.4
INCOME ADMINISTERED ON BEHALF OF THE VICTORIAN GOVERNMENT	29.0	27.9	27.4	27.8	39.1

	2013	2012	2011	2010	2009	
AS AT 30 JUNE	\$m	\$m	\$m	\$m	\$m	
FINANCIAL POSITION						
Total assets	45,372.8	45,136.6	42,393.6	41,906.7	37,715.9	
Total liabilities	411.9	419.3	437.1	422.2	373.3	
NET ASSETS	44,960.9	44,717.3	41,956.5	41,484.5	37,342.6	
Contributed capital	15,559.5	15,301.0	15,322.1	15,025.6	14,627.7	
Asset revaluation reserve	13,271.9	13,300.2	11,017.6	11,067.1	7,594.4	
Accumulated surplus	16,129.5	16,116.1	15,616.8	15,391.8	15,120.5	
NET WORTH	44,960.9	44,717.3	41,956.5	41,484.5	37,342.6	
ASSETS AND LIABILITIES ADMINISTERED ON BEHALF OF THE VICTORIAN GOVERNMENT						
Total assets	0.0	0.0	0.0	0.0	59.7	
Total liabilities	348.6	346.4	341.2	336.9	331.2	
NET ASSETS	(348.6)	(346.4)	(341.2)	(336.9)	(271.5)	

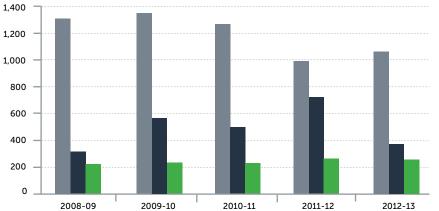
#### Graph 1. Funding sources 2012-13 (\$ million)



#### Graph 2. Operating output expenditure 2012-13 (\$ million)



#### Figure 3. Composition of funding sources (\$ million)



State Government Funding # Federal Government Funding Other Revenue

#Includes funding from Better Roads Victoria Trust Account and Transport Accident Commission