Connecting
our communities

VicRoads Annual Report 2018–19

vicroads

Acknowledgement of Country
VicRoads acknowledges the traditional Aboriginal owners of country throughout Victoria and pays respect to them, their culture and their Elders, past, present and future.

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Chief Executive's message

Victoria's continued and rapid growth – with Melbourne one of the fastest growing cities in the developing world – is reflected in the demand for increased mobility. There are now 1.1 million more Victorians living in our State than ten years ago and collectively we make over 23 million journeys a day – travelling by a diverse and increasing range of modes. Victorians are changing the way they travel; with significant growth in walking and cycling, ride share and public transport use, alongside the still dominant role of the car.

In response, the Government has committed to the largest transport infrastructure investment program ever seen in Victoria. In recent years, over $57 billion has been committed to major transport infrastructure schemes including the Metro Tunnel, Westgate Tunnel and the removal of 75 level crossings (of which 29 are now complete). In addition, major roads like the M80 Metropolitan Ring Road, Yan Yean Road and the South Gippsland Highway have been upgraded.

Developing a transport network capable of meeting Victoria's growth and future ambitions goes well beyond new road schemes. In September 2018, we established Regional Roads Victoria with the sole purpose of improving our regional and country road networks. RRV delivered one of the biggest road maintenance programs in Victoria's history this year, along with safety improvements and upgrades. Maintenance across metropolitan Melbourne also ramped up, with a $183m investment in repairing and resurfacing suburban roads. We launched our metro maintenance portal, an online platform that shows where maintenance works are happening.

Our partnership with TAC has continued to strengthen, delivering tangible improvements in road safety. We are now mid-way through the delivery of the $1.7BN Safe System Road Infrastructure Program (SSRIP). This year, SSRIP completed 62 projects on our network that will either prevent crashes or reduce their severity. This is part of Towards Zero; the Victorian Government's ambitious target to reduce lives lost on our roads to fewer than 200 people and decrease serious injuries at least 15 per cent, by 2020.

MyLearners was launched in 2019 – an app to help learner drivers form safe driving behaviours and prepare them for solo driving. Launched in January this year, we're averaging 5,500 new users each month.

On 1 July, the Victorian Department of Transport (DoT) was created—uniting roads, public transport, ports and freight into one organisation. This arrangement brings Victoria in line with other global cities, and I'm excited for the possibilities this whole-system approach will bring, as we shift focus to simple, better connected journeys.

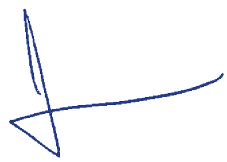
DoT staff will continue managing the 23,000 kilometres of major Victorian roads, while forming part of a bigger plan to improve the rail network, trams, buses and shared cycling and walking paths for Victorians, no matter where they live or what they do.

This integrated approach is already evident in our Active Transport projects. While traffic volumes have grown 20 percent in ten years, cyclist numbers are also increasing, and it's a trend we need to support. We're working hard to better connect cycling corridors across the network for safer journeys.

Our ethos has long been to put community at the heart of our work, and this year we reinforced this internally with our new Social Procurement program. Social Procurement has given our organisation the opportunity to work with enterprises that empower and support people living with disability, Indigenous Australians and disadvantaged individuals – helping them gain experience, skills and jobs.

It's an exciting time to be working in transport. Well designed, well-functioning integrated transport infrastructure is fundamental to the future of Victoria and our quality of life.

It's critical that we work together to shape transport outcomes that are desirable, sustainable, reliable, comfortable and safe. As we move into the new integrated Department of Transport, we'll continue holding our values and commitment to be an organisation that puts people first, while building on the past achievements of VicRoads.



Jeroen Weimar
Acting Chief Executive

Section 1: Year in review

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 2019.

Jeroen Weimar
Acting Chief Executive

September 2019

Our Promise

VicRoads shares in the Victorian Government's overarching vision for Victoria's transport system as defined in the *Transport Integration Act 2010*:

"To meet the aspirations of Victorians for an integrated and sustainable transport system that contributes to an inclusive, prosperous and environmentally responsible state."

We contribute to the delivery of this vision with a commitment to our purpose:

"Creating a smart, safer road network to better connect Victoria."

Our Commitment

We're continually improving the way we operate and maintain the metro, suburban and country road network at a time of record population growth and technological change. Guided by VicRoads Corporate Plan 2018–2022, we're focused on five key areas that outline our priorities, to ensure we're concentrating our efforts on delivering the projects and initiatives that meet the needs of Victorians.

Putting the customer and community first

We ask Victorians what they see as important, to achieve outcomes that are community driven and make our cities, towns and regions work better. Through meaningful two-way engagement, streamlining business processes and clever use of technology, we're making our services more transparent and convenient. And we're making it easier for Victorians to plan their travel. We're ever mindful that the infrastructure we manage must balance the need for access to, through and between places, with the social, environmental and economic needs of liveable communities.

We've made a huge effort to bring communities and customers along with us, during this phase of unprecedented investment. We delivered 334 functional campaigns to support local improvement projects, maintenance and the Towards Zero Safe System Road Infrastructure Program (SSRIP) portfolio of works. Working with our many delivery agencies and partners, we coordinated major projects to minimise disruption. Where possible we minimised the impact of construction work on traffic and local businesses by having work done at night.

During the 2018 summer and 2019 autumn/winter we played a key role in readying the network for Victoria's Big Build—a state government initiative to overhaul Victoria's transport system. A second underground railway, level crossing removals, Regional Rail Revival, and freeway and road upgrades are just some of more than a hundred major projects completed, planned or underway. Around $57 billion is being invested and more than 12,000 jobs created, to transform the way Victorians travel.

We created community awareness of potential impacts on their travel plans, empowering people to make informed decisions. We did this through our social media channels, radio messaging, variable message signs and comparative travel time boards; utilising our vast system of Bluetooth devices across the network.

In regional Victoria, we introduced two new public engagement channels – a dedicated hotline to case manage enquiries, complaints and requests through to resolution and an interactive website showing our forward maintenance program in detail for the first time.

In our customer service areas across Victoria, we've continued to measure our performance and focus on how we can improve. In the face of increasing demand, we've improved staff training to keep service levels high. And we're continuing to invest in cyber security capabilities so our customers' sensitive data is protected. We're making sure we prioritise safety in every customer-driven product and service we create.

Our social procurement strategy is already making a difference. We've focused on helping priority groups gain experience, skills and jobs – improving opportunities for social enterprises, Indigenous people and businesses, people with a disability and disadvantaged individuals. Our direct spend with social benefit suppliers is valued at $4.78 million and our indirect spend, through head contractors and the supply chain, at $1.99 million.

Lifting the standards of our country roads

Over the last two decades, people and freight travelling on Victoria's major country roads has increased by 20 per cent and soon the regional network will need to handle 50 per cent more trips. Statistics show us that country road-users are more likely to die or be seriously injured from road trauma. A high standard country road network must be in place to ensure the safety and economic wellbeing of regional Victorians. Regional communities expect a level of connectivity, access to essential services such as hospitals, schools, employment hubs and public transport, and for us to take an integrated approach to our communication and work.

Regional Roads Victoria (RRV) began operating on 10 September 2018, bringing together VicRoads' five regional offices and the Safe System Road Infrastructure Program (SSRIP). It has been informed by community feedback gained through more than 14 stakeholder consultations – held both in person and online. RRV has set a new benchmark for community engagement and customer service.

This year 48 rural and regional councils received a portion of around $100 million through the Fixing Country Roads Program, undertaking projects to improve the condition of local regional roads, beyond regular maintenance. RRV also delivered over $900 million in road upgrades through the Safe System Road Infrastructure Program (SSRIP), – a program to transform some of Victoria's highest-risk roads; particularly country roads.

State-wide initiatives to help manage ever larger loads and volumes of freight have also contributed to improving the standard of rural roads. We've established integrated planning for heavy vehicle movement during infrastructure projects, including windfarms; completed bridge strengthening projects; and created pre-approved maps for different sizes of heavy vehicles to help protect bridges and community amenity.

A modern and effective road network for a stronger Victoria

Victorians make 23 million trips each day across the transport network, which includes public transport, ports, freight and roads. By 2050, it is predicted that there will be 38 million journeys across the state every day. Roads have played a key role in the state's economic and social development – connecting key transport hubs like ports and airports, getting us to work and school, enabling us to connect with family and friends, and to access community services. But, in a bustling modern state, the road network needs repositioning. It is just one piece of the transport puzzle.

Our planning is now more focused on how roads integrate with and complement other forms of travel. We're working to ensure the community knows the most appropriate mode of transport available, how long it will take to get to where they're going, and that their experience matches expectation.

So, while we're upgrading, maintaining and constructing more roads across the state than ever before, we're also thinking about how roads can better move people and freight and provide corridors for cyclists and pedestrians. We've put a lot of effort into improving crossings – putting in raised platforms at high-risk locations and adding in pedestrian operated signals, some with bike lanterns. On-road bike path facilities and off-road shared use paths have also been created.

All our work is context sensitive—we must achieve transport and land-use objectives while also taking care of the state's precious natural and cultural heritage and threatened biodiversity. This year we planted 8,075 indigenous trees, shrubs and groundcovers across Victoria's five rural regions, partnering with local communities for many of these planting events. And we've found more ways to use recycled material in road construction.

Smarter roads and safer travel

Technology helps us get the most from our network. We're a world leader, with American cities looking at our intelligent transport systems and managed motorways. Smarter technology is being rolled out to enhance our freeways' performance and streamline traffic flows to keep people moving. Melbourne's managed motorways control access at every on-ramp including motorway-to-motorway on-ramps such as the Eastlink/Monash Freeway interchange. They work through gating and smoothing (temporarily holding back vehicles to cut traffic spikes), avoiding instability and flow breakdown.

State-of-the-art technology with new data, combined with in-road sensors and CCTV cameras, helps us keep people informed. When commuters make better choices around the time they travel, the mode they take and the route they use, we see the most impact on traffic volumes and congestion.

By gaining a better understanding of movement and routines in people's lives, and collaborating with other transport agencies, we've set up a system where trams and buses are prioritised at traffic lights only when they need it (such as when they're running behind schedule). This means more time for other road users, improving traffic flow and reducing user frustration. A camera network is now in place on major freight routes to monitor compliance with the law. And we've tightened compliance requirements for traffic management organisations.

Our approach to safety takes many different forms, including managing access to the roads by ensuring people are fit to drive and appropriately licensed, requiring vehicles to be safe and registered, and educating the community about road safety issues. There's also significant investment in our roads, ensuring they're well maintained and safe. This year the Safe System Road Infrastructure Program's (SSRIP) dedicated community and stakeholder engagement team sought input from Victorians on proposed infrastructure. The team:

- launched an online web portal featuring an interactive map of current works, providing information about safety treatments being delivered
- worked with Victoria's emergency services to ensure access to and awareness of where flexible safety barriers were being installed, reviewing infrastructure plans to ensure strategic breaks for access and, providing demonstrations on how to lay down and cut through barrier systems
- developed a virtual reality education tool to explain to the community what raised safety platforms are and how they work.

We also funded a range of projects to positively impact road safety. These included:

- in-vehicle distraction rating scheme
- fines reform
- drink drug behaviour programs.

Transforming VicRoads through capability technology and culture

Many things are changing and evolving in our external environment. Our community is growing, new technology is being introduced on our road network, and our customers needs are evolving. So, we're also changing.

This year, Regional Roads Victoria was established to plan, advocate for and maintain our country road network, and on 1 July 2019, VicRoads was integrated into the Department of Transport. Our planning and service delivery will require that we work with other transport agencies and operators toward a common goal: an integrated transport system. We'll shift our focus from thinking about road trips to a more holistic vision, with people at the centre.

To ensure we deliver what Victorians expect, we'll need to have the right systems, processes and people in place. We'll need strong leadership, robust strategies and plans, and the skills to partner with others to address a range of issues, from safety to reducing environmental impacts.

As a thriving organisation living the values of 'care, share and dare', we strive to provide the best value for our community.

Public sector values

We are a large organisation, with many offices located across the state, delivering services and projects that contribute to our vision of an integrated transport network. The way we work is just as important as what we do.

Our values

As a Victorian public sector agency, we embrace these values:

Responsiveness

We provide frank, impartial and timely advice to the Government and the Victorian community.

Integrity

We are open, honest and transparent in our dealings.

Impartiality

We make decisions on merit and without bias or self-interest.

Accountability

We work to clear objectives, accept responsibility for our actions, seek to achieve best use of resources, and are open to scrutiny.

Respect

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

Leadership

We actively promote and support the public sector values.

Human rights

We actively implement, promote and support human rights.

Manner of establishment and responsible Minister

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*.

In 2018–19 the Chief Executive of VicRoads reported to the Minister of Roads and Road Safety and was subject to the direction of the Head of Transport for Victoria. The CE, along with the Deputy CE, and the Executive Directors, form our Executive Leadership Team (ELT). ELT set the long-term strategic direction and performance expectations of VicRoads.

Responsible Minister

The Hon Jaala Pulford MP, Minister for Roads, Minister for Road Safety and the TAC and Minister for Fishing and Boating.

Nature and range of services provided

During 2018–19 VicRoads was an agency under the *Transport Integration Act 2010*, and part of Victoria's integrated transport portfolio. Now as part of the newly formed Department of Transport, we have a user-centred, outcomes focused and integrated approach that guides smart, long-term investments to support the state's connectivity, prosperity and liveability. Its strategic approach to designing and managing the network is building a modern transport system.

The integrated transport portfolio is working to enable an optimised network where transport modes work in harmony to move people and freight in the most effective and efficient way, with each mode being used when and where it is best suited, and putting users at the centre of everything we do.

Our functions

As outlined in Section 87 of the *Transport Integration Act 2010*, our primary role is *"to provide, operate and maintain the road system"*. We do this by:

- constructing, maintaining or varying roads, rail infrastructure and other transport assets providing and maintaining roadsides
- supporting the lead transport agency to plan for the road system as part of an integrated transport system, including the development of feasibility studies under the lead transport agency's planning framework
- supporting the development of strategies in respect of policies and plans to improve the safety of the road system for all users
- developing and implementing operational policies to improve the safety of the road system for all users, including through:
  - works to improve the safety of road and road-related infrastructure
  - information and advice on the safety of motor vehicles and motor vehicle standards
  - education and training to improve the safety of road user behaviour
  - enforcement activities
  - road safety legislation, regulations, standards, guidelines and practices
  - developing and implementing 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, including by:
  - installing, operating and maintaining road and road-related infrastructure such as signals, signage, line markings, intelligent transport systems and other road management systems
  - implementing road space allocation measures to give priority to particular modes of transport at certain times on specified roads or parts of roads
  - managing road works and incidents and events on roads in a manner which minimises disruption to the road system
  - implementing an appropriate enforcement strategy
  - providing registration, licensing and accreditation services
- providing technical, project management, consultancy and information services related to the transport system, including on a commercial basis consistent with government policy
- providing advice to the Secretary, the Department and the lead transport agency to assist in the development of strategic policy and legislation
- supporting the lead transport agency to protect future options for the improvement of the transport system including reserving land for future transport corridors
- supporting the development of, and with the approval of the lead transport agency, develop and implement effective environmental policies, strategies and management systems
- providing and disseminating information to Victorians about the road system and related matters, including on a commercial basis consistent with government policy.

Major changes in 2018–19

The government has continued to seek community input around their transport needs and give people a voice in shaping priorities. It has refined its approach to managing an increasingly complex, and busier transport system.

Launch of RRV

Regional Roads Victoria (RRV) was created to ensure a coordinated, state-wide approach to improving the safety and quality of regional roads, and to identify critical network improvements to meet the needs of regional communities and stakeholders. It began operating on 10 September 2018, bringing together VicRoads' five regional offices and the Safe System Road Infrastructure Program (SSRIP).

In an environment of growth and transformation, where regional communities are more connected than ever, customers want to help shape our priorities. They expect a level of connectivity, access to essential services such as hospitals, schools, employment hubs and public transport, and for us to take an integrated approach to our communication and work. RRV is setting a new benchmark for community engagement and customer service. It is led by the Chief Regional Roads Officer.

One of RRV's first initiatives was a state-wide engagement program – meeting with regional stakeholders, including rural and regional councils. The meetings confirmed the need for a specific focus on regional Victoria and showed clear support for RRV. Issues most often raised with the RRV team include:

- a need for long term planning for regional growth and prosperity
- the importance of community connectivity and engagement
- the impact of increased heavy vehicles on regional roads due to farming, agriculture and environmental sustainability projects
- support for the Fixing Country Roads program
- the need for increased maintenance and roadside management
- how much people value and have interest in, safer roads.

More than 14 stakeholder consultations have been held, including local government and regional agencies state-wide-both in person and online.

Department of Transport

As a result of a Machinery-of-Government (MoG) change effective on 1 January 2019, the Department of Economic Development, Jobs, Transport and Resources (DEDJTR) became the Department of Transport. The department supports the transport infrastructure, public transport, ports & freight, roads, road safety & the TAC, and fishing & boating Ministerial portfolios. Other Ministerial portfolios, previously supported by DEDJTR, are supported by the newly established Department of Jobs, Precincts and Regions (DJPR).

On 3 April 2019, it was announced that VicRoads and PTV would transition to the Department of Transport (DoT) as of 1 July 2019, to become one transport agency delivering integrated planning, delivery and management of transport in Victoria.

The new Department of Transport offers a singular, integrated focus on tackling the big issues – from improving buses in growing suburbs to making it easier to walk and cycle to places, and embracing new technology.

This landmark shift will ensure we're better equipped to respond to the changing demands on our transport network so we stay connected to jobs and each other, whichever way we travel.

The new, integrated Department of Transport will plan and operate transport in a way that matches the people and products that travel on it – focusing on the destination, rather than mode of travel. It will also reflect the importance of working with the Major Transport Infrastructure Authority.

We'll be able to:

- give people the information they need to make the best travel choices, especially around major network disruptions, in a timelier way
- make better use of existing road and rail, shifting more journeys onto rail and prioritising public transport on roads
- respond quicker to innovation and new transport technologies
- take a holistic view to planning, to meet demand for a projected 60 per cent increase in the number of journeys a day and a tripling of freight by 2050
- partner with others to address a range of issues, from safety to reducing environmental impacts.

A dedicated transport department will better serve the transport needs of Australia's fastest growing state and economy, and improve coordination and management of disruptions during the delivery of the Big Build, a record $57 billion investment in infrastructure.

Performance reporting – Non-financial

Performance against output performance measures

2018–19 Budget Paper No. 3 Service Delivery outlines objectives and indicators of the Department of Jobs, Precincts and Regions (DJPR). Our activities support the delivery of Objective 4: More productive and liveable places, towns and cities through integrated and user-focused transport services and better infrastructure.

Indicators of our progress towards achieving this objective can be found in the 2018–19 DJPR Annual Report. For more information about how we've contributed towards this objective, read our detailed performance narratives on pages 13–26.

1. Regional Victoria

Regional Victoria's population is set to double in the next twenty years, yet more than 90 per cent of daily journeys are made on ageing roads. Freight is increasing rapidly, and there are many people making trips in the same space. For example, enormous trucks cart parts for wind turbines from the ports of Geelong and Portland across country roads that also carry cyclists and tourist buses. Until recently, people were four times more likely to die on country roads. Regional Victorians deserved better.

Regional Roads Victoria (RRV) is making a difference

Through high quality community and stakeholder engagement and communication, RRV has demonstrated to regional communities that we are listening and making a real difference.

This year we focused on 'closing the loop' – making sure we keep customers informed as we design, deliver and respond. It's helped us build rapport and form longstanding relationships with more engaged customers, better informing our work. Our new hotline,133RRV (133 778) is dedicated to case managing enquiries, complaints and requests through to resolution. Our team value being able to spend longer periods on the phone listening and understanding. In fact, first calls are now more likely to reach a positive outcome. Customer feedback is favourable and 133RRV is quickly becoming their first point of contact. We take around 355 calls a day.

We're dedicated to continual improvement – developing more efficient customer centred processes so customers feel comfortable with our work, service and delivery. We've been more proactive, open and transparent about our program of works (planned or underway), and about how we prioritise projects and maintain the road network. We do this through our public engagement channels, like 133RRV and our interactive website: **regionalroads.vic.gov.au.** The website shows RRV's forward maintenance program in detail for the first time. It includes a new community engagement platform and has received a lot of positive feedback.

The hotline and website complement our other work. Our first stage reviews give us confidence that they're helping us improve our communication and customer service. We'll continue to monitor the hotline and upgrade the website so they continue evolving with our customers' needs.

Golden Ball Bridge

In late December, the Golden Ball Bridge on Beechworth-Wangaratta Road over Hodgsons Creek was closed when heavy rain caused unprecedented flash flooding that damaged the pillars of the bridge, threatening its structural integrity.

The bridge, which links Beechworth and Wangaratta, plays a vital role in supporting the region's economy; providing access to day-trippers, tourists, residents, regional commuters, students, freight operators, primary producers and the wine industry.

Repairs were prioritised given the significance of the bridge. Construction was scheduled to take advantage of school holidays – mindful of how crucial holiday periods are to sustaining local businesses.

Crews established a temporary bailey bridge in December, with major repairs across February to June. The bailey bridge was removed in June and the bridge returned to a fully operational state in July 2019.

During the repairs, a suite of proactive communications was developed including regular website updates and Facebook posts, monthly emails, and several videos explaining impacts and construction milestones. Leveraging off partner channels, such as the local councils' websites and social media channels, a wider audience was engaged and the communities of Beechworth and Wangaratta repeatedly targeted to keep them informed as works progressed.

Improving rural roads

RRV is responsible for every highway and main road in regional Victoria – which means maintaining more than 19,000km of the road network. The 2018–19 Victorian State Budget provided $100 million to improve the condition of regional local roads through the Fixing Country Roads Program. This grant program allows rural and regional councils to undertake local road projects, beyond regular road maintenance. All 48 rural and regional councils secured a portion of the $100 million funding to deliver 224 individual projects by July 2021.

RRV delivered one of the biggest maintenance programs in VicRoads history, more than $900 million dollars of road upgrades, including extensive pavement rehabilitation works, intersection upgrades, run off road treatments, bridge rehabilitation works and ongoing road maintenance activities.

Key projects include:

Eastern

- safety upgrades on the Princes Highway East between Longwarry and Traralgon, and on the Bass Highway between Lang Lang and Anderson, including installation of continuous safety barriers
- upgraded the Bass Highway/Korumburra-Wonthaggi Road intersections with traffic signals and a raised safety platform
- completed roundabout works at Cann River on the Princes Highway/Monaro Highway intersection
- upgrading the Princes Highway East, Bass Highway, Great Alpine Road and Hyland Highway to increase freight efficiency.

North Eastern

- upgraded the Great Alpine Road, including shoulder sealing for improved cyclist safety
- completed new overtaking lanes on Midland Highway, Nillahcootie
- safety upgrades on Midland Highway (between Shepparton and Stanhope), and on Beechworth – Wodonga Road (between Beechworth and Yackandandah)
- upgrading Kiewa Valley Highway to reduce the risk of crashes and serious injury on this route
- upgrading roundabouts and intersections in several locations in Shepparton to provide an alternative route for heavy vehicles away from the town centre.

Northern

- upgrading the Barry Street and Main Street intersection and installing pedestrian-operated signals to improve safety in Romsey
- exploring ways to improve traffic flow, safety and active transport on Strathfieldsaye Road and McIvor Highway
- duplication of Napier Street (Midland Highway) in Bendigo between Weeroona Avenue and Hall Street
- extensive run off road crash treatment works on the Pyrenees Highway
- safety improvement works at the intersection of Heathcote-Kyneton Road and Ennis Road in Edgecombe, as well as extensive pavement rehabilitation on Heathcote-Kyneton Rd.

South Western

- upgrades to improve safety on the Princes Highway from Colac to the South Australian border
- upgrades to improve safety on the Green Triangle roads (Henty Highway, Portland-Casterton Road, Portland-Nelson Road)
- planning for safety improvements for cyclists on the Portarlington-Queenscliff Road
- upgraded the intersection of Barwon Heads Road and Marshalltown Road with a roundabout
- upgraded several narrow roads, including Coleraine-Edenhope Road, Casterton-Apsley Road and Warrnambool-Caramut Road
- upgraded Great Ocean Road, including geotechnical works, rock fall netting, safety works and pavement upgrades.

Western Victoria

- upgrading Sturt Street West intersections to improve travel between Ballarat's CBD and the growing western suburbs
- making it easier and safer to walk, ride and drive on Mair Street through the Ballarat CBD
- creating a pedestrian crossing along Ararat-Halls Gap Road near Marian College and St Mary's Primary School
- undertook extensive pavement rehabilitation works on the Western Highway and several Wimmera Roads throughout the region.

RRV commenced a procurement review of the current maintenance arrangements across the five regional areas. This work will feed into the Department of Transport's review of all contract arrangements across the state, and inform its strategy for how maintenance will be delivered over the next five to ten years.

Community engagement – Jamieson-Licola Road

Jamieson-Licola Road is a mountainous, unsealed, 77.1km long road – approximately 31km managed by RRV, the rest by Mansfield and Wellington Shire Councils. Subject to seasonal closure, the road is very popular with 4WD enthusiasts and motorcyclists.

Residents living along the first six kilometres had growing concerns about the condition of the road and the impact of increased tourism. RRV North Eastern region was invited to a community meeting, hosted by the Jamieson Community Group, to hear their concerns about the 6km section and gather feedback on potential improvement options. RRV acknowledged their problems around maintenance, dust, safety, access, speed and other issues.

"We understand the current condition of Jamieson-Licola Road is unacceptable in the eyes of the community. We're here to say we can do something about that – with your input."

Nathan Matthews,
A/Regional Director North Eastern

RRV was later able to announce that, after working with Mansfield Shire Council, approximately $850,000 would be allocated from the Fixing Country Roads program to improve the first six kilometres of Jamieson-Licola Road. RRV, residents and stakeholders then discussed and prioritised ways to solve the problem.

The local community appreciated this transparent and proactive approach and achieved a result that will benefit this growing regional area.

Freight

The freight and logistics sector contributes $21 billion to Victoria's economy and creates roughly 260,000 Victorian jobs. Freight volumes are predicted to rise from 260 million tonnes in 2014 to nearly 900 million tonnes in 2051. More and heavier freight means faster deterioration of roads. We are focusing on increasing efficiency across freight routes by:

- widening lanes and roads to accommodate wider trucks
- strengthening bridges and roads to support trucks carrying large loads
- smoothing out road surfaces so goods are not damaged
- improving connections between industry, ports and domestic markets
- exploring more efficient vehicles and modes of travel
- creating bypasses to reduce noise pollution, improve safety and enhance liveability in regional communities.

Having a better idea of future demand for large loads and large volumes, helps us establish integrated planning for heavy vehicle movement during infrastructure projects, like windfarm construction. We've been working with the Major Transport infrastructure program and energy sector offices to coordinate this.

We've completed bridge strengthening projects and added five new maps for heavy vehicles, expanding our High Productivity Freight Vehicle (HPFV) pre-approved network to provide access to all of Victoria's major ports. Pre-approved maps for different sizes of heavy vehicles include information about height clearances to protect bridges and, protect the amenity of communities.

There's less red tape now, due to reduced need for permits and improved responsiveness to permit applications. Heavy vehicle fleets have an incentive to modernise. At the end of 2018, 89 per cent of the heavy vehicles registered in Victoria met ADR80 which ensures improved fuel efficiency, lower emissions and noise, and better suspension than older heavy vehicles.

Owners of heavy vehicles involved in on-road breakdowns have been targeted to improve their maintenance practices and avoid recurrence.

This year, 270 heavy vehicle operators received help with their safety management systems— improving fleet roadworthiness and reducing the incidence of re-offending.

A camera network on major freight routes is used to monitor compliance with the law and identify non-compliant drivers and owners for follow up letters, phone calls and visits.

Use of the Grain Harvest Management Scheme that restricts entry to newer safer vehicles, was up 6 per cent, despite a 60 per cent reduction in this year's grain harvest.

The Heavy Vehicle Alcohol and Other Drugs guide is a toolkit for organisations employing professional drivers. Resources— including an automated "Policy Builder", an employer guide and eLearning for drivers— support businesses in developing and implementing their own best practice drug and alcohol policy. The concept was piloted in September 2018 and received positive feedback. It's now being streamlined and will be relaunched progressively through engagement at industry events, next year.

Future planning

As we plan, deliver and operate the road system, we are responsible for safely and sustainably meeting the needs of the people and freight that travel on it, both now and in the future. We're always looking for ways to improve.

Road offset management plans commit us to meet performance indicators for habitat restoration and revegetation, wetland and drain establishment, predator control, fauna-proof fences and other infrastructure. They aim to minimise the impacts of road building on the natural world.

This year we planted 8,075 indigenous trees, shrubs and ground covers across Victoria's five rural regions. Local communities partnered with us for many of these planting events. We're already planning more local community partnerships and planting opportunities, so we can achieve our target of 100,000 plants.

In partnership with Sustainability Victoria, Tyre Stewardship Australia and the Australian Road Research Board, we've found more ways to use recycled material in road construction. We developed a new specification for a crumb rubber asphalt surfacing and commenced work using additional recycled glass in crushed rock material.

2. Metro and suburban

Metropolitan Melbourne is growing and changing rapidly. It is predicted to grow from 4.5 million people to almost 8 million by 2050. The 17 million trips people make across all forms of transport a day, could be more than 30 million by 2050. Cities and towns within a two-hour arc of Melbourne are growing the strongest and car use in the middle and outer suburbs is increasing. In the fastest growing outer suburbs, under-served by public transport, car trips are unavoidable. All this has led to traffic volumes growing by 20 per cent in the last ten years. Our metropolitan roads must cater to buses, trams and ever increasing numbers of private and commercially operated cars, cyclists, trucks, motorbikes, scooters, and pedestrians. They are the spine of public and private transport systems.

In recognition of the increasing pressures on Melbourne's roads – some built in the 19th century when cars didn't yet exist – we've added a new Metropolitan Central office, dedicated to inner Melbourne. Metro North West and Metro South East continue to operate.

A key focus this year has been maintenance. In December 2018, Melbourne's biggest road maintenance blitz was announced, with $183m invested to repair and resurface suburban roads. More than two hundred roads were improved, including key sections of the Princes and Nepean Highways, the Hume Freeway and arterial roads right across suburban Melbourne. Roadside clearing – grass cutting and the removal of fallen trees and undergrowth – to minimise grass and bush fires; and roadside infrastructure improvements, were part of the program. Repairing and replacing damaged assets like signs, safety barriers and fences play an important role in road safety. The record investment gives drivers safer, faster, more reliable journeys and boosts freight productivity.

A campaign was developed to shed light on some of this valuable but unheralded work, as well as the continuous nature of it. Maintenance is rarely front page news but it's a critical part of how we keep our network running smoothly. We created an interactive portal listing planned maintenance works, to raise community awareness of key projects occurring in their local area. This was complemented by an advertising campaign educating people on the need for a continual cycle of keeping road surfaces smooth and grass mowed, staying on top of the continual wear and tear and regrowth that occurs with use and time.

Over the year, we:

- filled 10,000 Melbourne potholes
- mowed 13,000km of grass
- laid over 150,000 tonnes of asphalt, fixing almost 300 roads
- spent 1,000 hours maintaining trees and shrubs along Melbourne's roadside.

The Top 5 roads for rehabilitation works across the metropolitan region were:

- Dalton Road, Thomastown
- Mickleham Road, Westmeadows
- Western Freeway, Derrimut
- Monash Freeway, Malvern East
- Plenty Road, Whittlesea.

The Top 5 roads for resurfacing works were:

- Bell Street
- St Georges Road
- Eastern Freeway
- Mt Alexander Road
- Calder Freeway.

Road upgrades

Road upgrades allow traffic and public transport to flow better. They can include widening, duplicating, or improving a road with traffic lights or entry and exit ramps; strengthening bridges or creating overpasses to separate pedestrians and cyclists. They help traffic to flow better, improve safety and improve travel times.

Maroondah/Dorset upgrade

Maroondah Highway is a major Victorian road, providing the quickest connection between Ringwood and Lilydale. Heading east, it is a gateway to the Yarra Valley and beyond. Heading west, it takes motorists into the city and connects with Eastlink.

Approximately 33,000 vehicles use the road each day, 6 per cent being heavy vehicles. The intersection of Dorset Road, Bellara Drive and Maroondah Highway has consistently made the top 10 in RACV's Redspot Survey for troublesome intersections, with wait times of up to four cycles of lights.

The upgrade will improve traffic flow through the intersection, allowing vehicles to travel through in one light cycle.

The campaign to support the works was highly targeted, using a variety of channels to reach the travelling public and the local community. It allowed us to reach people with personalised messaging in and around the area as well as targeted origin and destination suburbs, via pump TV, local cinemas, digital and radio.

We actively promoted local traders in the area to ensure customers remained loyal to local shops, with creative coffee cups, sandwich bag stickers, postcards and posters to help promote local businesses.

The project was complex in nature and, to effectively communicate the benefits, we developed image sliders that showed the current state vs future state of the two intersections from different angles.

Anecdotal feedback from the community was positive overall as the portal allowed users to engage with the designs online and see the proposed improvements and value of the project.

Maroondah Highway/Dorset Road intersection upgrade

Our extensive improvements to this intersection include construction of double right turn lanes from Maroondah Highway into Dorset and Exeter Roads, adding lanes to the Dorset Road approach, and extending the left turn lane from Maroondah Highway into Dorset Road.

To minimise the impact of construction work on traffic and local businesses, the intersection improvements are being delivered in seven stages or work zones. Each stage includes earthworks, drainage works, concrete construction, pavement construction, asphalt works, traffic signals, street lighting, line marking and landscaping. We monitor operation of the intersection and regularly adjust the signal sequence to mitigate the impact of construction. Some works are carried out at night.

The final ten percent of the project, to improve safety and traffic flow at the intersection, is expected to be complete by July–August 2019.

Vulnerable road users

Walking and cycling are central to a sustainable, safe transport system. Through the Safe System Road Infrastructure Program (SSRIP), designed to improve road safety, we're reducing risks for pedestrians and bike riders.

The more people who can choose not to use their cars, the less congestion there'll be on public transport and on the road, providing economic and environmental benefits for individuals and the community. We're delivering a safer, lower-stress, better-connected network to help people make this shift, separating pedestrians and bicycles from motor vehicles.

CBD to Scoresby – Strategic cycling corridor

Work was completed to improve crossings with raised platforms at high-risk locations, including Drummond Street, Park Road, Estelle Street and Stanley Avenue.

New pedestrian operated signals on Atkinson Street between Cabena Crescent and Dalgety Street, Chadstone are now operational, improving safety for those wishing to cross.

Box Hill to Ashburton – Strategic cycling corridor

As part of safety improvement work for cyclists, we laid new green pavement on the existing footpath at the entrance to Hungry Jacks on Burwood Highway, near Elgar Road, and put in a pedestrian traffic island and crossing at the intersection of Burwood Highway and Elgar Road.

New pedestrian operated signals with bike lanterns are now operational on High Street Road near Winbirra Parade, Ashburton.

Work on Whitehorse Council managed roads will be completed by the end of June 2020.

Syndal station to Clayton station – Strategic cycling corridor

New pedestrian operated signals are now operational at Carinish Road.

We've completed work to improve cyclist safety at the Monash University and Wellington Road bus interchange traffic lights. We've also added a new off-road shared path along Gardiner Road, from Ferntree Gully Road to Monash University.

Work is underway on Waverley Road and Forster Road for the construction of new pedestrian operated signals and an off-road shared use path.

Monash Council works

Installed on-road bike path facilities; including improved crossings and sharrow street markings along:

- Cobain Street
- Princes Highway service road
- Lantana Street
- Lawrence Road
- Kanooka Grove.

Local Alphington link

Investigation is underway to explore different options to link the Alphington community to the recently completed Darebin Trail. The community will be consulted during the development of this project.

Mount Dandenong Tourist Road

Mount Dandenong Tourist Road is a popular cyclist route, especially during weekends and holidays. We've been investigating options to increase road space to accommodate both cycles and vehicles, especially on the up-hill section – improving cyclist safety and minimising delay to motorists. Work is underway to identify sections of road where work could be undertaken without impacting roadside trees.

Box Hill to Ringwood shared user path

The 10km Box Hill to Ringwood shared user path runs along the Belgrave and Lilydale railway alignment; linking Box Hill to Ringwood and allowing users to connect with public transport, community services and recreational facilities. The route provides off-road paths where proximity to houses, businesses, vegetation or rail infrastructure will physically allow it.

We divided the shared user path and delivered each section as separate contracts, through the various level crossing removal projects.

Construction is now complete for the Blackburn, Mitcham, Heatherdale and Ringwood parts of the trail. Three more sections – two in Box Hill and the other in Nunawading – should be finished in August 2019. The Laburnum section is still in developmental phase. VicRoads' project team is working closely with City of Whitehorse to deliver the path to council requirements.

2018 National Landscape Architecture Award

In 2018, we proudly announced the opening of a long-awaited community asset – the Darebin Creek trail extension. The 1.8km extension links two of Melbourne's most popular trails and provides access to over 600 kilometres for off-road journeys, encouraging active transport modes such as walking and cycling, and delivering safer, more pleasant infrastructure for our most vulnerable network users.

The trail was designed with striking architectural features including three bridges over the Darebin Creek and a four-metre-wide bridge over the Yarra River. The design also included fencing alongside a school and golf course and an automated flood response system to help people off the trail in the event of a flood. The project highlighted our commitment to community engagement, integrated transport choices, safety, sustainability, innovation and great design.

Our efforts have now been acknowledged nationally. In November, we won the Award of Excellence in the infrastructure category at the 2018 National Landscape Architecture Awards.

Our work is not done. We're currently looking at design options to connect Alphington with the Darebin Creek Trail and plan to hold community meetings to discuss these in late 2019. The Alphington link will provide benefits to a broad demographic, including families, school children, older people and people with disabilities.

3. Customers

Our key focus is on improving people's access to jobs, opportunities and world-class education and health services, no matter where they live, through both the provision of our registration and licensing services and maintaining and operating the road network. But roads and streets are not just a way to get people and things from A to B, they're also places for people to live, work and enjoy. When we plan and develop the network, we're trying to balance the needs of both road users and place users. We're committed to working with communities to help shape transport outcomes and to providing the best service possible to our customers. People are at the centre of everything we do.

Customer service centres

Our face-to-face customer service centres (CSCs) served 72 per cent of customers within ten minutes. This 72 per cent annual, state-wide, Grade of Service result exceeded a forecast 70 per cent. While the target was 80 per cent, it's still a good outcome since staff numbers have remained the same while visitor numbers have risen. Overall, CSCs experienced a 2 per cent increase in both tickets and appointments and a 3 per cent increase in the number of over-the-counter enquiries.

We've continued our commitment to improving operational efficiency and customer experience. Initiatives in place include a renewed focus on staff coaching and better workforce management practices. We've started reaping the benefits, with ticket handle times down 2 per cent from last year's time of just above 2.5 minutes. We expect further improvements next year.

VicRoads contact centre

The VicRoads contact centre (VCC) answered 2,137,943 phone calls at an Average Speed of Answer (ASA) of 460 secs (7.7mins)—we forecast 500 secs. The target ASA was 240 secs (4 mins). Increased call handle time for PCI-DSS (Payment Card Industry Data Security Standard) contributes to the ASA.

We averaged 48,044 weekly calls from individual customers compared to 46,799 last year – a 3 per cent increase in demand. Short term registration (STR) enquiries almost doubled from 53,000 last year, to 111,000. Resource funding arrangements specific to STR related calls will continue next year.

We improved call centre training, to increase the initial volume of calls trainees can answer. This contributed to a 20–30 second reduction in call handling time from April 2019. We hope continuing staff efficiency measures will offset increases in call volume over the next year.

Data protection and security

We value, and are nurturing, a positive security culture. We're continuing to invest in cyber security capabilities and working hard within our business divisions, to make security a natural outcome of the great customer-driven products and services we create. Protecting our customers' sensitive data is a priority.

We ensure a holistic approach, by balancing three key focuses of data protection and cyber security:

1. industry best practices
2. risk management
3. compliance with industry standards.

This year's testing activities have provided insights into where we can improve. We've created multi-year programs targeting these areas and taken successful steps toward industry best practices.

Our security governance and compliance program has expanded to address our compliance obligations to the Office of the Victorian Information Commissioner's Victorian Protective Data Security Standards and other applicable industry standards. This has helped us significantly improve our security risk management and executive governance.

Our multi-year security maturity program successfully delivered 11 initiatives and is on target to deliver another six. The program continues to increase the security and protection of data held by VicRoads, reducing the likelihood of inappropriate access and misuse.

Disability parking permits

We're delivering on our commitment to align the Victorian disability parking permit scheme with the national process, by creating the Accessibility Parking Permit (APP) scheme. The APP scheme will streamline permit application and renewal processes through a central digital portal, clarify eligibility requirements and introduce systems and tools to improve how permits are managed in Victoria.

We worked with an Eligibility Reference Group to revise scheme criteria, to support the new APP scheme. Members included GPs, occupational therapists, local government and disability support and advocacy groups. We also met with all 79 Victorian councils to research existing administration processes and pain points, existing issues with permits and preferred methods of print and distribution. This helped us develop the online portal and scheme adoption transition model.

Work on the online application portal is underway. We expect the project and user onboarding to be completed in the first half of 2020.

myLearners

Learner drivers are now using the myLearners app to log their required 120 hours of driving experience. Launched in partnership with the TAC on 11 December 2018 after a pilot period, myLearners makes logging hours easier. No more lost logbooks, and an automatic verification process at driver test time! Learners and supervising drivers also have easy access to targeted educational content to help plan and guide the journey to independent, safe driving.

At the end of June 2019, 77,018 Users – 42,610 learners and 34,408 supervisors had taken 977,749 drives. This totalled 471,731 hours (nearly 54 years!) and covered 16,492,773km (enough to have travelled across the entire state road network more than 80 times). The myLearners app averages 5,500 new users per month.

Social procurement

VicRoads leverages its buying power to deliver social, economic and environmental outcomes benefiting the Victorian community, the economy and the environment — above and beyond the goods, services and construction works procured. We're guided by the Victorian Government's Social Procurement Framework (VGSPF), released in April 2018.

Strongly supported by the Executive Leadership Team, VicRoads' Social Procurement Strategy 2018–2022 sets out how we'll deliver social procurement over the next four years—identifying opportunities and developing our organisation's social procurement capability. The strategy aligns with, and supports, our current corporate objectives of contributing to social wellbeing, promoting economic prosperity, and maintaining the road system to support a sustainable Victoria. The Chief Regional Roads Officer, Regional Roads Victoria, leads our commitment as the Social Procurement Advocate; acknowledging the significant opportunities for social value outcomes in regional Victoria.

The VicRoads strategy is designed to improve opportunities for social enterprises, Indigenous people and businesses, people with a disability and disability enterprises, and disadvantaged individuals; to gain experience, skills and jobs. While these are our priority objectives, VicRoads buyers can also pursue VGSPF objectives beyond these. Head contractors, on contracts valued at or above $1 million, need to address certain requirements relating to social suppliers and employment of disadvantaged Victorians. These considerations are now part of our business-as-usual process.

We're developing capability across VicRoads by addressing expertise, resourcing, systems, policies and processes to enable the delivery of social and sustainable outcomes through procurement. In the longer term, it will be key to develop supplier capability and capacity to meet our new commercial and social impact requirements. We're actively supporting the roll-out of guidance, and engaging with suppliers and industry.

During 2018–19, social value requirements were applied to a variety of procurement activities, across goods, services and construction, including office management and administration, building facilities and maintenance, and road construction. This resulted in a direct spend by VicRoads with social benefit suppliers, valued at $4.78 million and an indirect spend, through head contractors and the supply chain, valued at $1.99 million. This includes procurement from social enterprises, Indigenous businesses, Traditional Owners' groups and Disability Enterprises.

Good mowing! Social procurement in action

It's a year-round job for VicRoads to maintain the vacant properties we own. There are peak times when grass needs more regular mowing and slashing but overall, it's a constant service requiring skilled people.

VicRoads recently engaged My Maintenance Crew – a Geelong social enterprise with a long history of caring for and supporting disadvantaged and disengaged youth aged 17–25 years, to cut/slash grass on vacant land in the South Western region.

Making a difference

Financial independence, improved self-esteem and having a purpose, are just some of the benefits for people from this social enterprise. Brad Keating, My Maintenance Crew Operations Manager, has seen first-hand what employment can do for someone who may have lacked the skills or opportunity to get a job. Self-esteem skyrockets, and both communication skills and confidence levels improve.

He says after being in the competitive tender process with VicRoads, the social enterprise went on to secure other grass slashing contracts in, and around, Geelong.

Minimise disruption for customers

VicRoads has been working closely with our partners – Public Transport Victoria, DoT, the Major Transport Infrastructure Authority (Level Crossing Removal Project, Major Road Projects Victoria, North East Link Project, Rail Projects Victoria and West Gate Tunnel Project), as well as Yarra Trams and Metro Trains to deliver results for the transport system. We've also worked closely with utility providers such as Melbourne Water, City West Water and City Power, who are upgrading their assets to meet future demands.

Major construction has required careful planning, coordination and real-time disruption management. Our collective aim has been to minimise impacts on the road network's operation for communities and customers, during this phase of unprecedented investment. We also manage the scheduling and coordination of disruptions associated with smaller scale third party works. These can range from no registrable impact to significant delays.

We played a key role in the successful construction blitz periods, carried out during the 2018 summer and 2019 autumn/ winter. VicRoads supported the Big Build by readying the network; through the review of priority movements, and operational changes in response to the many major planned disruptions. We also supported projects to create community awareness of potential impacts and empowered people to make informed travel decisions, by providing timely information. We did this through our social media channels, radio messaging, variable message signs and comparative travel time boards; utilising our vast network of Bluetooth devices across the network.

Some blitz periods included closure of rail lines, such as the Frankston, Sandringham, Cranbourne and Pakenham lines. At times, this meant up to 600 buses were required to replace services.

The new Planned Disruptions Management Centre (PDMC), fitted with traffic intelligence systems for watching and managing traffic lights in real-time, now monitors the network using CCTV and journey times (via Bluetooth devices). It has greatly improved our ability to manage planned disruptions. The PDMC has also allowed for even greater coordination and collaboration to better manage multiple projects occurring across the network, and sharing of live information during significant disruptions.

We've been working towards a centralised model – "OneView"– for reviewing and authorising all planned disruptions; with the aim of minimising clashes between scheduled works, and increasing travel reliability for customers. "One-View" was rolled out in our metropolitan regions this year. It will soon roll out across VicRoads and industry.

We've worked with industry partners and other state road authorities to deliver a new tool that combines different pools of existing real-time data to improve the integrity and reliability of our information, and more detailed insights to better manage road network operations.

While working with our partners to coordinate major works, we've done the day-to-day things our customers require. We've issued over 14,000 "Memorandum of Authorisations" permits for access to the network – for undertaking works, public events, and filming in metropolitan Melbourne. We played a role in 600 major public events including the F1 Grand Prix and Run for Kids.

Working in collaboration with Yarra Trams and bus operators, we've successfully field-trialled technology which allows us to better balance the competing needs of different transport modes. Prioritising trams and buses at traffic lights only when they need it (i.e. if they're running behind schedule) creates more time for other road users. This improves traffic flow and reduces user frustration, as people do not feel like they're being held up for no reason.

4. Road safety

Towards Zero

Towards Zero is the Victorian Government's ambitious target to reduce lives lost on our roads to fewer than 200 people and decrease serious injuries at least 15 per cent, by 2020. The Towards Zero Strategy and Action Plan 2016–2020 (the strategy) set a course for creating a safer system – building safe roads, setting safe speeds, investing in safe vehicles and encouraging safe people. The strategy is backed by the most significant investment ever in road safety infrastructure, with over $1.5 billion allocated to new assets and road upgrades. The Safe System Road Infrastructure Program was established to deliver these.

Safe System Road Infrastructure Program

Funded by the Transport Accident Commission (TAC) and delivered by Regional Roads Victoria, the Safe System Road Infrastructure Program (SSRIP) is working to transform some of Victoria's highest-risk roads; particularly country roads, where most fatalities happen. This year, SSRIP completed 62 projects across its two components—high risk roads and broader improvements.

1. SSRIP—High risk roads

This is a program to improve the safety of Victoria's most risky roads through the delivery of safety barriers, safer intersections, upgrades and more overtaking lanes.

To date, $450 million has been invested in 20 high risk roads to reduce the likelihood and severity of run-off-road and head-on collisions—these make up 85 per cent of fatal crashes on Victoria's high risk rural roads. Eleven projects are complete. Of the nine still underway, six have finished civil works and only require a barrier install. The program has rolled out over 870km of safety barriers, five roundabouts, 20 intersection upgrades and six overtaking lanes.

On 11 February 2019, the Minister for Roads, Road Safety and the TAC announced the second major package of life-saving upgrades. It includes $340 million ($229 million regional, $111 million metro) for another 16 regional and metro roads with safety infrastructure, such as flexible safety barriers, overtaking lanes, and rumble strips.

2. SSRIP—Broader program of safety improvements

Across the state, there were improvements to over 200 high-risk intersections, upgrades to high-risk council roads and improvements to bicycle and pedestrian facilities. Safer speeds were introduced on local roads–near towns and in built up areas. This year, through SSRIP:

- 970km of road was treated with the installation of 1,445km rumble strips; three community gateways completed to improve speed visibility
- there was one Side Road Activated Signal (SRAS) intersection upgrade – slows vehicles down through high speed intersections
- work started on nine key strategic cycling corridors, including separated infrastructure to improve cyclist safety and rideability
- nine of 18 pedestrian improvement projects were completed – including new raised pedestrian crossings to slow vehicles and improve pedestrian safety, and speed limit reductions in high-pedestrian areas
- planning works began for over 100 of the 200+ intersection improvement projects commencing in 2019–20, as part of the High Speed, High Risk Rural Intersection Program. Treatments include new advisory signage and upgraded line marking, SRAS and Vehicle Activated Signs, concrete splitter islands, rumble strips and turning lanes.

Raised intersections for Thomastown and Epping

Forty per cent of serious road accidents occur at intersections. Raised safety platforms slow traffic as it approaches an intersection, helping to reduce the risk of serious injury and fatality in the event of a crash. As part of the Government's Towards Zero Road Safety Campaign, these were installed at:

- High St – intersections of Main, Spring, Station and Cooper Streets (completed 14 May 2019)
- Dalton Rd – intersections of Spencer St, Darebin Drive and The Boulevard (completed 30 April 2019).

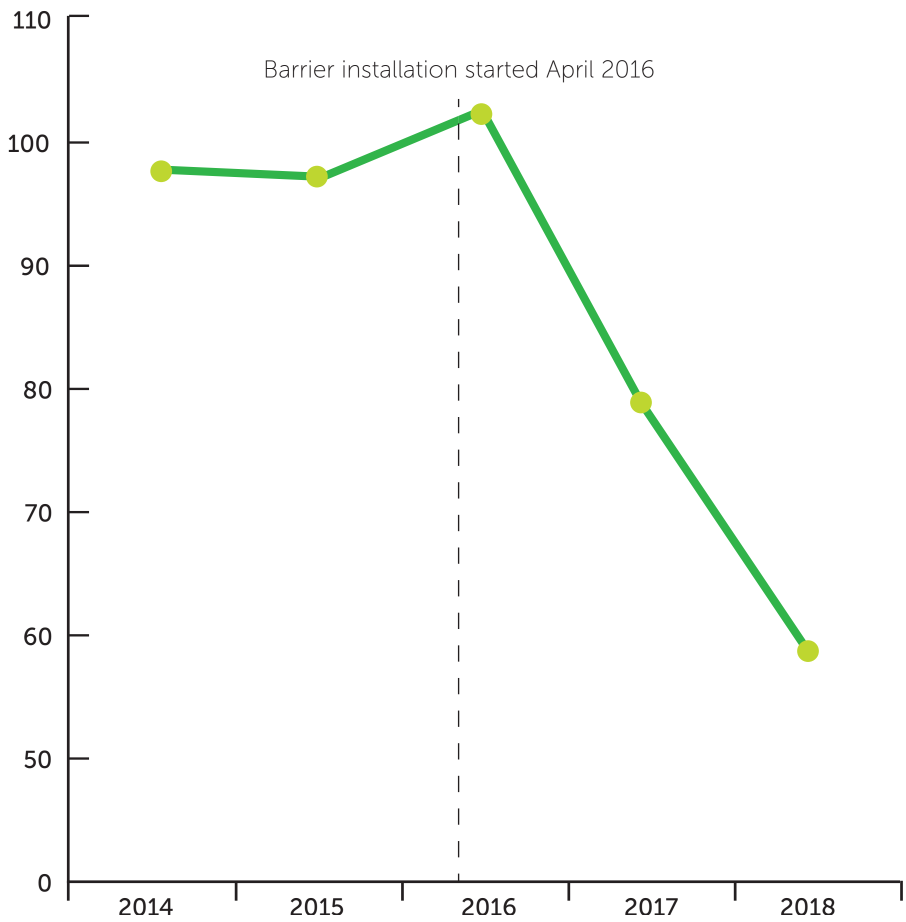
The intersections were chosen due to their high crash histories, and the high volume of pedestrians from the train station and busy shopping strips, where pedestrians and road users are more at risk. Works were delivered under two separate contract packages and occurred at night to minimise traffic disruption and impacts to local businesses and the community. Included were raised safety platforms, installation of new traffic signals at Dalton Rd/Spencer St, traffic signal remodel works, drainage, signage, line marking and public lighting works.

3. Outcomes and evaluation

SSRIP is underpinned by an extensive evaluation process to both measure success and ensure we're providing valuable safety improvements to the Victorian community. This year we completed a series of evaluation projects and results were positive!

- The 40km/h speed limit at strip shopping centres evaluation indicated a reduction in the overall fatality and serious injury crash rates of 14 per cent and 17 per cent respectively.
- The 'side road activated signs trial' showed speeds reduced between 9–16km/h for all three trial sites. The estimated crash reduction factor (CRF) for these speed reductions is between 36–63 per cent for fatal crashes and 25–44 per cent for serious injury crashes.
- We analysed data to monitor the reduction of fatalities and serious injuries (FSI) on the state's top 20 high risk roads. Figure 1 shows a significant downward trend for FSI crashes on high risk divided roads since barrier installation in 2016.

Impact of barriers on FSI crashes along high risk divided roads



- Road length for crash statistics = 1105km
- Barriers installed until September 2018 = 739km

* The graph shows FSI crash statistics before and after barrier installation in September 2016. The nine divided roads included in the analysis were Anglesea Road, Calder Highway/Freeway, Hume Highway/Freeway, Princes Highway/Freeway (2 directions), Western Highway/Freeway (2 directions), Bass Highway, and Mornington Peninsula Freeway.

By installing new safety features and improving existing infrastructure, we either prevented crashes from happening, or reduced their severity. Since improvements started:

- run-off-road crashes have reduced by 26 per cent
- casualty crashes have reduced by 30 per cent
- intersection crashes have reduced by 35 per cent.

These results confirm that SSRIP is supporting the Victorian Government's Towards Zero vision. Building safer roads helps reduce the number of fatalities and serious injuries on our roads.

Tackling drink driving

We continued implementing the Drink and Drug Driver Program. Anyone found guilty of a drink or drug driving offence is now required to complete a Behaviour Change Program (BCP). For a year before 30 June 2019, we ran a transition period. This meant those found guilty of a drink or drug driving offence before 30 April 2018, did not have to do the BCP if they were re-licensed before 30 April 2019.

As part of Towards Zero 2016–2020, to improve road safety and help reduce trauma on Victoria's roads, drink drivers:

- face a mandatory loss of licence (bans are also longer)
- must complete a BCP
- from 1 December 2019, will need an alcohol interlock installed before applying to be re-licensed.

We'll manage all interlock condition removals and have responsibility for certain court ordered drink driving re-licensing requirements.

Driver distraction

Under Towards Zero 2016–2020, an innovative research project was undertaken to develop a safety rating system for distraction from in-vehicle systems, such as touch screens. The project, involving international collaboration with experts from academia and industry, identified testing methods and developed a safety checklist and rating scheme. It also developed a roadmap for incorporation in the current New Car Assessment Program (NCAP) safety rating protocols.

The in-vehicle distraction rating scheme will support consumers to make safer choices when purchasing a new vehicle and influence safer vehicle system design. A partnership has been established with the Australian Automobile Association (AAA) to conduct a trial of the distraction testing methods with Australian market vehicles.

Community programs

We oversee a range of community programs aimed at raising awareness, ensuring positive outcomes on the road or creating long term behavioural change. They include:

RoadSmart

RoadSmart is an interactive road safety education and training program delivered to Year 10 (or equivalent) students across Victoria. It aims to help set the foundations for safe driving among young drivers. Since its roll-out in February 2018, RoadSmart has reached over 60 per cent of Victorian secondary schools. A process evaluation, delivered in late 2018, was generally positive. Program improvements are being made in line with findings.

L2P

The L2P learner driver mentor program helps learners, who don't have access to a supervising driver or car, gain the necessary experience to apply for their Ps. The program was delivered in 67 locations, 55 per cent of these in rural or regional Victoria. An evaluation of L2P in 2018, found it delivered both road safety and community benefits, returning $1.68 of value for every $1.00 invested.

During 2015–18, the program is estimated to have resulted in eight fewer fatal and serious injuries and 26 fewer casualty crashes. L2P participants demonstrated a better perception of risk associated with driving behaviours (i.e. speeding) than the general population. In 2019, TAC announced a further four years of funding.

Community grants

We funded 54 organisations to deliver over 200 projects to positively impact the safety of Victoria's road users.

- The *community road safety grants program* supported delivery of Looking After Our Mates, an interactive drink and drug driving session for young drivers. Often delivered in a local sport or social club context, the program encourages participants to separate drinking, drugs and driving. We reached communities in Wimmera, Central Victoria, North East Victoria, Mildura, Central Highlands and Goulburn Valley.
- Mobile changeable billboards were deployed in high crash risk areas of north east Victoria, Gippsland, Central Murray and Central Highlands during high traffic times, such as festivals and holidays.
- Drivers on the road during holiday seasons also benefited from Driver Reviver programs delivered in various road side rest stops. Operated by volunteers, sites usually offer refreshments and provide information about fatigue awareness.
- The *Toward Safer Speeds Challenge grants* stream inspired innovative solutions to speed reduction in rural communities. In Pomonal, Western Victoria, a safer speeds initiative was implemented after it was found that 25 per cent of vehicles entering the township did so at speeds higher than the 60 kilometres per hour limit.
- Ararat Rural City Council piloted an innovative approach, providing drivers with visual cues, such as landscaping, temporary kerb extensions and artwork, indicating they were driving through a built-up area and needed to slow down.

Older road users

A range of safety initiatives have been delivered to address older road users. They include resources for older drivers and updated resources for health professionals. VicRoads, TAC and Public Trustees funded Travellers' Aid to develop and deliver a 12-month travel assistance program for older road users in Moonee Valley. An electronic medical referral form is underway.

VicRoads is continuing to engage with health professionals and relevant community organisations to build a shared understanding of what fitness to drive looks like.

Emergency management

VicRoads has legislative obligations relating to emergency management (EM), critical infrastructure and transport security. We're continuing to build capability and capacity to manage and support emergencies and this year, made a significant contribution.

Storms, floods, fires and heatwaves featured heavily in the Victorian landscape, alongside more unusual emergencies like telecommunications outages, cyber-attacks and fires at hazardous storage sites. In all instances, VicRoads staff and contractors were committed to EM efforts before, during and after; supporting the best possible travel options for road users.

A notable achievement was our delivery of the new regional EM exercise program—seven multi-agency exercises targeting three state recognised EM risks (fire, landslide and acts of extreme violence).

We also developed and published the VicRoads EM plan and the Incidents and emergencies triggers guideline. EM is now more strongly embedded in VicRoads' business, with references in the corporate plan around strategic risks and recommendations related to investment appraisal tools.

Performance Reporting – Financial

Key financial result

Year Ended 30 June	2019 $m	2018 $m	$m change inc (dec)
Financial Performance			
Income from Transactions	2,219.8	2,685.4	(465.6)
Expenses from Transactions	(2,072.6)	(1,943.3)	(129.3)
Net Result From Transactions	**147.2**	**742.1**	**(594.9)**
Other Economic Flows included in Net Result	6.0	11.2	(5.3)
NET RESULT	**153.2**	**753.3**	**(600.1)**
Expenses from Transactions			
Road Operations and Network Improvements	1067.5	960.7	106.8
Road Asset Management	615.7	620.6	(4.9)
Transport Safety, Security and Emergency Management	321.2	289.4	31.8
Ports and Freight Network Improvements and Maintenance	68.2	72.6	(4.4)
TOTAL	**2,072.6**	**1,943.3**	**129.3**
Capital Works Expenditure			
Infrastructure assets	537.3	1,696.4	(1,159.1)
Other assets	137.7	60.5	77.1
Total	**675.0**	**1,756.9**	**(1,081.9)**
Total Expenditure	**2,747.6**	**3,700.2**	**(952.6)**
Income Collected on Behalf of the Victorian Government and Other Government Agencies	**4,978.2**	**4,799.4**	**178.8**
CityLink Income Administered on Behalf of the Victorian Government	**67.6**	**36.5**	**31.1**
Financial Position			
Total Assets	56,600.9	55,916.1	684.8
Total Liabilities	(1,277.5)	(1,511.1)	233.6
Net Assets	**55,323.4**	**54,405.0**	**918.4**
Assets and Liabilities Administered on Behalf of the Victorian Government			
Total Assets	0.0	58.0	(58.0)
Total Liabilities	(753.6)	(592.3)	(161.3)
Net Assets	**(753.6)**	**(534.3)**	**(219.3)**

Financial overview

VicRoads' total expenditure was $2.7 billion in 2018–19, $1.0 billion lower than the previous year, principally due to the transfer of delivery responsibility for major road projects to the newly established Major Roads Projects Victoria (MRPV) with effect from 6 August 2018. Total expenditure was comprised of $2.0 billion in expenses from transactions and $0.7 billion in capital works expenditure.

The value of road infrastructure and other assets managed by VicRoads increased by $0.7 billion to $56.6 billion during 2018–19 and total liabilities decreased by $0.2 billion to $1.3 billion. These movements in assets and liabilities resulted in an increase in net assets of $0.9 billion to $55.3 billion as at 30 June 2019.

Financial performance

The net result for 2018–19 was a surplus of $153.2 million compared with a surplus of $753.3 million in 2017–18. The reduction in the net result for 2018–19 is principally due to a decrease in Government appropriations received for investment in major capital projects following the transfer of delivery responsibility for such projects to MRPV.

The net result surplus of $153.2 million in 2018–19 has occurred due to recognition of income totalling $805.9 million, comprising income received for capital works expenditure and finance lease repayments, assets received free of charge, and utilisation of funding carried over from previous years. This income was partly offset by the recognition of expenses totalling $652.7 million, being depreciation and assets given free of charge or disposed, for which funding was recognised as income in previous years or was 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 $2.1 billion during 2018–19, a decrease of $1.0 billion from the previous year, principally due to the transfer of delivery responsibility for major road projects to MRPV.

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 Victorian Government appropriations to meet expenditure commitments.

Victorian Government appropriations of federal funding to VicRoads in 2018–19 were $156.1 million, a decrease of $276.0 million compared to the previous year. The decrease in funding is principally due to major road projects being transferred to MRPV.

In 2018–19, VicRoads received Victorian Government output and asset appropriations of $1.2 billion, a decrease of $0.8 billion from the previous year principally due to the transfer of delivery responsibility for major road projects to MRPV.

VicRoads generated revenue from regulatory fees and fee for service charges totalling $377.6 million in 2018–19, an increase of $59.4 million on the previous year. This increase is mainly due to revenue received for services provided to MRPV.

The TAC provides funding to VicRoads for the delivery of a range of road safety initiatives. During 2018–19, this funding amounted to $328.2 million, an increase of $18.1 million on the previous year, principally due to acceleration of the Road Safety Strategy 2013–22 and Road Safety Towards Zero programs.

Capital works expenditure

VicRoads undertook asset construction works and acquisitions totalling $675.1 million during 2018–19, a decrease of $1,081.9 million from the previous year, principally due to the responsibility for delivery of major road projects being transferred to MRPV.

Cash flows

During 2018–19, VicRoads utilised cash funds received from the Victorian Government and collections of revenue totalling $2.5 billion to fund operating activities of $1.8 billion and capital works activities of $0.7 billion.

Financial position

During 2018–19, VicRoads' financial assets decreased by $0.2 billion to $0.7 billion, principally due to a decrease in receivables from the Victorian Government reflecting a decrease in funding levels following the transfer of delivery responsibility for major road projects to MRPV, and the timing of expenditure payments. VicRoads' non-financial assets increased by $0.9 billion to $55.9 billion principally due to a revaluation of infrastructure assets ($2.6 billion), partly offset by a transfer of projects under construction to MRPV ($1.5 billion).

VicRoads' total liabilities decreased by $0.2 billion to $1.3 billion principally due to a decrease in payables ($0.1 billion) because of a reduced program following the transfer of delivery responsibility for major road projects to MRPV, and timing of payments, and a decrease in provisions for land acquisition and compensation ($0.1 billion) due principally to the settlement of claims.

As a result of the above changes, VicRoads' net assets increased by $0.9 billion to $55.3 billion as at 30 June 2019.

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 and various State Government agencies. These amounts are not recognised as VicRoads' income but are paid to the Victorian Government's Consolidated Fund or other government agencies. During 2018–19, collections on behalf of the Victorian Government and other government agencies totalled $5.0 billion compared with $4.8 billion in the previous year.

CityLink Income Administered on behalf of the Victorian Government

VicRoads manages the administration of income arising from the *Melbourne CityLink Act 1995* on behalf of the Victorian Government. This income is not recognised as VicRoads' income. During 2018–19, CityLink income totalled $67.6 million, an increase of $31.1 million from the previous year principally due to the amortisation of contributions made by Transurban towards the CityLink Tullamarine widening project.

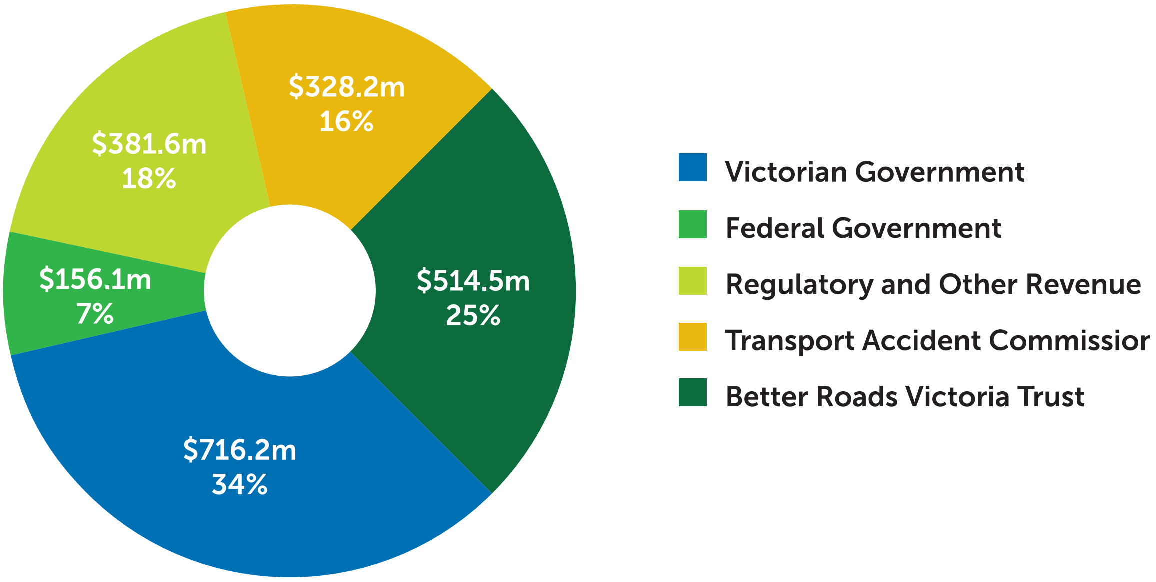
Five year financial summary

Year Ended 30 June	2019 $m	2018 $m	2017 $m	2016 $m	2015 $m
Financial Performance					
Income from transactions	2,219.8	2,685.4	2,497.1	2,077.5	1,398.7
Expenses from transactions	(2,072.6)	(1,943.3)	(2,376.4)	(2,243.3)	(1,588.6)
Net Result From Transactions	**147.2**	**742.1**	**120.7**	**(165.8)**	**(189.9)**
Other Economic Flows Included in Net Result	6.0	11.2	(10.0)	(3.9)	(78.5)
Net Result	**153.2**	**753.3**	**110.7**	**(169.7)**	**(268.4)**
Net change in asset revaluation reserve	2,197.4	2,258.9	4,455.6	(48.1)	1,276.7
Comprehensive Result	**2,350.6**	**3,012.1**	**4,566.3**	**(217.8)**	**1,008.3**
Cash Flows					
Cash flows from operating activities	524.0	1,330.7	653.9	466.6	445.5
Cash flows from investing activities	(686.8)	(1,726.2)	(985.1)	(596.5)	(671.1)
Cash flows from financing activities	163.1	407.0	324.5	131.9	223.5
Net Increase/(Decrease) In Cash Held	**0.2**	**11.5**	**(6.7)**	**2.0**	**(2.1)**
Capital Works					
Total Expenditure	**675.0**	**1,756.9**	**1,031.7**	**596.9**	**703.2**
Funding Sources					
State Government Funding derived from the Federal Government					
Construction	74.3	332.3	246.6	167.9	156.3
Asset maintenance and minor works	64.9	58.0	60.0	58.5	55.8
Federal Interstate Road Transport Scheme	1.8	20.6	18.4	18.9	19.7
National Blackspot Program	15.3	21.3	22.8	30.9	14.7
Federal Other	(0.2)	(0.2)	0.7	0.3	1.6
Total Federal Government Funding	**156.1**	**432.0**	**348.5**	**276.5**	**248.1**
State Government					
Outputs appropriations	585.1	581.6	579.7	550.1	135.0
Contributed capital appropriations	131.1	407.9	307.0	246.6	237.9
Better Roads Victoria Trust Account	514.5	1,029.7	484.0	264.3	571.1
Total State Government Funding	**1,230.7**	**2,019.2**	**1,370.7**	**1,061.0**	**944.0**

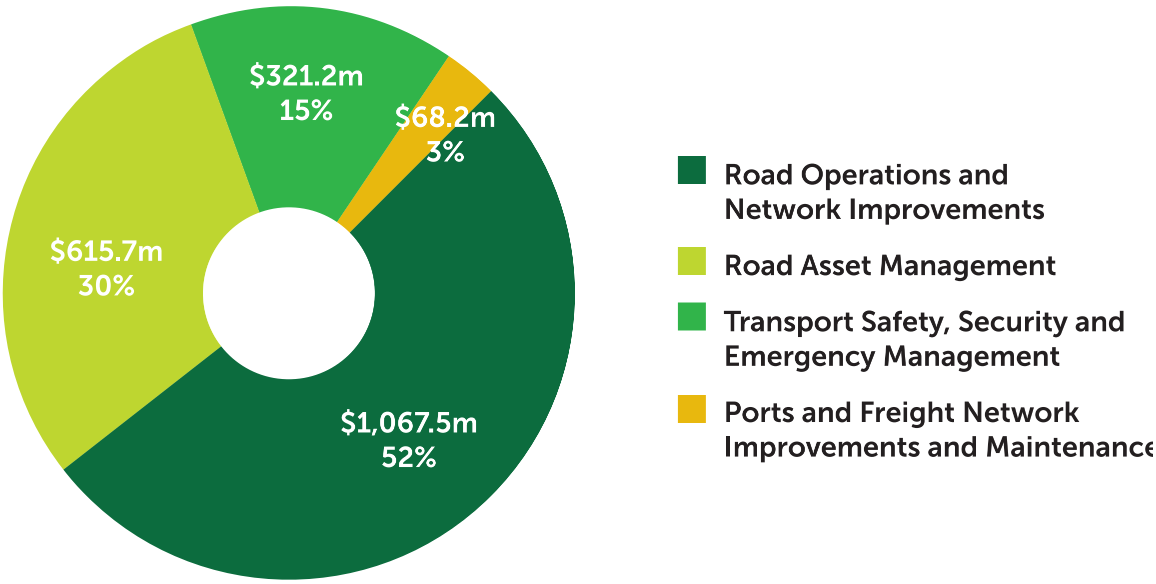
Five year financial summary (continued)

Year Ended 30 June	2019 $m	2018 $m	2017 $m	2016 $m	2015 $m
Other Funding Sources					
Transport Accident Commission Program Funding	328.2	310.1	135.2	68.1	105.5
Level Crossing Removal Authority Program Funding	4.0	6.0	638.7	591.1	0.0
VicRoads generated revenue	377.6	318.2	304.2	292.5	303.2
Total Other Funding Sources	**709.8**	**634.3**	**1,078.1**	**951.7**	**408.7**
Total Funding	**2,096.6**	**3,085.5**	**2,797.3**	**2,289.2**	**1,600.8**
Income Collected on Behalf of the Victorian Government and Other Government Agencies					
Transport Accident Commission fees	2,231.5	2,115.5	2,137.5	2,028.8	1,972.6
Motor vehicle registration	1,630.7	1,541.8	1,535.4	1,439.5	1,381.0
Stamp Duty	898.5	916.6	813.8	777.0	717.8
Driver licences	99.5	91.3	109.5	133.3	132.2
Federal Interstate Road Transport Scheme registrations	2.9	34.4	36.9	40.2	41.3
Other	115.1	99.8	84.5	74.3	75.2
Total Income	**4,978.2**	**4,799.4**	**4,717.6**	**4,493.1**	**4,320.1**
CityLink Income Administered on Behalf of the Victorian Government	**67.6**	**36.5**	**34.9**	**33.1**	**31.6**
Financial Position					
Total assets	56,600.9	55,916.1	52,374.7	47,497.3	47,732.8
Total liabilities	(1,277.5)	(1,511.1)	(1,346.3)	(1,303.9)	(1,201.4)
Net Assets	**55,323.4**	**54,405.0**	**51,028.4**	**46,193.4**	**46,531.4**
Contributed Capital	15,117.4	16,555.9	16,191.4	15,922.9	16,043.0
Asset revaluation reserve	23,422.6	21,225.2	18,966.3	14,510.6	14,558.7
Accumulated surplus/(deficit)	16,783.4	16,623.9	15,870.6	15,759.9	15,929.7
Net Worth	**55,323.4**	**54,405.0**	**51,028.3**	**46,193.4**	**46,531.4**
Assets and Liabilities Administered on Behalf of the Victorian Government					
Total assets	0.0	58.0	58.0	23.8	0.0
Total liabilities	(753.6)	(592.3)	(501.4)	(405.6)	(352.0)
Net Assets	**(753.6)**	**(534.3)**	**(443.4)**	**(381.8)**	**(352.0)**

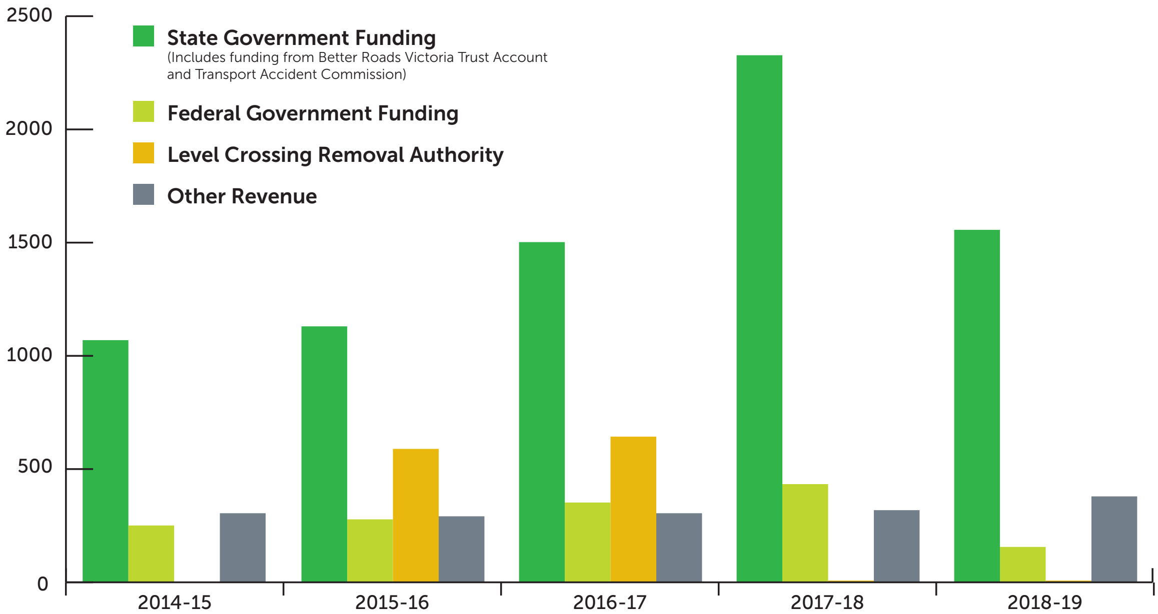
Funding Sources 2018–19



Operating output expenditure 2018–19



Composition of Funding Sources ($ million)



Section 2: Governance and organisational structure

Senior Executives/officers (as at 30 June 2019)

Executive Leadership Team (ELT) is responsible for guiding, reviewing and approving key business operations and initiatives. Each meeting involves discussions around business operations, challenges faced, opportunities and concerns on an operational and strategic level.

The Executive Leadership Team comprises VicRoads' executive directors and is chaired by the Chief Executive.

Chief Executive: Robyn Seymour (2 March–30 June 2019)

Deputy Chief Executive: VicRoads (10 March 2018 to 1 March 2019)

Robyn Seymour was appointed Chief Executive on 2 March 2019, having already dedicated 20 years to providing better outcomes for the community. After just a month at the helm, the government announced that VicRoads and PTV would soon transition to the Department of Transport. Robyn prepared this large organisation for the many changes that would arise under the new administrative arrangement. In her eleven years at VicRoads, Robyn has developed and implemented various road safety initiatives, programs, legislation and policy. As Deputy, she was responsible for setting VicRoads' vision, strategic objectives and priorities. Prior to that, Robyn managed and directed Investment and Design Services—a Division focused on meeting VicRoads obligations as an effective road manager; as well as working within Commercial Enterprises – five commercial businesses within VicRoads. This Division provided important benefits and outcomes for government, VicRoads and the Victorian community. Before VicRoads, Robyn worked in policy at the RACV.

Chief Financial Officer: Mark Dale

Mark Dale is the Chief Financial Officer and Executive Director of the Finance Division. Mark is responsible for the leadership, strategic oversight management and performance of VicRoads' financial functions and activities. He is a member of the VicRoads' Executive Leadership team responsible for the leadership and governance of the organisation. Mark has extensive public sector experience in financial policy development and financial management, business planning, change management, corporate services administration, auditing and superannuation fund management. Prior to joining VicRoads, Mark held a variety of senior finance and corporate services executive management positions in the public sector, including positions with the Port of Melbourne Corporation and its predecessors, the Melbourne Port Corporation and the Port of Melbourne Authority.

Executive Director Customer and Technology: Sally Curtain

As the Executive Director Customer and Technology, Sally leads two of the largest divisions at VicRoads: Registration and Licensing (R&L) and Information Management and Technology (IMT). The R&L division plays a critical role in supporting essential road safety-based policy and access to our road network through its multi-channel operations, with IMT supporting and enabling the organisation to deliver on its commitments and leverage technology to improve outcomes. Sally has 20 years of experience across state and local government. Before joining the team at VicRoads, Sally held senior positions as Strategic Director at City of Casey and Director and Assistant Director of the Anti-corruption Commission Implementation Project.

Executive Director Engineering and Road Management: Andrew Wall

Andrew has worked for VicRoads for 35 years in various rural and metropolitan locations in the areas of traffic engineering, road safety, bridge design, road construction, bituminous surfacing, strategic planning, asset management, network operations and project development. Andrew has represented VicRoads at a national level through Austroads, on Asset Management and the Austroads Network Task Force. Andrew led the development of SmartRoads, a framework for resolving the competing demands for road space between cars, trucks, buses, trams, bikes, pedestrians and abutting land uses. Andrew is now responsible for the setting of state-wide service levels and asset standards, measuring and prioritising performance gaps, and integrating and assuring the quality of works undertaken on the state road network. He has a Bachelor of Civil Engineering (Honours) from the University of Melbourne and was awarded a Public Service Medal in 2013.

Executive Director People, Culture and Strategy: Louise Gartland

Louise is passionate about building organisations that deliver, where people enjoy work, feel challenged and can achieve. She has pursued these endeavours across roles in change management, organisational development, consulting and employee relations in both the private and public sectors. Louise worked as a partner in a consultancy (Work and Family Matters) assisting parents to transition back to work. She managed industrial relations for the 2006 Commonwealth Games $2 billion infrastructure build;

supporting on time, on budget delivery. Prior to this, Louise embraced organisational change roles working with Burns Bridge Australia as a consultant, primarily in the utilities and telecommunications sector. She managed the merger of two IT organisations in a Human Resources Manager start up role. Louise established her career at Baulderstone Hornibrook in industrial relations. Louise joined VicRoads in late 2010 and VicRoads Executive Team in 2017. She has a B.Economics and Commerce (Hons) from Melbourne University and is undertaking her Masters at the National Institute of Organisational Dynamics Australia (NIODA).

Executive Director Public Engagement: Louise Perry

As Executive Director Public Engagement, Louise leads the Public Engagement and Commercial Divisions. Daily, she is at the frontline representing VicRoads and deepening the public conversation around congestion and what it means to live in an increasingly global city. She oversees a wide range of commercial undertakings and is responsible for ensuring coherence, consistency and performance in VicRoads' project cycle from budget bid to delivery. Louise is a member of VicRoads' Executive Leadership Team. Louise joined VicRoads in 2017, bringing more than 15 years' experience in media, government and not-for-profit organisations. She was Associate Director of Public Affairs at Oxfam Australia and an expert media and communications consultant for the Australian Institute of Management, WA. Louise has an excellent working understanding of how to lead people, instigate cultural change, deliver on strategy and actively engage the public. She is a committee member of the Hobsons Bay Community Fund and an Advisory Board member of BehaviourWorks Australia. Louise has a Bachelor of Arts, a postgraduate degree in Journalism and a Masters in International Development. She is a graduate of the Australian Institute of Company Directors.

Chief Regional Roads Officer: Paul Northey

As the Chief Regional Roads Officer heading up the dedicated regional division of the Department of Transport, Paul is responsible for the leadership, management and performance of the more than 19,000 kilometres of regional arterial roads that RRV oversees. With continued strong investment, RRV brings a coordinated, consistent and integrated approach to improving the regional road network through the prioritisation of an annual spend ($941 million–2018–19 Victorian Budget). RRV is focused on the way regional roads are planned and maintained, looking at road upgrades, maintenance and safety, ensuring planning and investment is in the right areas and reflects the priorities of community, councils and industry. Paul joined RRV in September 2018 and has over 25 years' experience in the government utility sector having held previous senior management roles in the areas of strategic planning, corporate strategy, sustainability, asset management and risk management. Paul's academic qualifications are a Bachelor of Engineering (Civil), a Master of Engineering (Environmental) and a Master of Business Administration. He is a Graduate of the Australian Institute of Company Directors, a Fellow of the Institute of Engineers Australia and is a member of the Deakin University Engineering Advisory Board.

Acting Chief Metropolitan Roads Officer: Rebecca Skelton

Rebecca has worked across the spectrum of communications and engagement in the public and private sectors in automotive, human services and transport. Rebecca is keenly interested in the public sector and creating benefit for the community, recently completing an Executive Masters in Public Administration. Having held a range of roles at VicRoads in strategic communications and community and stakeholder engagement, Rebecca's most recent experience acting as the VicRoads Chief Metropolitan Roads Officer saw her working on a range of issues relating to the Melbourne road network – day to day network operations, project delivery, transformation of our metropolitan operations model and emergency management.

Acting Corporation Secretary: Paul Santamaria

Paul has more than 20 years' executive director and general management experience across the public, private and not-for-profit sectors. With expertise in large scale front and back office operations, risk, audit and compliance and organisational governance, Paul has held roles with the Department of Premier and Cabinet, Victorian Chamber of Commerce and Industry and global senior Vice President roles with Computershare Ltd. Paul joined VicRoads in 2014 and has held multiple roles including leading its Customer Service divisions, and delivering essential road safety outcomes through the registration and licensing omni-channels. Paul is a member of the Australian Institute of Company Directors and is currently undertaking a Masters of Business Administration at RMIT.

Organisational chart as at 30 June 2019

Acting Chief Executive
Robyn Seymour

Executive Director Public Engagement
Louise Perry

Director Public Engagement RRV
A/Gael Evans-Barr

Director Public Engagement Metro
A/Lauren Hilbert

Director Corporate Affairs
A/Timothy Mclean

Director Commercial Enterprises
A/Lee Dobson

Chief Regional Roads Officer
Paul Northey

Director RRV Delivery
Liam Butcher

Director RRV Development
Nicki Kyriakou

Regional Director Eastern
Sarah Rhodes-Ward

Regional Director North Eastern
Steve Bowmaker

Regional Director Northern
A/Brian Westley

Regional Director Western
A/Mal Kersting

Regional Director South Western
A/Emma Miller-Olsen

Director SSRIP
Scott Lawrence

Chief Metro Roads Officer
Rebecca Skelton

Director Metro Assets
A/Vineta Risteski

Regional Director Metro South East
A/Mark Koliba

Regional Director Metro Central
Vacant

Regional Director Metro North West
Fatima Mohamed

Director Metro Projects
A/Sarah Smith

Director Emergency Management
Leanne Simpson

Executive Director Network Operations
A/Dale Andrea

- Director Planned Disruptions
  Sameem Moslih
- Director Heavy Vehicle Services
  Eric Henderson
- Director Network Operations
  Brian Fletcher

Executive Director Engineering & Road Management
A/Andrew Wall

Director Pipelines & Programs
Wendy Sladen

Director Network Integration & Assurance
A/Daniel Cassar

Director Road User & Vehicle Access
Roger Chao

Chief Engineer
A/Adrian Tofful

Director Road & Traffic Designs
Con Stasinos

Director Environment & Land
A/Scott Watson Director

Asset Management Structures & Pavements
A/Julian Gova

Executive Director Customer & Technology
Sally Curtain

Director R&L Services
Glen Madeira

Director R&L Practice Standards & Solutions
Helen Linder

Director Customer Services
Chris Reid

Director Service Strategy & Innovation
Jill Fitzroy

Chief Information Officer
A/Nicholas Colarossi

Director Information Access
David Martian

Director IT Operations
A/Liz Pollock

Director ICT Delivery
Ajay Ravindran

Director ICT Strategy
Vacant

Executive Director People, Culture & Strategy

Louise Gartland

Director of Organisational Development

Rachel Bragg

Director P&C Business Partners

Trudie Balhazaar

Director Safety & Ethical Behaviour

Kathryn Taylor

Corporation Secretary

A/Paul Santamaria

General Counsel

A/Karen Macdonald

Director Procurement Services

Chris Mcnally

Director Risk & Compliance

Olivia Giudice

Chief Financial Officer

Mark Dale

Director Management Accounting

Sarmilla Palaniandy

Director Financial Services

Vanessa Nativo & Amy Rowan

Director Corporate Accounting & Financial Projects

Wayne Mitchell

Governance

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: Sally Curtain, Executive Director: Customer and Technology

Procurement Governance Committee

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

Chair: Louise Gartland Executive Director: People, Culture and Strategy

Safe Systems Governance Committee

The purpose of our Safe System Governance Committee (SSGC) is to:

- foster, monitor and report on VicRoads' progress in embedding a Safe System approach in all aspects of our business
- to be accountable for ensuring that VicRoads delivers on the elements we're responsible for in the Victorian Government's road safety commitments and Toward Zero 2016–2020.

Committee membership includes senior management representatives of the TAC and VicRoads.

Chair: Paul Northey, Chief Regional Roads Officer

Strategy and Policy Governance Committee

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

Chair: Rebecca Skelton, Acting Chief Metropolitan Roads Officer

Risk and Audit Governance Committee membership and roles

Our 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 membership composition of the committee as at 30 June 2019 is provided below.

In 2018–19 the committee held six formal meetings, one briefing, and a strategy and planning day attended by the Chief Executive Officer of the Victorian Managed Insurance Authority. 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 2018–19 included oversight of the internal audit program, the risk and assurance program and corporate reporting including finances, fraud and integrity.

Members of Risk and Audit Governance Committee

Members as at 30 June 2019	Role
Jane Brockington (1 July 2018–30 June 2019)	Independent Chair
Dennis Cavagna (1 July 2018–30 June 2019)	Independent member
Kate Hughes (1 July 2018–30 June 2019)	Independent member
Freya Marsden (1 July 2018–30 June 2019)	Independent member
Paul Northey (2 March 2019–30 June 2019)	Chief Regional Roads Officer, VicRoads
Janice van Reyk (1 July 2018–30 June 2019)	Independent member
Robyn Seymour (1 July 2018–1 March 2019)	Acting Deputy Chief Executive and Acting Chief Metropolitan Roads Officer, VicRoads
Observers	
Mark Dale (1 July 2018–30 June 2019)	Chief Financial Officer, VicRoads
Michael Malouf (30 July 2018–1 March 2019)	Chief Executive, VicRoads
Paul Santamaria (19 November 2018–30 June 2019)	Acting Corporation Secretary, VicRoads
Robyn Seymour (2 March 2019–30 June 2019)	Acting Chief Executive, VicRoads
Kerry Thompson (1 July 2018–29 July 2018)	Acting Chief Executive, VicRoads

Occupational health and safety

We recognise our responsibility to provide a safe and healthy workplace for employees, contractors and other people who may potentially be impacted by our work. The health, safety and wellbeing of our staff is fundamental to the successful delivery of our work.

As part of our commitment to safety, we engage closely with our contractors through a range of forums to share safety-focused ideas and information. This helps us to build strong relationships with our contractor partners and extend our commitment to safety across our work.

In 2018–19 we will continue to work closely with our people and our contract partners to address the shared risks we face and to improve safety performance across our industry. Ensuring we have a high level of risk visibility is crucial to managing our risk profile, and to this end, we have increased overall incident reporting whilst reducing the number of serious incidents experienced by our people. We are currently implementing a modern, user-focused, safety data system to ensure leaders have real-time risk information available.

As part of our commitment to provide targeted risk solutions for our people, we have undertaken a comprehensive risk assessment for occupational violence and workplace aggression, identifying high risk workers and holding workshops with these groups to examine exposure types, impacts, contributing factors and controls. With a recognition of human, administrative and environmental principles being areas of focus, we are now able to implement action plans within each workgroup to minimise exposure and impact. This includes tailored scenario-based training and contributing to safety in design processes. We have conducted bow-tie risk analysis on some of our key risk areas related to vehicle-person interaction and driving, and will use the outcomes of these workshops to implement critical controls and develop relevant minimum requirements for these risks.

Our new early injury response program provides tailored intervention to staff with work or non-work-related injuries or illness, and is successfully supporting recovery, and facilitating safe and durable return-to-work outcomes. In FY19 we reduced overall claims by 20 per cent and reduced our insurance premium. Our new solution-focused employee assistance program called vCARE provides improved access to services for staff and we have doubled our engagement with this service in the last 12 months.

WorkCover

In 2018–19 we received 33 standard WorkCover claims and of these, 15 reported time loss. This is a reduction of 17 per cent from 2017–18. There was an increase in psychological claims, however, of these, only 40 per cent were accepted. There is an overall trend for improving claims performance with a reduction in claims and associated costs.

VicRoads WorkCover performance

Measure	KPI	2018–19	2017–18	2016–17	2015–16
Claims[1]	**Number of standard claims**[2]	**33**	40	32	34
	Number of lost time claims[3]	15	15	30	25
	Claim Incidence Rate per 100 FTE	1.28	1.6	1.3	1.38
	Premium rate (Prem/Rem*100)	0.85	1.06	1.1	1.22
	Number claims exceeding 13 weeks[4]	6	4	4	9
Fatalities	**Fatality claims**	**0**	0	0	0
Claim costs	**Average cost per standard claim ($)**[5]	**48,005**	25,780	14,278	10,730

1 *Data is provided by CGU, VicRoads' authorised agent.*

2 *Standardised claims are those that have exceeded the employer excess (days or dollars) or are registered as a standard claim and are open with payments at the time of extraction. Under threshold claims are excluded from this figure.*

3 *A time-lost claim has one or more days compensated by the Victorian WorkCover Authority (VWA) insurer (that is: once the employer has paid the 10-day excess) at the time of extraction. Lost-time claims are a sub set of standardised claims. Under threshold claims are excluded from this figure.*

4 *Thirteen-week claims is a measure of the number of claims exceeding 65 days' compensation. This measure reflects claims reported in the prior 6–18 months (2018 calendar year).*

5 *Average claim costs consist of standard claims received by the WorkCover agent between 30 June 2018 and 30 June 2019 (claims that impact the next WorkCover premium), calculated as of 30 June 2019. Higher average claim costs do not necessarily translate to higher premium costs, as the premium is impacted by total cost rather than average.*

Section 3: Workforce data

We're committed to applying merit and equity principles across our recruitment processes and appointments. Our selection processes ensure that applicants are assessed and evaluated fairly and equitably based on key selection criteria and other accountabilities without discrimination. At VicRoads, we're committed to diversity and equal employment opportunity, and we've developed a strategy and action plan to foster and support these principles.

Public sector values and employment principles

To promote adherence to public sector values, we issue all staff with public sector codes of conduct on commencement of their employment. We further enforce these values through mandatory public sector codes of conduct e-learning compliance modules which are completed by all employees every two years. We review and audit our staff's training completion regularly.

Comparative workforce data

Comparative workforce data

	Headcount				Full Time Equivalent (FTE)*			
	Ongoing Full Time	Ongoing Part Time	Fixed Term	Total	Ongoing Full Time	Ongoing Part Time	Fixed Term	Total
Gender								
Female	806	266	100	1,172	806	179	92	1,076
Male	1,471	38	149	1,658	1471	27	141	1,639
Total	**2,277**	**304**	**249**	**2,830**	**2277**	**206**	**232**	**2,715**
Age								
<=24	99	7	34	140	59	2	21	82
24–34	512	41	92	645	500	26	83	609
35–44	572	130	54	756	568	87	62	717
45–54	560	75	47	682	555	47	43	645
55–64	471	40	16	527	507	36	17	559
65+	63	11	6	80	88	9	6	103
Total	**2,277**	**304**	**249**	2,830	**2,277**	**206**	**232**	**2,715**
Classification								
Executives	45	3		48	45	2		47
STS	13	2		15	13	2		15
VRO6	132	12	8	152	132	8	8	148
VRO5	359	32	32	423	359	24	30	412
VRO4	632	66	84	782	632	43	82	758
VRO3	566	45	57	668	566	32	56	654
VRO2	528	142	46	716	528	94	43	665
VRO1	2	2	22	26	2	1	13	16
Total	**2,277**	**304**	**249**	**2,830**	**2277**	**206**	**232**	**2,715**

	Headcount				Full Time Equivalent (FTE)*			
	Ongoing Full Time	Ongoing Part Time	Fixed Term	Total	Ongoing Full Time	Ongoing Part Time	Fixed Term	Total
Comparison								
June 2019	2,277	304	249	2,830	2277	206	232	2,715
June 2018	2,433	330	243	3,006	2433	224	232	2,889

Notes

All figures reflect active employees in the last full pay period to 30 June.

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 are rounded to the nearest whole number.

All figures exclude staff absent without pay, external consultants and contractors engaged through the State Purchasing Contract for the supply of agency staff.

The principle reason for the reduction in staff from 2018 to 2019 is the transfer of major project delivery functions to the Major Transport Infrastructure Authority.

Workforce inclusion policy

As part of our commitment to create an inclusive workplace culture, we have implemented a number of inclusion and diversity initiatives as outlined in our *VicRoads Diversity and Inclusion Strategy 2018–2022* (D&I Strategy). We've worked to leverage the diversity of our workforce by creating and sustaining an inclusive workplace culture where all our people are valued, feel safe and are empowered to think freely, express themselves, innovate and fully contribute, regardless of:

- gender
- age
- ethnicity
- sexual orientation
- gender identity
- intersex status
- Indigenous status
- disability status
- socio-economic background
- educational background
- or other difference.

This strategy specifically acknowledges the additional challenges experienced by five groups traditionally marginalised in the workplace and aims to:

- close the gap on Indigenous workforce participation
- continue our journey on increasing women in leadership
- celebrate our culturally and linguistically diverse (CaLD) workforce
- provide a workplace that is fully inclusive for our LGBTIQ+ workforce
- provide a workplace that welcomes and enables people with disability.

Diversity targets and baseline data

VicRoads is working towards creating a balanced working environment where equal opportunity and diversity are valued – our D&I Strategy sets out related workforce composition targets corresponding with the above priorities. We're developing a system to regularly capture and track this information.

As part of the D&I Strategy, VicRoads has a target of 50 per cent women in leadership roles (VRO5 level and above) by 2022. VicRoads values employees with non-binary gender identities at all levels and acknowledges that due to historic and current barriers to disclosure of non-binary gender identities, employees may not choose to disclose this information. As a result, targets or quotas are not currently a useful way to promote opportunities for gender diverse employees at all levels.

The following table outlines VicRoads' actual progress against our targets in 2018–19 and 2017–18.

Workforce inclusion strategy initiative	2022 Target	Baseline as at 31 Dec 2018	Baseline as at 31 Dec 2017
Gender balanced leadership	50% of VicRoads leaders will be female (VRO5 and above)	34% of VicRoads leaders were female[1]	33% of VicRoads leaders were female[1]
Indigenous workforce representation	2% of our employees will identify as Aboriginal and/or Torres Strait Islander peoples	1.2% of our employees identified as being an as being Indigenous[2]	0.7% of our employees identified as being Indigenous[2]
Indigenous leaders	3 Indigenous employees will be VRO4 and above	3 Indigenous employees were at VRO4 level and above[2]	1 Indigenous employee was at VRO4 level and above[2]
CaLD leaders	30% of VicRoads leaders will be of CaLD background (VRO5 and above)	12.4 per cent of our CALD employees were at VRO5 and above[2]	Not available
Workforce comprises people of all abilities	10% of our employees will identify as having a disability	2.7 % of our employees identified as having a disability[2]	3% of our employees identified as having a disability[2]
LGBTIQ+ workforce representation	10% of our workforce will identify as belonging to the LGBTIQ+ community	4.7% of our workforce identified as belonging to the LGBTIQ+ community[2]	3% of our workforce identified as belonging to the LGBTIQ+ community[2]

Notes:

1 *Data obtained via VicRoads internal system Connect*

2 *Data obtained via the 2018 People Matter survey (2293 respondents representing 70% participation rate)*

In addition to the above, as at 31 December 2018, 41 per cent of VicRoads employees overall were female and 55 per cent of staff in our Executive Leadership Team were female.

Key highlights of our diversity and inclusion work completed over the past financial year include:

- twice yearly VicRoads Diversity and Inclusion Council meetings chaired by the Chief Executive, with representation from each of our five diversity employee networks
- development and launch of various internal action plans including the Gender Equity Action Plan and the LGBTIQ+ Inclusion Action Plan
- development and launch of the VicRoads Workplace Adjustments Policy
- continued implementation of our flexible working policy
- delivery of a variety of best-practice training, open to all staff, including Unconscious Bias and Inclusive Leadership, Disability Confidence, LGBTIQ+ Awareness and Ally, and Indigenous Cultural Awareness
- delivery of successful inclusion events on days of significance including National Reconciliation Week, International Day Against Homophobia, Biphobia, Intersexism, and Transphobia (IDAHOBIT Day), NAIDOC Week, International Women's Day, Lunar New Year, and Wear it Purple Day
- achieving "participating employer" status in our first ever submission to the Australian Workplace Equality index
- providing tailored assistance to staff belonging to our priority diversity groups
- continued development of the Aboriginal Inclusion Action Plan, the Accessibility Action Plan, and the CALD Inclusion Action Plan
- supporting the community – by providing scholarships to Indigenous secondary school students and through a VicRoads stall at the Tet Festival and Cultural Diversity Week.

Remuneration of executives

Remuneration of executives

Income Band (Salary $)	Executive	STS
160,000–179,999[1]	9	2
180,000 – 199,999[2]	16	11
200,000 – 219,999[3]	14	1
220,000 – 239,999	1	1
240,000 – 259,999	2	
260,000 – 279,999[4]	2	
280,000 – 299,999	2	
300,000 – 319,999	2	
320,000 – 339,999		
Total	**48**	**15**

Note: All salaries reflect equivalent full-time(EFT) values.

1 *There are two part time (.84) persons with purchased leave in this band.*

2 *There is one part time (.8) person and one purchased leave person in this band.*

3 *There is one purchased leave person in this band.*

4 *There is one purchased leave person in this band.*

Section 4: Other disclosures

Local Jobs First – Victorian Industry Participation Policy (VIPP)

The Local Jobs First Policy supports Victorian businesses and workers by ensuring that small and medium size enterprises are given a full and fair opportunity to compete for both large and small government contracts, helping to create job opportunities, including for apprentices, trainees and cadets.

The *Victorian Industry Participation Policy Act 2003* requires Victoria's departments and public sector bodies to:

- report on the implementation of the Local Jobs First Policy (Local Jobs First)
- apply Local Jobs First in all procurement activities valued at $3 million or more in metropolitan Melbourne and for state-wide projects, or $1 million or more in regional Victoria.

Projects commencements

During 2018–19, 57 Local Jobs First applicable procurements commenced totalling $596.83 million. Of those projects, 50 were in regional Victoria, with an average local content commitment of 96.82 per cent. Seven projects were in metropolitan Melbourne, with an average local content commitment of 96.02 per cent.

The Local Jobs First projects across the state committed to:

- delivering an average of 96.72 per cent of local content
- supporting a total of 1096.93 jobs (annualised employee equivalent (AEE)) including the creation of 244.11 new jobs and the retention of 852.82 existing jobs (AEE)
- supporting a total of 105.87 (AEE) positions for apprentices/trainees including the creation of 49.08 new apprenticeships/traineeships and the retention of 56.79 existing apprenticeships/traineeships.

Projects completed

During 2018–19, 51 Local Jobs First applicable procurements were completed, valued at $135.26 million. Of these projects, 44 were in regional Victoria, with an average local content of 96.77 per cent. Seven projects were completed in metropolitan Melbourne with a local content average of 93.63 per cent. No state-wide projects were completed.

The completed projects achieved the following outcomes:

- delivered an average of 96.33 per cent of local content
- supported a total of 746 (annualised employee equivalent (AEE)) positions
- supported apprenticeship/trainee positions including 15 new apprenticeships/traineeships and 55 existing apprenticeships/traineeships.

Disclosure of government advertising expenditure

In FY18/19 (1 July 2018 – 30 June 2019) VicRoads ran a total of 14 campaigns with a total spend of $1,700,061.36 (excl. GST).

Major advertising expenditure

	Campaign 1 Regional Roads Victoria	Campaign 2 Share the road	Campaign 3 Motorcycle safety
Campaign summary	A public launch campaign to create brand awareness and inform regional road users of Regional Roads Victoria (RRV) as a new division of VicRoads; focused on promotion of a new hotline enabling rural people to provide direct feedback and, educate on the essential role performed by the rural arterial network in connecting regional Victorians for maximum social and economic prosperity.	A public awareness campaign to get people in Victoria sharing the roads respectfully, in keeping with the Towards Zero 2016–2020 Road Safety Strategy. The campaign aims to start influencing behaviour change on our roads across multiple transport modes.	A targeted campaign in response to the high motorcyclist road toll seen in 2019. The campaign provides easy access for Victorian motorcyclists to reliable, trusted content so they are equipped with the right knowledge and skills to ride safely in all conditions.
Start/End date	Sep 2018–April 2019	May–June 2019	June 2019–July 2019
Advertising (media) expenditure 2018–19 ($ excluding GST)	$846,000	$120,000	$500,000[1]
Creative and campaign development expenditure 2018-19 ($ excluding GST)	$170,000	N/A	$200,000
Research and evaluation expenditure 2018–19 ($ excluding GST)	$27,000	N/A	$80,000
Print and collateral expenditure 2018–19 ($ excluding GST)	$191,000	N/A	N/A
Other campaign expenditure 2018–19 ($ excluding GST)	$291,000	N/A	N/A

[1] *Includes total expenditure for campaign ended in July 2019*

Consultancy expenditure

During 2018–19, we had 60 operational consultancies where the total fees payable to the consultant was $10,000 or greater. The total expenditure incurred during 2018–19 in relation to these consultancies was $6.211 million (excluding GST). Details of individual consultancy arrangements can be viewed at **vicroads.vic.gov.au**

During 2018–19, we had three operational consultancies where the total fees payable to the consultant was less than $10,000. The total expenditure incurred during 2018–19 in relation to these consultancies was $20,025 (excluding GST).

Information and Communication Technology (ICT) expenditure

For the 2018–19 reporting period, VicRoads had a total ICT expenditure of $118.7 million. Details of these are shown below.

ICT expenditure refers to VicRoads' costs in providing business enabling ICT services. It comprises Business as Usual (BAU) ICT expenditure and NonBusiness as Usual (NonBAU) ICT expenditure. NonBAU ICT expenditure relates to extending or enhancing VicRoads current ICT capabilities. BAU ICT expenditure is all remaining ICT expenditure which primarily relates to ongoing activities to operate and maintain the current ICT capability.

ICT expenditure

Business As Usual (BAU) ICT expenditure	NonBusiness As Usual (NonBAU) ICT expenditure	Operational expenditure	Capital expenditure
(Total)	(Total = Operational expenditure and Capital expenditure)		
$89.6 million	$29.1 million	$18.7 million	$10.4 million

Disclosure of major contracts

In accordance with the requirements of government policy and accompanying guidelines, we've disclosed all contracts greater than $10 million in value entered during the financial year ending 30 June 2019.

Details of these contracts can be viewed at:

www.vicroads.vic.gov.au/business-and-industry/tenders-and-suppliers/tenders-and-contracts

Application and operation of the *Freedom of Information Act 1982*

The *Freedom of Information Act 1982* (FOI Act) was created to promote openness, accountability and transparency in the Victorian public service by giving the public the right to access government information.

The object of the FOI Act is to 'extend as far as possible the right of the community to access documents in the possession of the Government of Victoria'. All members of the public have the right to apply for access to documents held by Ministers and agencies including VicRoads. This comprises documents both created by VicRoads or supplied to VicRoads by an external organisation or individual. A document is defined as including: maps; films; microfiche; photographs; computer printouts; computer disks, tape recording; videotapes; and anything whatsoever on which is marked any words, figures, letters or symbols which can carry a definite meaning to persons conversant with them.

In assessing whether it is suitable to release documents, VicRoads considers whether any material request is exempt from release under the FOI Act. VicRoads may determine that the document is released in full, exempt in part or exempt in full in accordance with the exemptions stipulated in the FOI Act, or that the document does not exist or cannot be located. Examples of documents that may not be accessed include: cabinet documents; some internal working documents; law enforcement documents; documents covered by legal professional privilege, such as legal advice; personal information about other people; and information provided in confidence.

Compliance with building and maintenance provisions of the *Building Act 1993* and audit of non-compliant claddings

Building regulations 2018 came into force on 1 July 2018, replacing the Building Regulations 2006 and the interim 2017 Regulations. To ensure buildings under VicRoads management are compliant with the *Building Act 1993* and are maintained in a safe and serviceable condition, VicRoads engages the Department of Treasury and Finance's Shared Service Provider (SSP). SSP undertake annual safety audits for all VicRoads owned and leased Customer Service Centres (CSCs) and Regional Offices. VicRoads operational depots are directly managed by the internal Business Operations Department. In 2018–19 SSP identified several compliance issues under the *Building Act 1993* at a number of properties, and these are currently being rectified. SSP is currently reviewing the processes and programs to ensure ongoing compliance with the Act for the owned and leased CSCs and Regional Offices.

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

Our status as at 30 June 2019 is as below.

Building compliance

Sites	No of properties	No of properties compliant	Percentage for portfolio
Depots (managed by VicRoads)	36	35	97 per cent
VicRoads leased CSCs (managed by SSP)	31	5	16 per cent
VicRoads owned CSCs (managed by SSP)	9	0	0 per cent

VicRoads conducts all new work and the redevelopment of existing properties in accordance with the *Building Act 1993*, relevant building regulations and other statutory requirements. This is done via the direction of VicRoads or management by SSP.

Audit of government owned and leased properties for combustible cladding

Model Report Operations states that entities "should be aware that an audit of Government-owned and leased buildings is underway". Department of Treasury and Finance's Shared Service Provider has been working as part of the Victorian Cladding Taskforce's Interdepartmental Working Group to ensure a comprehensive and coordinated approach to identifying, managing and rectifying non-compliant cladding on Victorian Government Buildings. The comprehensive audit sought to identify fire safety risks arising from the use of Aluminium Composite Panel (ACP). There were two buildings identified in VicRoads' portfolio.

Fire safety risks

Suburb	Street address	Risk rating	Recommendations and next steps
Footscray	1 McNab Avenue	Low	Notice to show cause why non-compliant cladding should not be removed.
Heatherton	77 Corporate Drive	Low	Notice to show cause why non-compliant cladding should not be removed.

These issues and recommendations were forwarded to the Victorian Building Association who advised SSP that they are currently only resolving issues with buildings that have a high-risk rating.

Competitive Neutrality policy

Competitive neutrality requires government businesses to ensure that where services compete (or potentially compete) with the private sector, any advantage arising solely from their government ownership be removed if it is not in the public interest. Government businesses are required to cost and price these services as if they were privately owned. Competitive neutrality policy supports fair competition between public and private businesses and provides government businesses with a tool to enhance decisions on resource allocation. This policy does not override other policy objectives of government and focuses on efficiency in the provision of service. Our commercial business activities comply with Competitive Neutrality policy, including compliance with the requirements of the policy statement Competitive Neutrality Policy Victoria and any subsequent reforms.

Application and operation of the *Protected Disclosure Act 2012*

The *Protected Disclosure Act 2012* aims to protect people who report improper conduct by public officers and public bodies. We aim to be transparent and accountable in this area.

VicRoads supports disclosures of information that reveal corrupt conduct, mismanagement of public resources, or conduct that risks public health and safety, or the environment. In accordance with the *Protected Disclosure Act 2012*, VicRoads will not take detrimental action against any person who makes such a disclosure.

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

Compliance with the *Disability Act 2006*

The *Disability Act 2006 (Vic)* requires VicRoads to prepare a disability action plan and report on its implementation in our annual report. VicRoads' *Disability Action Plan 2016–2020* is a four year plan that outlines the steps we will take to become a more inclusive and accessible organisation. In the reporting period, VicRoads has:

- developed the refreshed Disability Parking Scheme in consultation with internal and external stakeholders
- developed and launched our Workplace Adjustment Policy at our inclusion event on International Day of People with Disability, including developing a short video for staff explaining workplace adjustments and highlighting a "good news story"
- developed and placed a welcome video for people with disability on our external website
- delivered 10 Disability Confidence training sessions, open to all staff
- delivered tailored workshops, in partnership with Australian Network on Disability, focused on raising awareness across various areas of the business of best practice and available benchmarking tools
- liaised with internal and external stakeholders to progress the update of our Disability Action Plan, including legal review and close consultation with Australian Network on Disability
- continued to provide support to the Ability+ employee network for people with disability and staff with disability.

VicRoads' disability action plan is aligned with *Absolutely Everyone: State Disability Plan for 2017–2020*, which is the Victorian Government's framework for enabling people with disability to participate and contribute to the social, economic and civic life of their community.

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. The Ministerial Directions in effect during 2018–19 are listed below.

For more information about these Ministerial Directions, including references to the notices published in the Victoria Government Gazette, refer to the VicRoads Register of Public Roads at **vicroads.vic.gov.au**

Ministerial Directions

Minister for Roads and Road Safety		
Start	**End**	**Designated Road Project (location)**
01/03/2018	31/12/2021	Determination of the OSARs Western Roads Upgrade to be a Designated Road Project
12/10/2015	31/03/2019	Main Road and Furlong Road Level Crossing Removal project (variation of DRP)

Statement of availability of other information

In compliance with the requirements of the Standing Directions of the Minister for Finance, we have retained details related to the items below. These details 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.

The information is available on request from:

Elinda Pak
Manager Corporate Planning, Strategy and Governance
Organisational Development Strategy and Planning

Phone: (03) 9935 4148
Email: Elinda.Pak@roads.vic.gov.au

Compliance with DataVic Access policy

In keeping with the DataVic Access policy issued by the Victorian Government in 2012, VicRoads continued to make over 100 datasets available on the DataVic website in 2018–19. This consisted of 65 master datasets and 36 derived datasets. The main examples of newly introduced datasets in this financial year included "Heavy vehicle data related to agricultural domain", and "New motor vehicle registrations". These data sets are among the most downloaded items from the Victorian Data Directory at **data.vic.gov.au**

In 2018–19, VicRoads continued to commit additional funding and resources to further implement initiatives consistent with implementation of the DataVic Access policy. VicRoads is committed to fostering greater transparency and accountability, driving innovation and economic opportunities for the community, and sharing information across government to drive better policy outcomes.

To address these commitments, VicRoads undertook the following initiatives:

- production launch of the Data Exchange Platform (DEP) to facilitate sharing of more enriched content in real time
- development of data products which facilitate bi-directional collaboration, using datasets and improving discoverability via a data catalogue accessible to whole of Victorian government agencies. Product teams were formed with resources of cross functional capabilities
- an enterprise wide assessment of capabilities related to data, formulating the future state for data management to uplift maturity for wider and consistent adoption of DataVic Access policy
- further collaborating with private and public sector groups, including data science forums, academics, experts, archivists, and developers
- partnering with the Department of Premier and Cabinet to progress data sharing initiatives across Victorian government agencies.

Information included in this Annual Report is available at www.data.vic.gov.au in electronic readable format.

Attestation for compliance with Ministerial Standing Direction

I, Jeroen Weimar, certify that VicRoads has complied with the applicable Standing Directions of the Minister for Finance under the *Financial Management Act 1994* and Instructions.

VicRoads will continue to pursue improvement opportunities in certain areas to enhance our maturity level against the applicable Standing Directions.

Jeroen Weimar
Acting Chief Executive
Roads Corporation

Section 5: 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 2019. 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:

Comprehensive operating statement

for the year ended 30 June 2019

	Notes	2019 $'000	2018 $'000
Continuing operations			
Income from transactions			
Victorian Government appropriations		1,256,036	2,046,267
Sale of goods and services	3.2	313,175	246,048
Program contributions	3.3	346,962	347,337
Fair value of assets received free of charge		254,372	7,773
Other income	3.4	49,284	37,924
Total income from transactions		**2,219,829**	**2,685,349**
Expenses from transactions			
Employee benefit expenses	4.1.1.1	(317,479)	(313,586)
Depreciation and amortisation	5.3.1	(645,154)	(632,431)
Interest expenses	7.1.2	(80,741)	(82,925)
Grant expenses	4.1.2	(127,824)	(97,701)
Capital asset charge		(49,800)	(49,800)
Fair value of assets provided free of charge		(10,339)	(21,569)
Other operating expenses	4.1.3	(841,315)	(745,268)
Total expenses from transactions		**(2,072,652)**	**(1,943,280)**
Net result from transactions (net operating balance)		**147,177**	**742,069**
Other economic flows included in net result			
Net gain/(loss) on non-financial assets	10.1	9,430	12,815
Net gain/(loss) on financial instruments	10.1	3,314	(1,755)
Other gains/(losses) from other economic flows	10.1	(6,712)	139
Total other economic flows included in net result		**6,032**	**11,199**
Net result		**153,209**	**753,268**
Other economic flows – other comprehensive income			
Items that will not be reclassified to net result			
Impairment loss to asset revaluation reserve		(364,408)	(173,716)
Revaluation gain/(loss) to asset revaluation reserve		2,561,801	2,432,562
Total other economic flows – other comprehensive income		**2,197,393**	**2,258,846**
Comprehensive result		**2,350,602**	**3,012,114**

The accompanying notes form part of these financial statements.

Balance sheet

as at 30 June 2019

	Notes	2019 $'000	2018 $'000
Assets			
Financial assets			
Cash and cash equivalents	7.3.1	66,153	52,502
Receivables	6.1	658,466	880,645
Total financial assets		**724,619**	**933,147**
Non-financial assets			
Prepayments		6,572	8,993
Inventories		1,634	2,058
Non-financial physical assets classified as held for sale	6.2	5,934	26,154
Property, plant and equipment	5.1	55,784,852	54,868,103
Intangible assets	5.2.1	77,297	77,625
Total non-financial assets		**55,876,289**	**54,982,933**
Total assets		**56,600,908**	**55,916,080**
Liabilities			
Payables	6.3	299,982	400,593
Borrowings	7.1	694,915	721,213
Employee related provisions	4.1.1.2	111,107	107,341
Other provisions	6.5	134,052	244,932
Unearned income	6.4	37,477	37,055
Total liabilities		**1,277,533**	**1,511,134**
Net assets		**55,323,375**	**54,404,946**
Equity			
Contributed capital		15,117,422	16,555,893
Asset revaluation reserve		23,422,556	21,225,163
Accumulated surplus		16,783,397	16,623,890
Net worth		**55,323,375**	**54,404,946**

The accompanying notes form part of these financial statements.

Cash flow statement

for the year ended 30 June 2019

	Notes	2019 $'000	2018 $'000
Cash flows from operating activities			
Receipts			
Receipts from government appropriations		1,444,557	1,904,817
Receipts from other sources		717,956	552,423
Goods and Services Tax collected		65,288	88,288
Goods and Services Tax recovered from the ATO		90,673	167,690
Interest received		936	1,094
Total receipts		**2,319,410**	**2,714,312**
Payments			
Payments to suppliers and employees		(1,375,132)	(899,237)
Payments of grants and other transfers		(127,824)	(97,702)
Interest and other costs of finance paid		(80,129)	(89,963)
Goods and Services Tax paid on purchases		(162,567)	(246,896)
Payments of capital asset charge		(49,800)	(49,800)
Total payments		**(1,795,452)**	**(1,383,598)**
Net cash flows from operating activities	**7.3.2**	**523,958**	**1,330,714**
Cash flows from investing activities			
Payments for purchase of non-financial assets		(689,994)	(1,733,240)
Proceeds from sale of non-financial assets		1,509	6,779
Loans granted to other parties		1,640	263
Net cash flows used in investing activities		**(686,845)**	**(1,726,198)**
Cash flows from financing activities			
Repayment of interest bearing liabilities		(17,783)	(19,022)
Proceeds from capital contributions by the Victorian Government		180,828	426,000
Net cash flows from financing activities		**163,045**	**406,978**
Net increase / (decrease) in cash held		**158**	**11,494**
Cash at the beginning of the financial year		11,037	(457)
Cash held at the end of the Financial Year	**7.3.1**	**11,195**	**11,037**

The accompanying notes form part of these financial statements.

Statement of changes in equity

for the year ended 30 June 2019

	Notes	Asset revaluation reserve 2019 $'000	Accumulated surplus 2019 $'000	Contributed capital 2019 $'000	Total 2019 $'000
Balance at 1 July 2018		**21,225,163**	**16,623,890**	**16,555,893**	**54,404,946**
Change in accounting policy		–	6,298	–	6,298
Restated balance at 1 July 2018		**21,225,163**	**16,630,188**	**16,555,893**	**54,411,244**
Net result for the year		–	153,209	–	153,209
Other economic flows – other comprehensive income		2,197,393	–	–	2,197,393
Capital appropriations		–	–	131,128	131,128
Net assets transferred to other Victorian Government agencies	7.3.3	–	–	(1,569,599)	(1,569,599)
Balance at 30 June 2019		**23,422,556**	**16,783,397**	**15,117,422**	**55,323,375**

	Notes	Asset revaluation reserve 2018 $'000	Accumulated surplus 2018 $'000	Contributed capital 2018 $'000	Total 2018 $'000
Balance at 1 July 2017		**18,966,317**	**15,870,622**	**16,191,383**	**51,028,322**
Net result for the year		–	753,268	–	753,268
Other economic flows – other comprehensive income		2,258,846	–	–	2,258,846
Capital appropriations		–	–	407,908	407,908
Assets transferred to other Victorian Government agencies	7.3.3	–	–	(43,398)	(43,398)
Balance at 30 June 2018		**21,225,163**	**16,623,890**	**16,555,893**	**54,404,946**

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 following notes:

- employee benefit provisions (refer *Note 4.1.1 Employee benefits*);
- revaluation of non-current physical assets (refer *Note 5.1 Property, plant and equipment*);
- useful lives of non-financial assets (refer *Note 5.3.2 Useful lives*);
- impairment of non-financial assets (refer *Note 5.3.3 Impairment*); and
- fair value of land, buildings, infrastructure, plant and equipment (refer *Note 8.3 Fair value determination*).

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

Transfer of road construction projects

Major Roads Projects Victoria (MRPV), which is part of the Department of Transport, was established with effect from 1 July 2018 to deliver a pipeline of major road projects. By Order in Council, the Governor in Council ordered the transfer of 29 current road construction projects from the Corporation to MRPV, with effect from 6 August 2018. The transfer of these projects resulted in a transfer of net assets of $1.516 billion to MRPV (refer to *Note 7.3.3 Non-cash financing and investing activities*) and a significant reduction in income from Victorian government appropriations in 2018–19 when compared with 2017–18 (refer to *Note 3.1 Summary of income from transactions that fund the delivery of our services*).

Transfer of Functions to the Department of Transport

In April 2019, the Victorian Government made a decision to transfer the functions of the Corporation (except the Registration and Licensing, Heavy Vehicle Operations, and Incident Response functions), to the Department of Transport to deliver an integrated, user-focused approach to tackling transport opportunities.

- Pursuant to Transport Restructuring Order (Roads Corporation) No. 1/2019, published in the Victorian Government Gazette (S258) on 26 June 2019, the transferring functions of the Corporation under section 87(1) of the *Transport Integration Act 2010,* were conferred on the Head, Transport for Victoria with effect from 1 July 2019.
- Pursuant to section 28(1A) of the *Public Administration Act 2004*, on 1 July 2019 employees of the Corporation except for those undertaking Registration and Licensing, Heavy Vehicle Operations, and Incident Response Service functions, were transferred to the Secretary to the Department of Transport.

This transfer of functions represents a significant event for the Corporation as at 30 June 2019. Further details of this event are disclosed in *Note 10.9 Subsequent events*.

2. Operating Net Result

There are two significant factors which impact the Corporation's net result in any year. These factors are Victorian Government grants received for investment in capital works, offset by the depreciation and amortisation of non-financial property, plant and equipment assets constructed or acquired in the current or previous years. The relative level of these two factors will influence the actual level of net result surplus or deficit.

The Corporation's net result for 2018–19 was a surplus of $153.2 million compared with a surplus of $753.3 million in 2017–18. The decrease in the net result for 2018–19 compared to 2017–18 is due to a number of factors with the most significant being a decrease in Victorian Government grants which were received for investment in capital works, following the transfer of delivery responsibility for various projects to Major Roads Projects Victoria partly offset by the transfer of assets (via the comprehensive operating statement) from the Victorian Government as detailed in *Note 3.1 Summary of income from transactions that funds the delivery of our services*.

3. 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 Transport, and its predecessor, the Department of Economic Development, Jobs, Transport and Resources.

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3.1 Summary of income from transactions that fund the delivery of our services

	Notes	2019 $'000	2018 $'000
Victorian Government appropriations		1,256,036	2,046,267
Sale of goods and services	3.2	313,175	246,048
Program contributions	3.3	346,962	347,337
Fair value of assets received free of charge		254,372	7,773
Other income	3.4	49,284	37,924
Total income from transactions		**2,219,829**	**2,685,349**

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 9.1 Administered items)*.

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

Assets received free of charge relate to infrastructure assets and are recognised at their fair value at the time that the Corporation obtains control over the assets. The amount recorded in 2019 relates to a transfer of assets from the Victorian Government which were previously recorded by the Corporation as administered items, associated with works undertaken by Transurban outside the CityLink leased area, as part of an upgrade of CityLink. Following the completion of these works, the related assets now form part of the Corporation's controlled road network.

3.2 Sale of goods and services

	2019 $'000	2018 $'000
Regulatory revenue	168,368	164,670
External works	94,256	32,286
Transport Accident Commission premium collection commission	45,202	42,979
Victorian Government agency commission	5,349	6,113
Total sale of goods and services	**313,175**	**246,048**

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.

3.3 Program contributions

	2019 $'000	2018 $'000
Transport Accident Commission	328,186	310,137
Level Crossing Removal	4,019	5,976
Other specific purpose	14,757	31,224
Total program contributions	**346,962**	**347,337**

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

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

3.4 Other income

	2019 $'000	2018 $'000
Rental	16,803	16,988
Recoveries	31,545	19,842
Interest	936	1,094
Total other income	**49,284**	**37,924**

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

The lease terms range between 1 and 40 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	2019 $'000	2018 $'000
Not longer than one year	9,729	8,150
Longer than one year but not longer than five years	31,518	27,715
Longer than five years	60,353	66,704
Total lease receivables	**101,600**	**102,569**

4 The cost of delivering services

Introduction

Note 3 Funding delivery of our services disclosed the source of funds that enable the provision of services by the Corporation. This note discloses details of the expenses incurred by the Corporation associated with provision of services.

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4.1 Expenses incurred in the delivery of services

	Notes	2019 $'000	2018 $'000
Employee benefit expenses	4.1.1.1	317,479	313,586
Grant expenses	4.1.2	127,824	97,701
Capital asset charge		49,800	49,800
Fair value of assets provided free of charge		10,339	21,569
Other operating expenses	4.1.3	841,315	745,268
Total expenses incurred in the delivery of services		**1,346,757**	**1,227,924**

A **capital asset charge** is 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.

4.1.1 Employee benefits

4.1.1.1 Employee benefits in the comprehensive operating statement

	2019 $'000	2018 $'000
Salaries and related on-costs	251,066	248,471
Leave entitlements	33,465	31,160
Superannuation expenses	31,979	31,939
Termination benefits	969	2,016
Total employee benefit expenses	**317,479**	**313,586**

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 expenses** represents 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 providing termination benefits as a result of an offer made to encourage voluntary redundancy.

4.1.1.2 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.

	2019 $'000	2018 $'000
Current provisions:		
Annual leave		
Unconditional and expected to be settled within 12 months	15,407	16,754
Unconditional and expected to be settled after 12 months	4,656	4,174
Long service leave		
Unconditional and expected to be settled within 12 months	5,128	8,460
Unconditional and expected to be settled after 12 months	60,677	55,044
Provisions for on-costs		
Unconditional and expected to be settled within 12 months	3,235	3,956
Unconditional and expected to be settled after 12 months	10,525	9,481
Performance and other entitlements	5,328	5,861
Total current provisions for employee benefits	**104,956**	**103,730**
Non-current provisions:		
Conditional long service leave	5,294	3,111
Provision for on-costs	857	500
Total non-current provisions for employee benefits	**6,151**	**3,611**
Total provisions for employee benefits	**111,107**	**107,341**

Reconciliation of movement in provision for on-costs

	2019 $'000	2018 $'000
Carrying amount at the beginning of the year	**13,937**	**13,429**
Additional provisions recognised	6,313	4,877
Additions due to transfers in	119	59
Reductions arising from payments/other sacrifices of future economic benefits	(4,305)	(4,142)
Unwind of discount and effect of changes in the discount rate	(931)	15
Additions/(reductions) from re-measurement or settlement without cost	894	(254)
Reduction transfer out	(1,410)	(47)
Carrying amount at the end of the year	**14,617**	**13,937**
Current	**13,760**	**13,437**
Non-current	**857**	**500**
Total	**14,617**	**13,937**

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 twelve months, because it does not have an unconditional right to defer the settlement of the entitlement should an employee elect to take leave within twelve 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.

4.1.1.3 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	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Defined benefit plans:				
State Revised and New Superannuation Schemes	3,964	4,633	46	84
Transport Superannuation Scheme	2,510	2,716	31	51
Defined contribution plans:				
VicSuper	15,287	16,103	228	301
Other	9,766	8,460	150	164
Total superannuation contributions	**31,527**	**31,912**	**455**	**600**

4.1.2 Grant expense

	2019 $'000	2018 $'000
General purpose grants	1,726	4,319
Payments for specific purposes	126,098	93,382
Total grant expenses	**127,824**	**97,701**

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 subsidies and other transfer payments, made to State-owned agencies, local government and community groups.

4.1.3 Other operating expenses

	2019 $'000	2018 $'000
Supplies and services:		
Contractor Services	667,514	600,432
Management and operating	134,408	99,540
Public Private Partnerships maintenance and operation	8,369	8,234
Services alterations	1,734	1,923
Operating lease rental expenses:		
Property	12,168	14,035
Plant	12,857	16,133
Motor vehicle	4,265	4,971
Total other operating expenses	**841,315**	**745,268**

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.

5 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 8.3 Fair value determination*, in connection with how those fair values were determined.

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5.1 Property, plant and equipment

	Gross carrying amount		Accumulated depreciation		Accumulated impairment		Net carrying amount	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Buildings and leasehold improvements	54,895	55,042	–	(3,955)	–	–	54,895	51,087
Plant and equipment	86,553	78,720	(50,033)	(44,113)	(2,239)	(1,993)	34,281	32,614
Land	26,109,894	26,043,516	–	–	–	–	26,109,894	26,043,516
Infrastructure assets[(i)(ii)]	52,846,357	48,873,538	(22,563,624)	(19,800,109)	(696,951)	(332,543)	29,585,782	28,740,886
Total property, plant and equipment at fair value	**79,097,699**	**75,050,816**	**(22,613,657)**	**(19,848,177)**	**(699,190)**	**(334,536)**	**55,784,852**	**54,868,103**

(i) Infrastructure assets comprise completed and under construction assets

(ii) Of the balance in 'infrastructure assets', $546.6 million [$556 million in 2018] 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 103H 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 103H 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 8.3 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 road reservations. The average values are discounted to reflect the value prior to subdivision and also community service obligations. The discount factors range from 40% for rural land under freeways to 80% 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 103H 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 103H 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 infrastructure and buildings assets, and consequently, an interim managerial revaluation was undertaken of these classes as at 30 June 2019.

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

- Buildings and leasehold improvements were independently valued by the Valuer-General Victoria as at 30 June 2015 and subject to a managerial revaluation using index rates provided by the Valuer General Victoria as at 30 June 2019. The revaluation as at 30 June 2019 resulted in an increase of $5.5 million.
- Infrastructure and leased infrastructure assets were valued using replacement cost unit rates independently assessed by the Valuer-General Victoria as at 30 June 2015 and subject to a managerial revaluation using unit rates provided by an independent valuer as at 30 June 2019. The revaluation as at 30 June 2019 resulted in an increase of $2.556 billion which primarily comprises $1.179 billion for pavement assets, $0.763 billion for earthworks assets and $0.546 billion for bridge assets (refer to *Note 5.1.4.2 Reconciliation of movements in carrying value of infrastructure assets*).
- 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 and 30 June 2018 based on an assessment by the Valuer-General Victoria.
- Land for operations, land acquired for future pubic roads and land in commercial use were revalued as at 30 June 2015 and subject to a managerial revaluation as at 30 June 2017 and 30 June 2018 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.

5.1.1 Buildings and leasehold improvement assets

5.1.1.1 Carrying value of buildings and leasehold assets

	Gross carrying amount		Accumulated depreciation		Net carrying amount	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Buildings operational at fair value	12,011	12,841	–	(963)	12,011	11,878
Buildings on land acquired for future public roads at fair value	27,951	27,388	–	(1,881)	27,951	25,507
Leasehold improvements at fair value	14,933	14,813	–	(1,111)	14,933	13,702
Total buildings and leasehold improvements	**54,895**	**55,042**	**–**	**(3,955)**	**54,895**	**51,087**

5.1.1.2 Reconciliation of movements in carrying value of buildings and leasehold asset

Reconciliation	Buildings operational 2019 $'000	Buildings on land acquired for future public roads 2019 $'000	Leasehold improvements 2019 $'000	Total 2019 $'000
Carrying amount at the beginning of the year	**11,878**	**25,507**	**13,702**	**51,087**
Acquisitions	–	1,030	–	1,030
Assets transferred to Victorian Government agencies as contributed capital	–	(219)	–	(219)
Depreciation expense	(309)	(688)	(370)	(1,367)
Assets transferred to Victorian Government as contributed capital	–	(29)	–	(29)
Properties incorporated into declared roads	(873)	(280)	–	(1,153)
Revaluation Increment/(decrement)	1,315	2,630	1,601	5,546
Carrying amount at the end of the year	**12,011**	**27,951**	**14,933**	**54,895**

Reconciliation	Buildings operational 2018 $'000	Buildings on land acquired for future public roads 2018 $'000	Leasehold improvements 2018 $'000	Total 2018 $'000
Carrying amount at the beginning of the year	**12,199**	**25,276**	**14,072**	**51,547**
Acquisitions	–	1,703	–	1,703
Depreciation expense	(321)	(674)	(370)	(1,365)
Properties incorporated into declared roads	–	(1,159)	–	(1,159)
Transfers from/(to) properties held for sale	–	361	–	361
Carrying amount at the end of the year	**11,878**	**25,507**	**13,702**	**51,087**

5.1.2 Plant and equipment

5.1.2.1 Carrying value of plant and equipment

	2019 $'000	2018 $'000
Gross carrying amount	**86,553**	**78,720**
Accumulated depreciation	(50,033)	(44,113)
Accumulated impairment	(2,239)	(1,993)
Net carrying amount	**34,281**	**32,614**

5.1.2.2 Reconciliation of movements in carrying value of plant and equipment

Reconciliation	2019 $'000	2018 $'000
Carrying amount at the beginning of the year	**32,614**	**28,281**
Acquisitions	8,687	11,112
Depreciation expense	(6,532)	(5,847)
Disposals	(173)	(144)
Impairment expense	(315)	(788)
Carrying amount at the end of the year	**34,281**	**32,614**

5.1.3 Land

5.1.3.1 Carrying value of land

	2019 $'000	2018 $'000
Land for operations at fair value	46,851	46,851
Land acquired for future public roads at fair value	1,644,233	1,586,870
Land under declared roads at fair value	24,341,021	24,332,006
Land in commercial use at fair value	77,789	77,789
Total land	**26,109,894**	**26,043,516**

5.1.3.2 Reconciliation of movements in carrying value of land

Reconciliation	Land for operations 2019 $'000	Land acquired for future public roads 2019 $'000	Land under declared roads 2019 $'000	Land in commercial use 2019 $'000	Total 2019 $'000
Carrying amount at the beginning of the year	**46,851**	**1,586,870**	**24,332,006**	**77,789**	**26,043,516**
Acquisitions	–	100,766	–	–	100,766
Asset register adjustments	–	44	–	–	44
Assets transferred to other entities	–	(651)	–	–	(651)
Assets transferred to other entities as contributed capital	–	(27,505)	–	–	(27,505)
Disposals	–	(165)	–	–	(165)
Assets transferred to Victorian Government as contributed capital[(i)]	–	(6,722)	–	–	(6,722)
Transfers from/(to) land under declared roads	–	(7,260)	7,260	–	–
Transfers from/(to) properties held for sale	–	(1,144)	1,755	–	611
Carrying amount at the end of the year	**46,851**	**1,644,233**	**24,341,021**	**77,789**	**26,109,894**

Reconciliation	Land for operations 2018 $'000	Land acquired for future public roads 2018 $'000	Land under declared roads 2018 $'000	Land in commercial use 2018 $'000	Total 2018 $'000
Carrying amount at the beginning of the year	**42,987**	**1,472,445**	**22,036,496**	**79,260**	**23,631,188**
Acquisitions	–	38,042	–	–	38,042
Assets transferred to other entities as contributed capital	–	(1,675)	(33,727)	–	(35,402)
Disposals	–	(328)	–	–	(328)
Assets transferred to Victorian Government as contributed capital[(i)]	–	(771)	–	–	(771)
Revaluation Increment/(decrement)	3,864	159,712	2,270,456	(1,471)	2,432,561
Transfers from/(to) land under declared roads	–	(61,120)	61,120	–	–
Transfers from/(to) properties held for sale	–	(19,435)	(2,339)	–	(21,774)
Carrying amount at the end of the year	**46,851**	**1,586,870**	**24,332,006**	**77,789**	**26,043,516**

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

5.1.4 Infrastructure assets

5.1.4.1 Carrying value of Infrastructure assets

	Gross carrying amount		Accumulated depreciation		Accumulated impairment		Net carrying amount	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Road pavements	31,147,209	28,018,531	(17,452,786)	(15,364,323)	(690,688)	(326,844)	13,003,735	12,327,364
Earthworks	9,062,399	8,185,315	–	–	–	–	9,062,399	8,185,315
Sound barriers	699,644	608,643	(245,135)	(202,134)	–	–	454,509	406,509
Bridges	9,738,159	8,633,260	(4,070,164)	(3,537,580)	(6,263)	(5,699)	5,661,732	5,089,981
Traffic signal control systems	1,196,408	1,045,942	(795,539)	(696,072)	–	–	400,869	349,870
Subtotal	**51,843,819**	**46,491,691**	**(22,563,624)**	**(19,800,109)**	**(696,951)**	**(332,543)**	**28,583,244**	**26,359,039**
Assets under construction at cost	1,002,538	2,381,847	–	–	–	–	1,002,538	2,381,847
Total assets under construction at cost	**1,002,538**	**2,381,847**	**–**	**–**	**–**	**–**	**1,002,538**	**2,381,847**
Total infrastructure assets[(i)]	**52,846,357**	**48,873,538**	**(22,563,624)**	**(19,800,109)**	**(696,951)**	**(332,543)**	**29,585,782**	**28,740,886**

(i) Of the balance in 'infrastructure assets', $546.6 million [$556.0 million in 2018] is attributable to assets contracted under Public Private Partnership arrangements.

5.1.4.2 Reconciliation of movements in carrying value of infrastructure assets

Reconciliation	Road pavements 2019 $'000	Earthworks 2019 $'000	Sound barriers 2019 $'000	Bridges 2019 $'000	Traffic signal control systems 2019 $'000	Work in progress 2019 $'000	Total 2019 $'000
Carrying amount at the beginning of the year	**12,327,364**	**8,185,315**	**406,509**	**5,089,981**	**349,870**	**2,381,847**	**28,740,886**
Asset register adjustments	2,983	544	–	7,485	(50)	–	10,962
Assets transferred from items administered on behalf of Victorian Government	53,773	68,266	9,820	87,256	35,257	–	254,372
Assets transferred to Victorian Government agencies as contributed capital	–	–	–	–	–	(1,516,101)	(1,516,101)
Assets transferred to other entities	(8,931)	(703)	–	–	(54)	–	(9,688)
Capitalised work in progress	280,421	46,314	8,824	27,368	34,974	(397,901)	–
Construction expenditure	–	–	–	811	1,835	534,693	537,339
Depreciation expense	(467,527)	–	(17,286)	(96,745)	(41,924)	–	(623,482)
Disposals	–	–	–	(354)	–	–	(354)
Revaluation Increment/ (decrement)	1,179,496	762,663	46,642	546,494	20,961	–	2,556,256
Impairment adjusted to asset revaluation reserve	(363,844)	–	–	(564)	–	–	(364,408)
Carrying amount at the end of the year	**13,003,735**	**9,062,399**	**454,509**	**5,661,732**	**400,869**	**1,002,538**	**29,585,782**

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

Reconciliation	Road pavements 2018 $'000	Earthworks 2018 $'000	Sound barriers 2018 $'000	Bridges 2018 $'000	Traffic signal control systems 2018 $'000	Work in progress 2018 $'000	Total 2018 $'000
Carrying amount at the beginning of the year	**12,594,141**	**8,107,504**	**410,380**	**5,058,670**	**275,100**	**1,385,305**	**27,831,100**
Asset register adjustments	52	–	–	9,426	5,160	–	14,638
Assets transferred from other entities	4,528	2,796	–	–	450	–	7,774
Assets transferred to other entities	(11,367)	(2,998)	–	(7,204)	–	–	(21,569)
Capitalised work in progress	380,365	78,156	12,715	125,611	94,206	(691,053)	–
Construction expenditure	–	–	–	–	8,840	1,687,595	1,696,435
Depreciation expense	(467,733)	–	(16,586)	(94,040)	(33,882)	–	(612,241)
Disposals	(170)	(143)	–	(1,218)	(4)	–	(1,535)
Impairment adjusted to asset revaluation reserve	(172,452)	–	–	(1,264)	–	–	(173,716)
Carrying amount at the end of the year	**12,327,364**	**8,185,315**	**406,509**	**5,089,981**	**349,870**	**2,381,847**	**28,740,886**

5.2 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 during its development.

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 $38 million to be fully amortised by 2029
- Freeway management systems with a carrying value of $8 million to be fully amortised by 2026.

5.2.1 Carrying value of intangible assets

	Gross carrying amount		Accumulated amortisation		Net carrying amount	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Software at cost	164,247	170,938	(106,200)	(107,832)	58,047	63,106
Work in progress at cost	18,319	13,588	–	–	18,319	13,588
Water rights at cost	931	931	–	–	931	931
Total intangible assets	**183,497**	**185,457**	**(106,200)**	**(107,832)**	**77,297**	**77,625**

5.2.2 Reconciliation of movements in carrying value of intangible assets

	Software 2019 $'000	Work in progress 2019 $'000	Water rights 2019 $'000	Total 2019 $'000
Carrying amount at the beginning of the year	**63,106**	**13,588**	**931**	**77,625**
Acquisitions	–	14,939	–	14,939
Amortisation expense	(13,773)	–	–	(13,773)
Capitalised work in progress	8,714	(8,714)	–	–
De-recognition of expenditure	–	(1,494)	–	(1,494)
Carrying amount at the end of the year	**58,047**	**18,319**	**931**	**77,297**

	Software 2018 $'000	Work in progress 2018 $'000	Water rights 2018 $'000	Total 2018 $'000
Carrying amount at the beginning of the year	**62,434**	**18,271**	**931**	**81,636**
Acquisitions	–	8,967	–	8,967
Amortisation expense	(12,978)	–	–	(12,978)
Capitalised work in progress	13,650	(13,650)	–	–
De-recognition of expenditure	–	–	–	–
Carrying amount at the end of the year	**63,106**	**13,588**	**931**	**77,625**

5.3 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.

5.3.1 Depreciation and amortisation charge for the reporting period

Depreciation and amortisation	2019 $'000	2018 $'000
Buildings and leasehold improvements	1,367	1,365
Plant and equipment	6,532	5,847
Infrastructure assets[i]		
Road pavements	467,527	467,733
Sound barriers	17,286	16,586
Bridges	96,745	94,040
Traffic signal control systems	41,924	33,882
Intangible assets	13,773	12,978
Total depreciation and amortisation	**645,154**	**632,431**

(i) *Of the amounts included in 'infrastructure assets' $9.4 million [$9.4 million in 2018] is related to assets contracted under Public Private Partnership arrangements.*

5.3.2 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

5.3.2 Useful lives (continued)

Asset class	Useful life
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.

5.3.3 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.

Where 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.

As part of the impairment review process, the Corporation undertakes a specific targeted review of its road pavement assets where performance is being closely monitored, and considers impairment indicators including where an asset is:

- recorded as being in poor condition;
- subject to speed restrictions; and/or
- impacted by natural disaster events.

As part of the 2018–19 review of road pavement assets considering the above factors, the Corporation recorded an impairment write-down of $364 million to reflect its overall assessment of the condition of the road network.

6 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.

6.1 Receivables

	2019 $'000	2018 $'000
Current receivables		
Contractual		
Sale of goods and services	59,010	105,345
Loans	2,177	1,640
Other receivables	118,835	82,467
Subtotal Contractual receivables	**180,022**	**189,452**
Allowance for impairment losses of contractual receivables	(966)	(2,864)
Statutory		
Amounts owing from the Victorian Government	372,163	610,387
Goods and Services Tax input tax credit recoverable	6,362	(343)
Total current receivables	**557,581**	**796,632**
Non-current receivables		
Contractual		
Compensation payments recoverable	96,842	77,793
Loans	4,043	6,220
Total non-current receivables	**100,885**	**84,013**
Aggregate carrying amount of receivables		
Current	557,581	796,632
Non-current	100,885	84,013
Total receivables	**658,466**	**880,645**

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. The Corporation applies *AASB 9* for initial measurement of the statutory receivables and as a result statutory receivable are initially recognised at fair value plus directly attributable transaction costs. Amounts owing from the Victorian Government represent funding for 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 twelve months after the reporting period, these balances are classified as non-current.

Details of the Corporation's impairment policies and the Corporations exposure to credit risk, and calculation of the loss allowance are set out in *Note 8.1 Financial Instruments specific disclosures.*

6.2 Non-financial physical assets classified as held for sale

Reconciliation	2019 $'000	2018 $'000
Carrying amount at the beginning of the year	**26,154**	**17,771**
Transfers from/(to) land	(611)	21,774
Transfers from buildings	–	(361)
Assets transferred to Victorian Government as contributed capital[(i)]	(19,024)	(7,225)
Disposals	(585)	(5,805)
Carrying amount at the end of the year	**5,934**	**26,154**

(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.

6.3 Payables

Payables	2019 $'000	2018 $'000
Current payables		
Contractual		
Creditors and accruals	243,194	360,582
Amounts Payable to Victorian Government, government agencies and other entities	22,387	18,054
Statutory		
Amounts Payable to Victorian Government, government agencies and other entities	34,401	21,957
Total current payables	**299,982**	**400,593**
Aggregate carrying amount of payables		
Current	299,982	400,593
Non-current	–	–
Total payables	**299,982**	**400,593**

Payables consist of:

- contractual payables, such as creditors and accruals in relation to goods and services
- 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.

6.3.1 Maturity analysis of contractual payables[(i)]

	Carrying amount 2019 $'000	Nominal amount 2019 $'000	Maturity dates				
			Less than 1 month 2019 $'000	1–3 months 2019 $'000	3–12 months 2019 $'000	1–5 years 2019 $'000	5+ years 2019 $'000
Amounts payable to other government agencies	22,387	22,387	22,387	–	–	–	–
Creditors and accruals	243,194	243,194	223,337	19,857	–	–	–
Total contractual payables	**265,581**	**265,581**	**245,724**	**19,857**	**–**	**–**	**–**

	Carrying amount 2018 $'000	Nominal amount 2018 $'000	Maturity dates				
			Less than 1 month 2018 $'000	1–3 months 2018 $'000	3–12 months 2018 $'000	1–5 years 2018 $'000	5+ years 2018 $'000
Amounts payable to other government agencies	18,054	18,054	18,054	–	–	–	–
Creditors and accruals	360,582	360,582	340,113	20,469	–	–	–
Total contractual payables	**378,636**	**378,636**	**358,167**	**20,469**	**–**	**–**	**–**

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

6.4 Unearned Income

	2019 $'000	2018 $'000
Current liability	22,774	24,107
Non-current liability	14,703	12,948
Total unearned income	**37,477**	**37,055**

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.

6.5 Other provisions

	2019 $'000	2018 $'000
Current provisions		
Contractor retentions and other provisions	17,010	16,982
Property acquisition liabilities	38,739	58,833
Compensation payable to property owners	69,367	101,365
Total current provisions	**125,116**	**177,180**
Non-current provisions		
Contractor retentions and other provisions	1,918	2,050
Property acquisition liabilities	1,567	18,114
Compensation payable to property owners	5,451	47,588
Total non-current provisions	**8,936**	**67,752**
Total other provisions	**134,052**	**244,932**

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.

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.

6.5.1 Reconciliation of movements in other provisions

	Contractor retentions and other provisions 2019 $'000	Property acquisition provision 2019 $'000	Compensation payable to property owners 2019 $'000	Total 2019 $'000
Opening balance	**19,033**	**76,947**	**148,953**	**244,933**
Additional provisions recognised	15,509	20,806	27,319	63,634
Reductions arising from payments/other sacrifices of future economic benefits	(14,040)	(55,187)	(101,454)	(170,681)
Additions/(reductions) from re-measurement or settlement without cost	(1,574)	(2,260)	–	(3,834)
Closing balance	**18,928**	**40,306**	**74,818**	**134,052**

	Contractor retentions and other provisions 2018 $'000	Property acquisition provision 2018 $'000	Compensation payable to property owners 2018 $'000	Total 2018 $'000
Opening balance	**40,405**	**77,268**	**64,045**	**181,718**
Additional provisions recognised	10,180	58,749	101,992	170,921
Reductions arising from payments/other sacrifices of future economic benefits	(9,584)	(57,615)	(16,495)	(83,694)
Additions/(reductions) from re-measurement or settlement without cost	(21,968)	(1,455)	(589)	(24,012)
Closing balance	**19,033**	**76,947**	**148,953**	**244,933**

7 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 the disclosure of balances that are financial instruments (such as borrowings and cash balances). *Notes 8.1 Financial instruments specific disclosures* and *8.3 Fair value determination* provide additional, specific financial instrument disclosures.

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7.1 Borrowings

	Notes	2019 $'000	2018 $'000
Current borrowings			
Public Private Partnership related finance lease liabilities[i]	7.2.1	19,082	20,493
Motor vehicle finance lease liabilities		823	–
Total current borrowings		**19,905**	**20,493**
Non-current borrowings			
Public Private Partnership related finance lease liabilities[i]	7.2.1	672,824	700,720
Motor vehicle finance lease liabilities		2,186	–
Total non-current borrowings		**675,010**	**700,720**
Total borrowings		**694,915**	**721,213**

(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.

7.1.1 Maturity analysis of borrowing

	Carrying amount 2019 $'000	Nominal amount 2019 $'000	Maturity dates Less than 1 month 2019 $'000	1–3 months 2019 $'000	3–12 months 2019 $'000	1–5 years 2019 $'000	5+ years 2019 $'000
Borrowings	694,915	1,584,481	–	–	73,672	389,409	1,121,400
Total	**694,915**	**1,584,481**	**–**	**–**	**73,672**	**389,409**	**1,121,400**

	Carrying amount 2018 $'000	Nominal amount 2018 $'000	Maturity dates Less than 1 month 2018 $'000	1–3 months 2018 $'000	3–12 months 2018 $'000	1–5 years 2018 $'000	5+ years 2018 $'000
Borrowings	721,213	1,687,262	–	–	75,989	394,626	1,216,647
Total	**721,213**	**1,687,262**	**–**	**–**	**75,989**	**394,626**	**1,216,647**

7.1.2 Interest expense

	2019 $'000	2018 $'000
Interest on public private partnership finance leases	80,695	82,925
Interest on motor vehicle finance leases	46	–
Total interest expense	**80,741**	**82,925**

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.

7.2 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 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 related asset is commissioned.

7.2.1 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 commitments for ongoing operation and maintenance expenditure are presented in *Note 7.4 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 of 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 generally subject to variation during the project term.

During the 2018–19 financial year, Southern Way Pty Ltd as required under the Deed, requested the State of Victoria's consent to a proposed refinancing of its debt. The refinancing would result in a refinancing gain that would be shared with the State of Victoria. After a process of due diligence led by the Department of Treasury and Finance, the request to refinance was approved.

There is no contingent rent payable under the contract. The discount rate implicit in the contract is 11.43%, (2018: 11.31%).

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:

Commissioned Public Private Partnership related finance lease liabilities payable	Nominal Value 2019 $'000	Nominal Value 2018 $'000	Present Value 2019 $'000	Present Value 2018 $'000
Minimum future lease payments[(i)]				
Not longer than 1 year	97,594	101,221	19,082	20,493
Longer than 1 year but not longer than 5 years	385,769	393,283	98,271	95,516
Longer than 5 years	1,097,991	1,192,758	574,553	605,204
Minimum future lease payments	**1,581,354**	**1,687,262**	**691,906**	**721,213**

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

7.2.2 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 7.4.1 Total commitments payable* for future commitments associated with non-cancellable operating leases.

7.3 Cash flow information

7.3.1 Cash balances

Cash and cash equivalents	2019 $'000	2018 $'000
Cash relating to operating activities		
Cash on hand	101	101
Cash at bank	11,094	10,936
Total cash relating to operating activities	**11,195**	**11,037**
Cash and cash equivalent collections on behalf of the Victorian Government, government agencies and other entities		
Cash at bank	54,958	40,715
Fixed deposits	–	750
Total cash and cash equivalent collections on behalf of the Victorian Government, government agencies and other entities	**54,958**	**41,465**
Total cash and cash equivalents	**66,153**	**52,502**

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. Short term fixed deposits are held with the Treasury Corporation Victoria for the purpose of meeting short-term cash commitments rather than for investment purposes, 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.

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

	2019 $'000	2018 $'000
Net result for the reporting period	**153,209**	**753,268**
Adjustments for non-cash revenue and expense items		
Depreciation	645,154	632,431
Impairment of non-current assets	315	788
Assets given/(received) free of charge	(244,033)	13,796
Net loss/(gain) on disposal of non-current assets	(231)	1,035
Net gain/(loss) on financial instruments	(3,314)	1,755
Net loss/(gain) on other economic flows	6,683	–
Loss on de-recognition of non-financial assets	1,494	–
Properties incorporated into roadworks	1,153	1,159
Asset register adjustments	(11,008)	(14,638)
Movements in assets and liabilities		
(Increase) / decrease in receivables	190,984	(212,678)
(Increase) / decrease in prepayments	2,422	(1,534)
Decrease / (increase) in inventories	424	86
Increase / (decrease) in payables	(216,697)	168,513
Increase / (decrease) in provisions	(3,019)	(15,811)
Increase / (decrease) in unearned income	422	2,543
Net cash flows from operating activities	**523,958**	**1,330,714**

7.3.3 Non-cash financing and investing activities

2019

On 28 June 2019, the Minister for Roads signed a Minister Designation pursuant to *Financial Reporting Direction 119A Contributions by Owners* based on an Order in Council dated 14 August 2018, transferring certain land and buildings associated with the Healesville Freeway reserve from the Corporation to the Department of Land, Water and Planning. The transferred land and buildings had a carrying value of $27.7 million.

By order of the Governor in Council published in the Victorian Government Gazette on 31 July 2018 and effective from 6 August 2018, delivery responsibility for various projects was transferred to the Major Road Projects Authority (now Major Road Projects Victoria). Pursuant to this order, net assets of $1,516.1 million were transferred from the Corporation to Major Road Projects Victoria. This transfer is designated a transfer through contributed capital pursuant to *Financial Reporting Direction 119A Contributions by Owners*.

Land with a written down value of $25.8 million was transferred to 'administered items' during the reporting period and subsequently sold, with the proceeds being remitted to the Victorian Government.

2018

With effect from 29 June 2018, a transfer of land from the Corporation to the Western Distributor Authority (within the Department of Economic Development, Jobs, Transport and Resources) for the West Gate Tunnel Project was agreed based on an Order in Council made on 20 March 2018. The transferred land had a carrying value of $35.4 million.

Land with a written down value of $8.0 million was 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 transferred	Major Road Projects Victoria 2019 $'000	Land and Buildings 2019 $'000	Total 2019 $'000	Total 2018 $'000
Assets				
Cash and cash equivalents	(8,762)	–	(8,762)	–
Receivables	(321)	–	(321)	–
Prepayments	(418)	–	(418)	–
Land and buildings	–	(53,498)	(53,498)	(43,398)
Infrastructure assets	(1,516,101)	–	(1,516,101)	–
Liabilities				
Employee related provisions	8,052	–	8,052	–
Other provisions	1,431	–	1,431	–
Unearned income	18	–	18	–
Net assets transferred in (out)	**(1,516,101)**	**(53,498)**	**(1,569,599)**	**(43,398)**

7.4 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.

7.4.1 Total commitments payable

	Within one year 2019 $'000	One to five years 2019 $'000	Later than five years 2019 $'000	Total 2019 $'000
Commissioned Public Private Partnership commitments – Peninsula Link	10,369	79,318	332,254	421,941
Capital expenditure commitments	501,573	95,201	–	596,774
Non-cancellable operating lease commitments	25,711	35,415	69,334	130,460
Other expenditure commitments	341,776	250,175	37,369	629,320
Total Commitments (inclusive of GST)	**879,429**	**460,109**	**438,957**	**1,778,495**
Less GST Recoverable	(79,948)	(41,828)	(39,905)	(161,681)
Total Commitments (exclusive of GST)	**799,481**	**418,281**	**399,052**	**1,616,814**

	Within one year 2018 $'000	One to five years 2018 $'000	Later than five years 2018 $'000	Total 2018 $'000
Commissioned Public Private Partnership commitments – Peninsula Link	9,704	79,195	345,762	434,661
Uncommissioned Public Private Partnership commitments – Western Roads Upgrade	32,750	544,707	1,502,022	2,079,479
Capital expenditure commitments	739,941	283,949	7,009	1,030,899
Non-cancellable operating lease commitments	25,901	48,578	81,358	155,837
Other expenditure commitments	215,031	241,442	17,165	473,638
Total Commitments (inclusive of GST)	**1,023,327**	**1,197,871**	**1,953,316**	**4,174,514**
Less GST Recoverable	(93,030)	(108,897)	(177,574)	(379,501)
Total Commitments (exclusive of GST)	**930,297**	**1,088,974**	**1,775,742**	**3,795,013**

7.4.2 Public Private Partnership commitments

Peninsula Link

As disclosed in *Note 7.2.1 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 these commitments reflects payments made during the reporting period.

Commissioned Public Private Partnership commitments – Peninsula Link	Nominal Value 2019 $'000	Nominal Value 2018 $'000	Present Value 2019 $'000	Present Value 2018 $'000
Pavement intervention commitments				
Within one year	209	45	195	42
Later than one year but not later than five years	21,772	21,981	18,992	17,920
Later than five years	77,736	77,736	29,522	27,573
Total Pavement Intervention commitments (inclusive of GST)	**99,717**	**99,762**	**48,709**	**45,535**
Less GST Recoverable	(9,065)	(9,069)	(4,428)	(4,140)
Total Pavement Intervention commitments (exclusive of GST)	**90,652**	**90,693**	**44,281**	**41,395**
Operation and maintenance commitments				
Within one year	10,160	9,658	9,489	9,021
Later than one year but not later than five years	57,546	57,214	46,344	45,251
Later than five years	254,518	268,025	109,440	110,560
Total Operation and Maintenance commitments (inclusive of GST)	**322,224**	**334,897**	**165,273**	**164,832**
Less GST Recoverable	(29,293)	(30,445)	(15,025)	(14,985)
Total Operation and Maintenance commitments (exclusive of GST)	**292,931**	**304,452**	**150,248**	**149,847**
Total Public Private Partnership commitments (inclusive of GST)	**421,941**	**434,659**	**213,982**	**210,367**
Less GST Recoverable	(38,358)	(39,513)	(19,453)	(19,124)
Total Public Private Partnership commitments (exclusive of GST)	**383,583**	**395,146**	**194,529**	**191,243**

8 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

8.1 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.*

From 1 July 2018, the Corporation has applied *Australian Accounting Standard AASB 9 Financial Instruments* and classifies all of its financial instruments based on the business model for managing the financial instrument and its contractual terms. Previously these items were classified under *Australian Accounting Standard AASB 139 Financial Instruments: Recognition and Measurement.*

Classification of financial assets

Pursuant to *AASB 9*, financial assets are required to be classified as subsequently measured at amortised cost, fair value through other comprehensive income or fair value through profit and loss.

Financial assets are measured at **amortised cost** if both of the following criteria are met and the assets are not designated as fair value through net result:

- the assets are held by the Corporation to collect the contractual cash flows, and
- the assets' contractual terms give rise to cash flows that are solely payments of principal and interests.

These financial assets are initially recognised at fair value plus any directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method less any impairment. The Corporation recognises all financial assets in this category as follows:

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

Previously these financial assets were classified under *AASB 139* as **loans and receivables** and defined as assets with fixed and determinable payments that are not quoted on an active market.

Classification of financial liabilities

Pursuant to *AASB 9*, all financial liabilities are required to be classified as subsequently measured at amortised cost, except for financial liabilities at fair value through profit and loss.

Financial liabilities at **amortised cost** are initially recognised on the date they are originated and 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 the profit and loss over the period of the interest bearing liability, using the effective interest rate method. The Corporation recognises all financial liabilities in this category as follows:

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

This classification of financial liabilities is consistent with the previous classification under *AASB 139*.

Impairment of financial assets under *AASB 9*

From 1 July 2018, in accordance with *AASB 9*, the Corporation has applied a new expected credit loss impairment assessment model for the relevant financial instruments, replacing the incurred loss approach previously prescribed by *AASB 139*. The expected credit loss impairment assessment model is applicable to both the Corporation's contractual receivables and statutory receivables. While cash and cash equivalents are also subject to the impairment requirements of *AASB 9,* there has been no identified impairment loss.

The Corporation has applied the simplified approach in *AASB 9* to measure expected credit losses based on the change in the expected credit loss over the life of the asset.

The Corporation has determined the opening loss allowance on initial application date of *AASB 9* (1 July 2018) and the closing loss allowance at end of the financial year, for contractual receivables as follows:

1 July 2018	Current $'000	Less than 1 month $'000	1–3 months $'000	3–12 months $'000	1–5 years $'000	Total $'000
Expected loss rate	**0%**	**0%**	**0%**	**3%**	**30%**	
Gross carrying amount of contractual receivables	249,109	7,578	3,127	8,854	4,797	**273,465**
Loss allowance	**–**	**–**	**–**	**252**	**1,437**	**1,689**

30 June 2019	Current $'000	Less than 1 month $'000	1–3 months $'000	3–12 months $'000	1–5 years $'000	Total $'000
Expected loss rate	**0%**	**0%**	**0%**	**3%**	**30%**	
Gross carrying amount of contractual receivables	264,821	5,637	3,146	4,506	2,797	**280,907**
Loss allowance	**–**	**–**	**–**	**128**	**838**	**966**

Reconciliation of the movement in the loss allowance for contractual receivables is shown as follows:

	2019 $'000	2018 $'000
Balance at beginning of the year	**(2,864)**	**(1,109)**
Opening retained earnings adjustment on adoption of *AASB 9*	1,175	–
Opening Loss Allowance	**(1,689)**	**–**
Amounts written off during the year	79	–
Decrease/(increase) in allowance recognised in the net result	644	(1,755)
Balance at the end of the year	**(966)**	**(2,864)**

In prior years, adopting the incurred loss approach prescribed by *AASB 139*, the Corporation assessed, at the end of each reporting period, whether there was objective evidence that contractual financial assets or a group of financial assets were impaired.

Although statutory (non-contractual) financial assets are not classified as financial instruments, the Corporation is required to recognise and measure any impairment of these assets in accordance with *AASB 9* as if those receivables were financial instruments. The Corporation has not identified any impairment loss in relation to statutory financial assets.

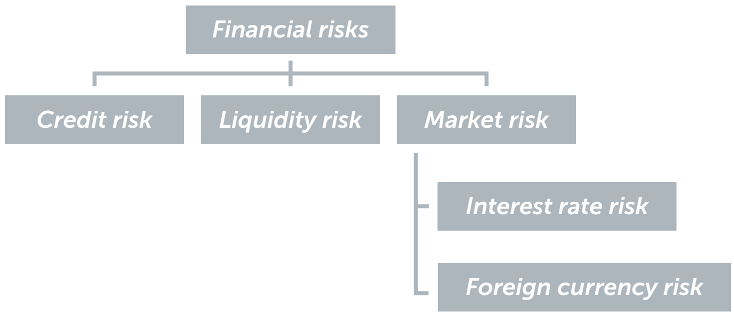
8.1.1 Financial instruments: Categorisation

	Notes	Financial assets at amortised cost 2019 $'000	Financial liabilities at amortised cost 2019 $'000	Total 2019 $'000
Contractual financial assets				
Cash and cash equivalent	7.3.1	11,195	–	11,195
Contractual receivables	6.1	280,907	–	280,907
Total contractual financial assets		**292,102**	**–**	**292,102**
Contractual financial liabilities				
Payables	6.3			
Creditors and accruals		–	243,194	243,194
Victorian Government, government agencies and other entities		–	22,387	22,387
Borrowings				
Finance lease liabilities	7.1	–	694,915	694,915
Total contractual financial liabilities		**–**	**960,496**	**960,496**

	Notes	Contractual financial assets – loans and receivables cost 2018 $'000	Contractual financial liabilities at amortised cost 2018 $'000	Total 2018 $'000
Contractual financial assets				
Cash and cash equivalent	7.3.1	11,037	–	11,037
Contractual receivables	6.1	270,601	–	270,601
Total contractual financial assets		**281,638**	**–**	**281,638**
Contractual financial liabilities				
Payables	6.3			
Creditors and accruals		–	360,582	360,582
Victorian Government, government agencies and other entities		–	18,054	18,054
Borrowings				
Finance lease liabilities	7.1	–	721,213	721,213
Total contractual financial liabilities		**–**	**1,099,849**	**1,099,849**

8.1.2 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 8.3 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.

8.1.2.1 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 counterparty 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 counterparty or any groups of counterparties having similar characteristics. The credit risk relating to cash assets is limited as the counterparty is a bank with high credit-rating assigned by international credit-rating agencies.

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 financial assets(i)

	Notes	Government Agencies (min triple B credit rating) 2019 $'000	Other (min triple B credit rating) 2019 $'000	Other (non rated) 2019 $'000	Total 2019 $'000
Financial assets					
Financial assets with loss allowance measured at 12-month expected credit loss					
Cash and cash equivalents (not assessed for impairment due to materiality)	7.3.1	–	11,094	101	11,195
Statutory receivables (with no impairment loss recognised)	6.1	378,525	–	–	378,525
Financial assets with loss allowance measured at lifetime expected credit loss					
Contractual receivable applying the simplified approach for impairment	6.1	164,605	–	116,302	280,907
Total financial assets		**543,130**	**11,094**	**116,403**	**670,627**

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

	Notes	Government Agencies (min triple B credit rating) 2018 $'000	Other (min triple B credit rating) 2018 $'000	Other (non rated) 2018 $'000	Total 2018 $'000
Financial assets					
Cash and cash equivalents	7.3.1	–	10,936	101	11,037
Contractual receivables	6.1	116,523	–	156,942	273,465
Total financial assets		**116,523**	**10,936**	**157,043**	**284,502**

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

8.1.2.2 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.

8.1.2.3 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 +0.5% or -0.5% in market interest rates (Australian Dollar) from reporting period end rates of 1%.
- a proportional exchange rate movement of -5% (depreciation of the Australian Dollar) or +5% (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 0.5% 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

			Interest rate exposure		
	Weighted average effective interest rate 2019 %	Carrying amount 2019 $'000	Fixed interest rate 2019 $'000	Variable interest rate 2019 $'000	Non-interest bearing 2019 $'000
Cash and cash equivalents					
Cash at bank	1.68	11,094	–	11,094	–
Cash on hand	–	101	–	–	101
Receivables					
Sale of goods and services	–	58,044	–	–	58,044
Other receivables	–	118,835	–	–	118,835
Compensation payments recoverable	–	96,842	–	–	96,842
Loans	4.20	6,221	5,843	–	378
Total		**291,137**	**5,843**	**11,094**	**274,200**
Payables					
Creditors	–	243,194	–	–	243,194
Victorian Government and government agencies	–	22,387	–	–	22,387
Borrowings					
Lease liability at amortised cost	11.43	691,906	691,906	–	–
Motor vehicle finance lease liabilities	–	3,009	3,009	–	–
Total		**960,496**	**694,915**	**–**	**265,581**

Interest rate exposure of financial instruments (continued)

	Weighted average effective interest rate 2018 %	Carrying amount 2018 $'000	Interest rate exposure		
			Fixed interest rate 2018 $'000	Variable interest rate 2018 $'000	Non-interest bearing 2018 $'000
Cash and cash equivalents					
Cash at bank	1.50	10,936	–	10,936	–
Cash on hand	–	101	–	–	101
Receivables					
Sale of goods and services	–	102,481	–	–	102,481
Other receivables	–	82,467	–	–	82,467
Compensation payments recoverable	–	77,793	–	–	77,793
Loans	4.20	7,860	7,482	–	378
Total		**281,638**	**7,482**	**10,936**	**263,220**
Payables					
Creditors	–	360,582	–	–	360,582
Victorian Government and government agencies	–	18,054	–	–	18,054
Borrowings					
Lease liability at amortised cost	11.31	721,213	721,213	–	–
Total		**1,099,849**	**721,213**	**–**	**378,636**

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% increase/decrease in foreign currency rates would not have a material impact on the Corporation's net result.

8.2 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

	2019 $'000	2018 $'000
Contingent assets		
Pending insurance claims associated with damage caused to Corporation assets	8,328	15,500
Recovery of legal expenses	3,500	3,090
Total contingent assets	**11,828**	**18,590**

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

	2019 $'000	2018 $'000
Contingent liabilities		
Contract claims against the Corporation for variations to contracts. In a number of cases, the Corporation is contesting the associated claims.	25,791	7,039
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.	6,881	6,227
Total contingent liabilities	**32,672**	**13,266**

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 is not aware of any non-quantifiable contingent assets or liabilities as part of its controlled operations. As the Corporation manages contracts in the ordinary course of its business, it is possible that some claims will eventuate.

8.3 Fair value determination

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 establishes 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.

8.3.1 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. None of them are revalued at fair value post initial recognition.

These financial instruments include:

Financial assets
Cash and cash equivalents
Receivables:
Sale of goods and services
Loans to third parties
Other receivables
Financial liabilities
Payables:
Creditors and accruals
Amounts payable to the Victorian government and government agencies
Borrowings
Finance lease liability

8.3.1.1 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 2019 $'000	Fair Value 2019 $'000	Carrying Amount 2018 $'000	Fair Value 2018 $'000
Contractual financial assets					
Cash and cash equivalents	7.3.1	11,195	11,195	11,037	11,037
Receivables	6.1	280,907	280,907	273,465	273,465
Total contractual financial assets		**292,102**	**292,102**	**284,502**	**284,502**
Contractual financial liabilities					
Payables	6.3.1	265,581	265,581	378,636	378,636
Borrowings	7.1	694,915	694,915	721,213	721,213
Total contractual financial liabilities		**960,496**	**960,496**	**1,099,849**	**1,099,849**

8.3.2 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 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.

8.3.2.1 Fair value measurement hierarchy for assets

	Carrying amount as at 30 June 2019 $'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	46,851	–	46,851	–
Land acquired for future public roads	1,644,233	–	–	1,644,233
Land under declared roads	24,341,021	–	–	24,341,021
Land in commercial use	77,789	–	77,789	–
Total of land at fair value	**26,109,894**	**–**	**124,640**	**25,985,254**
Buildings at fair value				
Buildings operational	12,011	–	12,011	–
Buildings on land acquired for future public roads	27,951	–	–	27,951
Leasehold improvements	14,933	–	14,933	–
Total of buildings at fair value	**54,895**	**–**	**26,944**	**27,951**
Plant and equipment at fair value				
Plant and equipment	34,281	–	–	34,281
Total of plant and equipment at fair value	**34,281**	**–**	**–**	**34,281**
Infrastructure assets at fair value				
Road pavements	13,003,735	–	–	13,003,735
Earthworks	9,062,399	–	–	9,062,399
Sound barriers	454,509	–	–	454,509
Bridges	5,661,732	–	–	5,661,732
Traffic signal control systems	400,869	–	–	400,869
Total of infrastructure assets at fair value	**28,583,244**	**–**	**–**	**28,583,244**
Total property, plant and equipment	**54,782,314**	**–**	**151,584**	**54,630,730**

8.3.2.1 Fair value measurement hierarchy for assets (continued)

	Carrying amount as at 30 June 2018 $'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	46,851	–	46,851	–
Land acquired for future public roads	1,586,870	–	–	1,586,870
Land under declared roads	24,332,006	–	–	24,332,006
Land in commercial use	77,789	–	77,789	–
Total of land at fair value	**26,043,516**	**–**	**124,640**	**25,918,876**
Buildings at fair value				
Buildings operational	11,878	–	11,878	–
Buildings on land acquired for future public roads	25,507	–	–	25,507
Leasehold improvements	13,702	–	13,702	–
Total of buildings at fair value	**51,087**	**–**	**25,580**	**25,507**
Plant and equipment at fair value				
Plant and equipment	32,614	–	–	32,614
Total of plant and equipment at fair value	**32,614**	**–**	**–**	**32,614**
Infrastructure assets at fair value				
Road pavements	12,327,364	–	–	12,327,364
Earthworks	8,185,315	–	–	8,185,315
Sound barriers	406,509	–	–	406,509
Bridges	5,089,981	–	–	5,089,981
Traffic signal control systems	349,870	–	–	349,870
Total of infrastructure assets at fair value	**26,359,039**	**–**	**–**	**26,359,039**
Total property, plant and equipment	**52,486,256**	**–**	**150,220**	**52,336,036**

8.3.2.2 Reconciliation of Level 3 fair value movements

	Land acquired for future public roads 2019 $'000	Land under declared roads 2019 $'000	Buildings on land acquired for future public roads 2019 $'000
Opening balance	**1,586,870**	**24,332,006**	**25,507**
Acquisitions	100,766	–	1,030
Asset register adjustments	44	–	–
Assets transferred from items administered on behalf of Victorian Government	–	–	–
Assets transferred to Victorian Government agencies as contributed capital	–	–	(219)
Assets transferred from other entities	–	–	–
Assets transferred to other entities	(651)	–	–
Assets transferred to other entities as contributed capital	(27,505)	–	–
Capitalised work in progress	–	–	–
Construction expenditure	–	–	–
Depreciation expense	–	–	(688)
Disposals	(165)	–	–
Assets transferred to Victorian Government as contributed capital	(6,722)	–	(29)
Impairment expense	–	–	–
Properties incorporated into declared roads	–	–	(280)
Transfers from/(to) land under declared roads	(7,260)	7,260	–
Transfers from/(to) properties held for sale	(1,144)	1,755	–
Subtotal	**1,644,233**	**24,341,021**	**25,321**
Gains or losses recognised in other economic flows – other comprehensive income			
Revaluation Increment/(decrement)	–	–	2,630
Impairment adjusted to asset revaluation reserve	–	–	–
Subtotal	**–**	**–**	**2,630**
Closing balance	**1,644,233**	**24,341,021**	**27,951**

Plant and equipment 2019 $'000	Road pavements 2019 $'000	Earthworks 2019 $'000	Sound barriers 2019 $'000	Bridges 2019 $'000	Traffic signal control systems 2019 $'000
32,614	**12,327,364**	**8,185,315**	**406,509**	**5,089,981**	**349,870**
8,687	–	–	–	–	–
–	2,983	544	–	7,485	(50)
–	53,773	68,266	9,820	87,256	35,257
–	–	–	–	–	–
–	–	–	–	–	–
–	(8,931)	(703)	–	–	(54)
–	–	–	–	–	–
–	280,421	46,314	8,824	27,368	34,974
–	–	–	–	811	1,835
(6,532)	(467,527)	–	(17,286)	(96,745)	(41,924)
(173)	–	–	–	(354)	–
–	–	–	–	–	–
(315)	–	–	–	–	–
–	–	–	–	–	–
–	–	–	–	–	–
–	–	–	–	–	–
34,281	**12,188,083**	**8,299,736**	**407,867**	**5,115,802**	**379,908**
–	1,179,496	762,663	46,642	546,494	20,961
–	(363,844)	–	–	(564)	–
–	**815,652**	**762,663**	**46,642**	**545,930**	**20,961**
34,281	**13,003,735**	**9,062,399**	**454,509**	**5,661,732**	**400,869**

8.3.2.2 Reconciliation of Level 3 fair value movements (continued)

	Land acquired for future public roads 2018 $'000	Land under declared roads 2018 $'000	Buildings on land acquired for future public roads 2018 $'000
Opening balance	**1,472,445**	**22,036,496**	**25,276**
Acquisitions	38,042	–	1,703
Asset register adjustments	–	–	–
Assets transferred from other entities	–	–	–
Assets transferred to other entities	–	–	–
Assets transferred to other entities as contributed capital	(1,675)	(33,727)	–
Capitalised work in progress	–	–	–
Construction expenditure	–	–	–
Depreciation expense	–	–	(674)
Disposals	(328)	–	–
Assets transferred to Victorian Government as contributed capital	(771)	–	–
Impairment expense	–	–	–
Properties incorporated into declared roads	–	–	(1,159)
Transfers from/(to) land under declared roads	(61,120)	61,120	–
Transfers from/(to) properties held for sale	(19,435)	(2,339)	361
Subtotal	**1,427,158**	**22,061,550**	**25,507**
Gains or losses recognised in other economic flows – other comprehensive income			
Revaluation Increment/(decrement)	159,712	2,270,456	–
Impairment adjusted to asset revaluation reserve	–	–	–
Subtotal	**159,712**	**2,270,456**	**–**
Closing balance	**1,586,870**	**24,332,006**	**25,507**

Plant and equipment 2018 $'000	Road pavements 2018 $'000	Earthworks 2018 $'000	Sound barriers 2018 $'000	Bridges 2018 $'000	Traffic signal control systems 2018 $'000
28,281	**12,594,141**	**8,107,504**	**410,380**	**5,058,670**	**275,100**
11,112	–	–	–	–	–
–	52	–	–	9,426	5,160
–	4,528	2,796	–	–	450
–	(11,367)	(2,998)	–	(7,204)	–
–	–	–	–	–	–
–	380,365	78,156	12,715	125,611	94,206
–	–	–	–	–	8,840
(5,847)	(467,733)	–	(16,586)	(94,040)	(33,882)
(144)	(170)	(143)	–	(1,218)	(4)
–	–	–	–	–	–
(788)	–	–	–	–	–
–	–	–	–	–	–
–	–	–	–	–	–
–	–	–	–	–	–
32,614	**12,499,816**	**8,185,315**	**406,509**	**5,091,245**	**349,870**
–	–	–	–	–	–
–	(172,452)	–	–	(1,264)	–
–	**(172,452)**	**–**	**–**	**(1,264)**	**–**
32,614	**12,327,364**	**8,185,315**	**406,509**	**5,089,981**	**349,870**

8.3.3 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 2018.

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 2019 $'000	Fair value measurement at end of reporting period using:		
		Level 1 $'000	Level 2 $'000	Level 3 $'000
Properties held for sale	5,934	–	5,934	–
Total properties held for sale	**5,934**	**–**	**5,934**	**–**

	Carrying amount as at 30 June 2018 $'000	Fair value measurement at end of reporting period using:		
		Level 1 $'000	Level 2 $'000	Level 3 $'000
Properties held for sale	26,154	–	26,154	–
Total properties held for sale	**26,154**	**–**	**26,154**	**–**

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

9 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.

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9.1 Administered items

Administered income includes taxes, fees and fines, and proceeds from the sale of administered surplus land and buildings. These income items are recognised on a cash basis when collected. Except for these income items, 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, and 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.

9.1.1 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.

9.1.2 Private provision of public infrastructure

The State of Victoria enters into arrangements with private sector participants to finance, 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 as 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 finance, design, construct and operate 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.

9.1.2.1 Melbourne CityLink

The Corporation manages the statutory functions and powers of the State of Victoria under the Melbourne *CityLink 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 CityLink Concession Deed on 30 October 1995. Under the terms of the Concession Deed, CML is responsible for the construction, financing and operation of the CityLink road network during the concession period that, under the contractual arrangements existing as at 30 June 2019, will expire on 14 January 2045.

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 has undertaken works on CityLink and other road networks, and made further payments to the State, in exchange for variations to the Concession Deed.

The concession notes and related revenues are not recognised as the Corporation's revenue, assets and liabilities. Details of the concession notes and related revenues are disclosed in *Note 9.2 Transactions administered on behalf of the State of Victoria*.

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

9.1.2.2 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.

9.2 Transactions administered on behalf of the State of Victoria

	2019 $'000	2018 $'000
Administered income from transactions		
Collections on behalf of the State of Victoria		
Registration fees	1,630,704	1,541,818
Driver licences	99,485	91,277
Other fees and permits	83,948	66,006
Total collections on behalf of the State of Victoria	**1,814,137**	**1,699,101**
CityLink revenue		
Concession notes	38,824	36,517
CityLink Tullamarine widening	28,744	–
Total CityLink revenue	**67,568**	**36,517**
Total administered income from transactions	**1,881,705**	**1,735,618**
Administered expense from transactions		
CityLink concession notes deferred revenue revaluation increment	(30,291)	(31,556)
Assets provided free of charge	(254,372)	–
Total administered expense from transactions	**(284,663)**	**(31,556)**
Total administered net result from transactions (net operating balance)	**1,597,042**	**1,704,062**
Administered net gain/loss on non-financial assets		
Proceeds from disposal of surplus non-financial assets	14,986	8,071
Written-down value of disposed non-financial assets	(25,775)	(7,996)
Total administered net gain/loss on non-financial assets	**(10,789)**	**75**
Total administered comprehensive result	**1,586,253**	**1,704,137**

	2019 $'000	2018 $'000
Administered non-financial physical assets		
Infrastructure work in progress	–	57,973
Total administered assets	**–**	**57,973**
Administered liabilities		
Present value of CityLink unearned revenue	322,635	331,169
CityLink Tullamarine widening unearned revenue	416,785	249,128
Unclaimed monies administered on behalf of the State of Victoria	14,189	11,988
Total administered liabilities	**753,609**	**592,285**
Total administered net assets / (liabilities)	**(753,609)**	**(534,312)**

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

Cash flows relating to concession notes	2019 $'000	2018 $'000
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	**–**	**–**

Reconciliation of the present value of deferred CityLink revenue	2019 $'000	2018 $'000
Present value at beginning of the year	**331,169**	**336,130**
Concession notes revenue	(38,825)	(36,517)
Deferred revenue revaluation increment	30,291	31,556
Present value at the end of the year	**322,635**	**331,169**

9.3 Collections on behalf of other government agencies

	2019 $'000	2018 $'000
Transport Accident Charge and related stamp duty (Transport Accident Commission)	2,231,485	2,115,497
Stamp duty (State Revenue Office)	898,508	916,577
Motorboat registrations and licences (Transport Safety Victoria)	31,160	33,802
Federal interstate registrations (Department of Infrastructure and Regional Development)	2,937	34,373
Total collections on behalf of other government agencies	**3,164,090**	**3,100,249**

9.4 Administered contingent assets

EastLink compensable enhancement claim

The EastLink Concession Deed contains compensable enhancement provisions that enable the State of Victoria to claim 50% 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.

10 Other disclosures

Introduction

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

10.1 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.

	2019 $'000	2018 $'000
Net gain/(loss) on non-financial assets		
Proceeds from disposal of surplus non-financial assets	1,507	6,777
Written-down value of disposed non-financial assets	(1,276)	(7,812)
De-recognised non-financial assets	(1,494)	–
Assets register adjustments	11,008	14,638
Impairment of assets	(315)	(788)
Total net gain/(loss) on non-financial assets	**9,430**	**12,815**
Net gain/(loss) on financial instruments		
Net gain/(loss) on impairment of financial assets	723	(1,755)
Net gain/(loss) arising from revaluation of financial liabilities at fair value	2,670	–
Bad debts written off	(79)	–
Total net gain/(loss) on financial instruments	**3,314**	**(1,755)**
Other gains/(losses) from other economic flows		
Gain/(loss) on revaluation of provision for employee benefits	(6,683)	109
Gain/(loss) arising from transactions in foreign exchange	(29)	30
Total other gains/(losses) from other economic flows	**(6,712)**	**139**
Total other economic flows included in net result	**6,032**	**11,199**

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.

10.2 Responsible persons

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

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 2018 to 29 November 2018

Minister for Roads
The Hon. Jaala Pulford
30 November 2018 to 30 June 2019

Accountable Officer
Kerry Thompson
1 July 2018 to 29 July 2018

Michael Malouf
30 July 2018 to 1 March 2019

Robyn Seymour
2 March 2019 to 30 June 2019

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:

		2019	2018
Kerry Thompson	(March 2018 to July 2018)	$30,000 – $40,000	$130,000 – $140,000
Michael Malouf	(July 2018 to March 2019)	$250,000 – $260,000	
Robyn Seymour	(March 2019 to June 2019)	$100,000 – $110,000	
John Merritt	(July 2017 to December 2017)		$200,000 – $210,000
Peter Todd	(December 2017 to March 2018)		$80,000 – $90,000

10.3 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.*

Remuneration	2019 $'000	2018 $'000
Short-term employee benefits	11,090	13,749
Post-employment benefits	927	1,070
Other long-term benefits	362	576
Termination benefits	492	543
Total remuneration	**12,871**	**15,938**
Total number of executives	**73**	**75**
Total annualised executive equivalents	**47.7**	**61.5**

10.4 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	2019 $'000	2018 $'000
Short-term employee benefits	2,234	2,762
Post-employment benefits	156	187
Other long-term benefits	78	146
Total	**2,468**	**3,095**

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. All items are shown as absolute values relating to the transactions reflected in the respective category identified in column three of the table.

Related Party	Nature of transaction	Category	Note	2019 $'000	2018 $'000
Transport Accident Commission	Payment of income collected as agent	Agency payments	9.3	2,231,485	2,115,497
		Payables	6.3	21,624	14,317
	Commission received for provision of collection service	Income from transactions	3.2	45,202	42,979
	Program funding for delivery of specific projects	Income from transactions	3.3	328,186	310,137
			6.1	32,764	47,987
Department of Economic Development, Jobs, Transport and Resources, (DEDJTR) and Department of Transport (DoT)	Program funding	Income from transactions	3.1	1,256,036	2,046,267
		Contributed capital	Statement of changes in equity	131,128	407,908
		Income from transactions	6.1	1,092	13,697
	Transfer of Land	Assets	7.3.3	–	35,402
DEDJTR/DoT (Major Road Projects Victoria)	Transfer of assets and liabilities to MRPV	Assets	7.3.3	1,516,101	–
		Liabilities	7.3.3	9,501	–
	Funding for the provision of services	Income from transactions	3.2	47,276	–
	Funding for the provision of services	Receivables	6.1	26,926	–
Consolidated Fund	Payment of income collected on behalf of the State of Victoria	Administered payment	9.2	1,814,137	1,699,101
	Payment of income collected as agent for State Revenue Office	Agency payments	9.3	898,508	916,577
	Payment of income collected as agent for Transport Safety Victoria	Agency payments	9.3	31,160	33,802
	Income collected and not paid	Payables	6.3	34,401	21,957
	Land and buildings transferred to administered items as equity	Contributed capital	7.3.3	25,774	7,996
	Payment of proceeds from disposal of assets on behalf of the State of Victoria	Administered payments	9.2	14,986	8,071
	Assets transferred free of charge from administered items	Income from transactions / Assets	3.1 5.1.4.2	254,372	–

Significant transactions with government-related entities (continued)

Related Party	Nature of transaction	Category	Note	2019 $'000	2018 $'000
DEDJTR/DoT (Transport Safety Victoria)	Commission received for provision of collection service	Income from transactions	3.2	5,349	6,113
DEDJTR/DoT (Level Crossing Removal Authority)	Funding for the management of level crossing removal projects	Income from transactions	3.3	4,019	5,976
			6.1	3,727	15,555
Department of Treasury and Finance	Capital asset charge for opportunity cost of capital used in service delivery	Expenses from transactions	4.1	49,800	49,800
Department of Environment, Land, Water and Planning	Transfer of land	Property, plant and equipment	7.3.3	27,724	–

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 Purchasing Board requirements.

VicRoads is a member organisation of Austroads Ltd and a member of the VicRoads Executive Leadership Team represents VicRoads on the board of this entity. This representation is consistent with representatives from other State, Federal and New Zealand transport member organisations. During the 2018–19 financial year, VicRoads provided contributions and subscription fees to Austroads Ltd amounting to $2 million.

Outside of normal citizen type transactions with the Corporation, all other transactions that have occurred with key management personnel or their close family members are not considered material for disclosure. In this context, transactions are only disclosed when they are considered necessary to draw attention to the possibility that the Corporation's financial position and profit or loss may have been affected by the existence of related parties, and by transactions and outstanding balances, including commitments with such parties.

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

10.5 Remuneration of auditors

	2019 $'000	2018 $'000
Victorian Auditor-General's Office		
Audit or review of the financial statements	415	405
Other non-audit services(i)	–	–
Total auditors' remuneration	**415**	**405**

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

10.6 Change in accounting policies

Australian Accounting Standard AASB 9 Financial Instruments has superseded *Australian Accounting Standard AASB 139 Financial Instruments: Recognition and Measuremen*t for annual reporting periods beginning on or after 1 January 2018. This note explains the impact of the adoption of *AASB 9* on the Corporation's financial statements.

The Corporation has elected to apply the exemption in paragraph 7.2.15 of *AASB 9* relating to transition, for classification and measurement, and impairment, and accordingly has not restated comparative periods in the year of initial application. As a result:

(a) any adjustments to the carrying amounts of financial assets and liabilities are recognised at beginning of the current reporting period with the difference recognised in opening accumulated surplus; and

(b) financial assets including the provision for impairment have not been reclassified and/or restated in the comparative period.

10.6.1 Changes to classification and measurement

On initial application of *AASB 9* from 1 July 2018, the Corporation's management has assessed all financial assets based on the Corporation's business models for managing the assets. The following are the changes in the classification of the Corporation's financial assets and liabilities:

(a) Term deposits previously classified as held to maturity under *AASB 139* are now reclassified as financial assets at amortised cost under *AASB 9*. There was no difference between the previous carrying amount and the revised carrying amount at 1 July 2018.

(b) Cash and cash equivalents and contractual receivables previously classified as loans and receivables under *AASB 139* are now reclassified as financial assets at amortised cost under *AASB 9*.

(c) The classification of financial liabilities at amortised cost under *AASB 9* remains the same as it was under *AASB 139*.

The application of *AASB 9* has resulted in a decrease of $5.1 million in finance lease liabilities as at 1 July 2018 and a corresponding adjustment in the opening accumulated surplus as at that date. This adjustment relates to a historical refinancing of the Peninsula Link finance lease in April 2014. In accordance with the previous standard (*AASB 139*), the impact of this refinancing was spread over the remaining life of the lease. In accordance with the new standard (*AASB 9*), the impact of refinancing adjustments is recognised immediately rather than over the remaining life.

The Corporation's accounting policies for financial assets and liabilities are set out in *Note 8.1*.

10.6.2 Changes to the impairment of financial assets

Under *AASB 9*, all receivables are subject to an expected credit loss (ECL) impairment model, which replaces the incurred loss approach previously applied under *AASB 139*.

The Corporation has applied the simplified approach in *AASB 9* to measure expected credit losses based on the change in the expected credit loss over the life of the asset. Application of the lifetime expected credit loss allowance method has resulted in a decrease in the impairment loss allowance of $1.2 million. Refer to *Note 8.1* for details about the calculation of the allowance. The loss allowance increased/decreased further by $0.6 million for these financial assets during the financial year.

10.6.3 Transition impact

The transition impact of first-time adoption of *AASB 9* on the Comprehensive Operating Statement and Balance Sheet has been summarised in the following tables.

The impact on the Comprehensive Income Statement as at 1 July 2018 is as follows:

Comprehensive operating statement	1/7/2018 $'000
Impairment of financial assets	1,175
Transaction impact on finance lease liabilities	5,123
Comprehensive income	**6,298**

In accordance with the transitional provisions in *AASB 9*, the prior year has not been restated and this impact has been recognised as an adjustment against the opening balance of accumulated surplus.

The impact on the Balance Sheet is illustrated with the following reconciliation between the carrying amounts under *AASB 139* as at 30 June 2018, and the balances reported under *AASB 9* as at 1 July 2019 for each affected balance sheet item.

Balance sheet	Notes	Amount at 30/6/2018 $'000	Reclassification $'000	Remeasurement (ECL) $'000	Restated amount at 1/7/2018 $'000
Financial assets					
Loan and receivables	6.1	189,452	(189,452)	–	–
Financial assets held for maturity	7.3.1	750	(750)	–	–
Financial assets at amortised cost	6.1	–	190,202	–	190,202
Impairment loss allowance	6.1	(2,864)	–	1,175	(1,689)
Total financial assets		**187,338**	**–**	**1,175**	**188,513**
Financial liabilities					
Interest Bearing Liabilities	7.1	721,213	–	(5,123)	716,090
Total financial liabilities		**721,213**	**–**	**(5,123)**	**716,090**
Equity					
Accumulated surplus	SOCE	16,623,890	–	6,298	16,630,188
Total equity		**16,623,890**	**–**	**6,298**	**16,630,188**

10.7 Australian Accounting Standards issued that are not yet effective

The following Australian Accounting Standards become effective for reporting periods commencing after 1 July 2019:

- *Australian Accounting Standard AASB 1059 Service Concession Arrangements: Grantors;*
- *Australian Accounting Standard AASB 16 Leases;*
- *Australian Accounting Standard AASB 15 Revenue from Contract with Customers;* and
- *Australian Accounting Standard AASB 1058 Income of Not-for-Profit Entities.*

Service concession arrangements

Prior to the issuance of *Australian Accounting Standard AASB 1059 Service Concession Arrangements: Grantor*s *(AASB 1059)* there was no definitive accounting guidance in Australia for service concession arrangements, which include a number of public private partnership (PPP) arrangements. The Australian Accounting Standards Board issued the new standard *(AASB 1059)* to address the lack of specific accounting guidance and based the content thereof broadly on its international equivalent: *International Public Sector Accounting Standard 32: Service Concession Arrangements: Grantor.*

For arrangements within the scope of *AASB 1059*, the public sector grantor will be required to record the asset(s) used in the service concession arrangement at current replacement cost in accordance with the cost approach to fair value under *Australian Accounting Standard AASB 13: Fair Value Measurement (AASB 13)*, with a related liability, which could be a financial liability, an accrued revenue liability [referred to as the "Grant of Right to Operate" (GORTO) liability], or a combination of both. The Australian Accounting Standards Board recently announced a one-year deferral on the new accounting requirements for public sector grantors in service concession arrangements. As a result, *AASB 1059* will apply to annual periods beginning on or after 1 January 2020, rather than 1 January 2019. However, the Corporation intends to early adopt *AASB 1059* in line with the original adoption date of 1 January 2019, (i.e. for the 2019–20 financial year).

The Corporation will apply *AASB 1059* using a full retrospective approach to prior reporting periods from 1 July 2018 ("transition date"). As a result of adopting this approach, all comparative information (i.e. for 2018–19) in the financial statements will be prepared as if *AASB 1059* had always been in effect with a cumulative adjustment recognised in accumulated surplus as at 1 July 2018.

The Corporation has identified three material service concession arrangements and has performed a detailed impact assessment of these arrangements. The potential impact in the initial year of application is expected to be as follows:

- Financial liability arrangements – the Corporation has one existing financial liability PPP being the Peninsula Link road network. This arrangement is currently accounted for as a finance lease with the Corporation as lessor. On the initial application of *AASB 1059*, the Corporation expects the following impacts:
  - reclassification of leased assets currently recorded under infrastructure assets, to service concession assets;
  - reclassification of land under road assets, to service concession land asset; and
  - reclassification of finance lease liabilities to service concession liabilities.
- GORTO arrangements – the Corporation has two existing GORTO PPP arrangements being for the Eastlink and CityLink road networks. The Corporation does not currently recognise any assets or corresponding liabilities for these arrangements. On initial application of *AASB 1059*, the Corporation expects the following impacts:
  - recognition of service concession assets (a subset of property, plant and equipment);
  - recognition of associated depreciation/amortisation;
  - reclassification of CityLink unearned revenue as GORTO liability (representing revenue not yet earned);
  - recognition of GORTO Liabilities representing revenue not yet earned, including CityLink unearned revenue reclassification;
  - recognition of related revenue recorded over the life of the concession as that revenue is earned; and
  - an adjustment to retained earnings resulting from the retrospective application of the new standard.

Leases

Australian Accounting Standard AASB 16 Leases (AASB 16) replaces *Australian Accounting Standard AASB 117 Leases (AASB 117)*, AASB Interpretation 4 *Determining whether an Arrangement contains a Lease*, *AASB Interpretation 115 Operating Leases-Incentives* and *AASB Interpretation 127 Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

AASB 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases on the balance sheet by recording a right-of-use asset and a lease liability except for leases that are shorter than 12 months and leases where the underlying asset is of low value (deemed to be below $10,000).

AASB 16 also requires the lessees to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset, and remeasure the lease liability upon the occurrence of certain events (e.g. a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The amount of the remeasurement of the lease liability will generally be recognised as an adjustment to the right of use asset.

Lessor accounting under *AASB 16* is substantially unchanged from *AASB 117*. Lessors will continue to classify all leases using the same classification principle as in *AASB 117* and distinguish between two types of leases: operating and finance leases.

The effective date is for annual reporting periods beginning on or after 1 January 2019. The Corporation intends to adopt *AASB 16* in the 2019–20 financial year when it becomes effective.

The Corporation will apply the standard using a modified retrospective approach with the cumulative effect of initial application recognised as an adjustment to the opening balance of accumulated surplus at 1 July 2019, with no restatement of comparative information.

Various practical expedients are available on adoption to account for leases previously classified by a lessee as operating leases under *AASB 117*. The Corporation will elect to use the exemptions for all short-term leases (lease term less than 12 months) and low value leases (deemed to be below $10,000).

The Corporation has performed a detailed impact assessment of *AASB 16* and the potential impact in the initial year of application is expected to be as follows:

- recognition of right of use assets,
- recognition of related depreciation expense,
- recognition of lease liabilities,
- recognition of related interest calculated using effective interest method, and
- decrease in rental expense.

Revenue and Income

Australian Accounting Standards AASB 15 Revenue from Contact with Customers (AASB 15) supersedes *Australian Accounting Standards AASB 118 Revenue*, *Australian Accounting Standards AASB 111 Construction Contracts* and related Interpretations and it applies, with limited exceptions, to all revenue arising from contracts with its customers.

AASB 15 establishes a five-step model to account for revenue arising from an enforceable contract that imposes a sufficiently specific performance obligation on an entity to transfer goods or services. *AASB 15* requires entities to only recognise revenue upon the fulfilment of the performance obligation. Therefore, entities need to allocate the transaction price to each performance obligation in a contract and recognise the revenue only when the related obligation is satisfied.

To address specific concerns from the 'not-for-profit' sector in Australia, the AASB also released the following standards and guidance:

- *AASB 2016-8 Amendments to Australian Accounting Standards – Australian implementation guidance for NFP entities* (AASB 2016-8), to provide guidance on application of revenue recognition principles under *AASB 15* in the not-for-profit sector.

- *AASB 2018-4 Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Public-Sector Licensors* (2018-4), to provide guidance on how to distinguish payments received in connection with the access to an asset (or other resource) or to enable other parties to perform activities as tax and non-IP licence. It also provides guidance on timing of revenue recognition for non-IP licence payments.
- *Australian Accounting Standards AASB 1058 Income of Not-for-Profit Entities,(AASB 1058)* to supplement *AASB 15* and provide criteria to be applied by not-for-profit entities in establishing the timing of recognising income for government grants and other types of contributions previously contained within Australian *Account Standards AASB 1004 Contributions.*

AASB 15, AASB 1058 and the related guidance will come into effect for not-for-profit entities for annual reporting periods beginning on or after 1 January 2019. The Corporation intends to adopt these standards in 2019–20 financial year when it becomes effective.

The Corporation will apply the standard using a modified retrospective approach with the cumulative effect of initial application recognised as an adjustment to the opening balance of accumulated surplus at 1 July 2019, with no restatement of comparative information.

The Corporation has performed a detailed impact assessment of *AASB 15* and *AASB 1058* and considers the potential impact for each major class of revenue and income in the initial year of application to be minimal.

10.8 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 A*ustralian 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.

10.9 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.

Other than the matter listed below, there are no events that have arisen since 30 June 2019.

Transfer of Corporation activities to the Department of Transport

During the financial year, the Victorian Government made a decision to transfer the functions of the Corporation (except Registration and Licensing, Heavy Vehicle Operations and Incident Response functions), to the Department of Transport. This decision was announced by the Secretary to the Department of Transport on 4 April 2019 with the following arrangements occurring in respect of the Corporation:

- On 1 July 2019, the Corporation came together with Public Transport Victoria, as part of a new integrated Department of Transport. The new Department will deliver an integrated, user-focused approach to tackling transport opportunities.
- Pursuant to Transport Restructuring Order (Roads Corporation) No. 1/2019, published in the Victorian Government Gazette (S258) on 26 June 2019, the transferring functions of the Corporation under section 87(1) of the *Transport Integration Act 2010,* were conferred on the Head, Transport for Victoria with effect from 1 July 2019.
- Pursuant to section 28(1A) of the *Public Administration Act 2004*, on 1 July 2019 employees of the Corporation except for those undertaking Registration and Licensing, Heavy Vehicle Operations, and Incident Response Service functions, were transferred to the Secretary to the Department of Transport.

The effect of the above transfers is to shift significant effective control of the conferred functions from the Chief Executive of the Corporation, to the Secretary to the Department of Transport and Head, Transport for Victoria.

The Registration and Licensing, Heavy Vehicle Operations and Incident Response functions which are excluded from the transfer to the Department of Transport will remain the responsibility of the Chief Executive of the Corporation.

The Corporation is undertaking a review of its balance sheet values with a view to transferring those components relating to the transferring functions, to the financial statements of the Department of Transport, with effect from 1 July 2019. It is anticipated that the majority of the Corporation's assets and liabilities will be transferred.

10.10 Glossary of technical terms

Administered item

Administered item generally refers 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 of 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 grantor, they do not give the grantor 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 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.

Accountable Officer's and Chief Financial Officer's Declaration

The attached financial statements for the Roads Corporation (the Corporation) have been prepared in accordance with Direction 5.2 of the Standing Directions of the Assistant Treasurer 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 2019 and financial position of the Corporation at 30 June 2019.

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 13 September 2019.

Jeroen Weimar

Acting Chief Executive
Roads Corporation

Melbourne
13 September 2019

Mark Dale

Chief Financial Officer
Roads Corporation

Melbourne
13 September 2019

Independent Auditor's Report

VAGO
Victorian Auditor-General's Office

To the Chief Executive of Roads Corporation

Opinion	I have audited the financial report of Roads Corporation (the corporation) which comprises the: • balance sheet as at 30 June 2019 • 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 significant accounting policies • accountable officer's and chief financial officer's declaration. In my opinion the financial report presents fairly, in all material respects, the financial position of the corporation as at 30 June 2019 and their financial performance and cash flows for the year then ended in accordance with the financial reporting requirements of Part 7 of the *Financial Management Act 1994* and applicable Australian Accounting Standards.
Basis for Opinion	I have conducted my audit in accordance with the *Audit Act 1994* which incorporates the Australian Auditing Standards. I further describe my responsibilities under that Act and those standards in the *Auditor's Responsibilities for the Audit of the Financial Report* section of my report. My independence is established by the *Constitution Act 1975.* My staff and I are independent of the corporation in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to my audit of the financial report in Victoria. My staff and I have also fulfilled our other ethical responsibilities in accordance with the Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.
Chief Executive's responsibilities for the financial report	The Chief Executive of the corporation is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and the *Financial Management Act 1994*, and for such internal control as the Chief Executive determines is necessary to enable the preparation and fair presentation of a financial report that is free from material misstatement, whether due to fraud or error. In preparing the financial report, the Chief Executive is responsible for assessing the corporation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is inappropriate to do so.

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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 my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the corporation'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 corporation'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 corporation 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.

MELBOURNE
19 September 2019

Simone Bohan
as delegate for the Auditor-General of Victoria

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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.

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