# Part 5 - FINANCIAL MANAGEMENT

| **TABLE 1. KEY FINANCIAL RESULTS** | | | |
| --- | --- | --- | --- |
| **YEAR ENDED 30 JUNE** | **2012**  **$m** | **2011**  **$m** | **$m change**  **inc/(dec)** |
|  |  |  |  |
| **FINANCIAL PERFORMANCE** |  |  |  |
| Income from Transactions | 2,013.3 | 1,709.2 | 304.1 |
| Expenses from Transactions | 1,521.6 | 1,496.2 | 25.4 |
| NET RESULT FROM TRANSACTIONS | 491.7 | 213.0 | 278.7 |
| Other Economic Flows included in Net Result | 7.8 | 11.9 | (4.1) |
| NET RESULT | 499.5 | 224.9 | 274.6 |
|  |  |  |  |
| **Expenses from Transactions** |  |  |  |
| Network and Asset Planning | 1,232.3 | 1,161.5 | 70.8 |
| Road Safety | 100.4 | 121.3 | (20.9) |
| Registration and Licensing | 146.5 | 144.8 | 1.7 |
| Other Services | 42.4 | 68.6 | (26.2) |
|  | 1,521.6 | 1,496.2 | 25.4 |
|  |  |  |  |
| **CAPITAL WORKS EXPENDITURE** |  |  |  |
| Infrastructure assets | 873.6 | 976.8 | (103.2) |
| Other assets | 44.9 | 68.7 | (23.8) |
|  | 918.5 | 1,045.5 | (127.0) |
|  |  |  |  |
| **TOTAL EXPENDITURE** | 2,440.1 | 2,541.7 | (101.6) |
|  |  |  |  |
| **INCOME COLLECTED ON BEHALF OF THE VICTORIAN GOVERNMENT AND OTHER GOVERNMENT AGENCIES** | 3,458.1 | 3,283.3 | 174.8 |
|  |  |  |  |
| **INCOME ADMINISTERED ON BEHALF OF THE VICTORIAN GOVERNMENT** | 27.9 | 27.4 | 0.5 |
|  |  |  |  |

| **AS AT 30 JUNE** | **2012**  **$m** | **2011**  **$m** | **$m change**  **inc/(dec)** |
| --- | --- | --- | --- |
|  |  |  |  |
| **FINANCIAL POSITION** |  |  |  |
| Total assets | 45,136.6 | 42,393.6 | 2,743.0 |
| Total liabilities | 419.3 | 437.1 | (17.8) |
| NET ASSETS | 44,717.3 | 41,956.5 | 2,760.8 |
|  |  |  |  |
| **LIABILITIES ADMINISTERED ON BEHALF OF THE VICTORIAN GOVERNMENT** |  |  |  |
| Total liabilities | 346.4 | 341.1 | 5.3 |

# FINANCIAL OVERVIEW

# VicRoads total expenditure was $2.4 billion in 2011-12, $0.1 billion less than the previous year. This expenditure comprised $1.5 billion in expenses from transactions and $0.9 billion in capital works expenditure.

The total expenditure for 2011-12 comprised $1.9 billion in delivering outputs and $0.5 billion relating to the expensing of assets recognised as outputs in previous years.

The value of road infrastructure and other assets managed by VicRoads increased by $2.7 billion to $45.1 billion during 2011-12. Total liabilities decreased by $17.8 million to $419.3 million during the year. These movements in assets and liabilities resulted in a growth in net assets of $2.8 billion to $44.7 billion as at 30 June 2012.

# FINANCIAL PERFORMANCE

VicRoads recorded a net result surplus of $499.5 million in 2011-12 compared with a net surplus of $224.9 million in the previous year. The increase in surplus was due principally to increased funding provided through Victorian Government Appropriations and assets received free of charge.

The 2011-12 net result surplus was achieved after recognising as revenue $836.5 million to fund capital works expenditure, $79.6 million to fund an increase in working capital, $118.0 million as assets received free of charge, and $7.0 million arising from asset register adjustments. These revenue items were partly offset by the expensing of assets which were funded by revenue from Governments Grants in previous years, via depreciation, disposal or divestment, totalling $541.6 million.

# FUNDING SOURCES

VicRoads funding is derived from the Victorian Government annual budget, program funding from the Transport Accident Commission, revenue from regulatory fees and fee-for-service charges. Funding for operating outputs and capital works from all sources totalled $2.0 billion during 2011-12, a decrease of $41.1 million on the previous year.

The Victorian Government receives funding for improvements to and maintenance of the National Land Transport Network under the Federal *Nation Building Program (National Land Transport) Act 2009* and the Federal *Interstate Road Transport Act 1985.* This funding is forwarded to VicRoads as a grant to meet expenditure commitments.

Victorian Government Grants of Federal funding to VicRoads in 2011-12 totalled $712.3 million, an increase of $228.1 million over the previous year. The increase in funding was principally a result of the increased funding provided for major construction projects including the M80 Ring Road upgrade, West Gate Bridge strengthening, and Geelong Ring Road section 4B.

In 2011-12, VicRoads earned Victorian Government Grants comprising General Appropriations and Better Roads Victoria Trust Account funding totalling $892.0 million, a decrease of $288.3 million on the previous year. This decrease was principally due to a reduction in capital appropriations as related capital projects reach completion.

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

The funding of projects from the Better Roads Victoria Trust Account contributes to Victoria’s economic development through reduced transport costs and increased efficiency of arterial roads. Two thirds of funding from the Trust Account is directed to metropolitan roads projects and one third to rural road projects. Since the Better Roads Victoria Trust Account was established in 1993, 2,096 road infrastructure projects (comprising 463 projects in the metropolitan area and 1,633 in regional Victoria) valued at more than $5.3 billion have been approved. The Better Roads Victoria Trust Account provided funding for road construction and maintenance projects of $243.5 million in 2011-12, a decrease of $77.9 million on the previous year. This is primarily due to the completion of major road construction projects and acceleration of Federal Government funding for road construction projects ahead of State Government funding.

From 1 July 2005, revenue raised from traffic cameras and on the spot speeding fines has also been paid into the Better Roads Victoria Trust Account and utilised to fund road construction and maintenance, road safety, and traffic and transport integration programs. VicRoads received traffic camera and speeding fine funding of $309.9 million during 2011-12.

VicRoads generated revenue from regulatory fees, fee for service charges, and other revenue totalling $271.2 million in 2011-12, an increase of $30.2 million on the previous year. This is primarily as a result of insurance recovery for flood restoration works.

The Transport Accident Commission provides funding for a range of road safety infrastructure projects and motorcycle safety initiatives. During 2011-12 this funding amounted to $101.8 million, a decrease of $11.1 million on the previous year.

# CAPITAL WORKS EXPENDITURE

VicRoads undertook asset construction works and acquisitions totalling $918.5 million during 2011-12, a decrease of $126.9 million over the previous year. Details of significant capital works projects undertaken during 2011-12 are outlined in the ‘Connection’ section of this report.

# CASH FLOWS

During 2011-12 VicRoads utilised cash funds received from the Victorian Government, collections of revenue and proceeds from asset disposals totalling $2.1 billion to fund operating activities totalling $1.2 billion and capital works activities totalling $0.9 billion.

# FINANCIAL POSITION

VicRoads non-financial assets increased by $2.7 billion to $44.7 billion during 2011-12. This increase resulted from an upward revaluation of infrastructure assets of $2.3 billion, and asset construction and acquisitions of $0.9 billion. These increases were partially offset by the depreciation of assets amounting to $0.5 billion.

VicRoads financial assets increased by $58.5 million to $435.7 million during 2011-12 and total liabilities decreased by $17.8 million to $419.3 million during the year.

VicRoads net assets increased by $2.8 billion to $44.7 billion as at 30 June 2012. This increase resulted principally from an upward revaluation of infrastructure assets of $2.3 billion, and the net result for the year of $0.5 billion.

# INCOME COLLECTED ON BEHALF OF THE VICTORIAN GOVERNMENT AND OTHER GOVERNMENT AGENCIES

VicRoads administers the collection of certain fees, licences and duties on behalf of the Victorian Government, various State Government agencies, and the Commonwealth Department of Infrastructure and Transport. These amounts are not recognised as VicRoads income but are paid to the Victorian Government’s Consolidated Fund or other government agencies. During 2011-12, collections on behalf of the Victorian Government and other government agencies totalled $3.5 billion compared with $3.3 billion the previous year.

# MELBOURNE CITYLINK

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

Details of the concession notes and related revenues are disclosed in Note 1(r)(ii) – ‘Melbourne City Link’ and Note 25 – ‘Transactions administered on behalf of the Victorian Government’.

| FIVE YEAR FINANCIAL SUMMARY | | | | | |
| --- | --- | --- | --- | --- | --- |
| **YEAR ENDED 30 JUNE** | **2012**  **$m** | **2011**  **$m** | **2010**  **$m** | **2009**  **$m** | **2008**  **$m** |
| **FINANCIAL PERFORMANCE** |  |  |  |  |  |
| Income from transactions | 2,013.3 | 1,709.2 | 1,694.8 | 1,414.7 | 1,630.7 |
| Expenses from transactions | 1,521.6 | 1,496.2 | 1,420.3 | 1,381.2 | 1,312.6 |
| NET RESULT FROM TRANSACTIONS | 491.7 | 213.0 | 274.5 | 33.5 | 318.1 |
| Other Economic Flows Included in Net Result | 7.8 | 11.9 | (3.1) | 0.7 | (7.7) |
| NET RESULT | 499.5 | 224.9 | 271.4 | 34.2 | 310.4 |
| Net change in asset revaluation reserve | 2,282.5 | (49.5) | 3,472.7 | - | 2,567.4 |
| COMPREHENSIVE RESULT | 2,782.0 | 175.4 | 3,744.1 | 34.2 | 2,877.8 |
| **CASH FLOWS** |  |  |  |  |  |
| Cash flows from operating activities | 801.4 | 706.8 | 637.9 | 486.3 | 647.8 |
| Cash flows used in investing activities | (884.2) | (1,023.2) | (1,086.3) | (924.1) | (809.1) |
| Cash flows from financing activities | 82.0 | 318.0 | 448.4 | 422.0 | 178.4 |
| NET INCREASE/(DECREASE) IN CASH HELD | (0.8) | 1.6 | - | (15.8) | 17.1 |
| **CAPITAL WORKS** |  |  |  |  |  |
| TOTAL EXPENDITURE | 918.5 | 1,045.4 | 1,099.0 | 908.5 | 795.8 |
|  |  |  |  |  |  |
| **FUNDING SOURCES** |  |  |  |  |  |
| State Government Funding derived from the Federal Government |  |  |  |  |  |
| Construction | 627.1 | 400.2 | 426.4 | 215.9 | 262.4 |
| Asset Maintenance and minor works | 51.9 | 50.7 | 48.4 | 58.7 | 55.4 |
| Federal Interstate Road Transport Scheme | 21.6 | 19.7 | 16.3 | 13.4 | 14.5 |
| National Blackspot program | 11.7 | 13.6 | 44.5 | 11.4 | 10.2 |
| TOTAL FEDERAL GOVERNMENT FUNDING | 712.3 | 484.2 | 535.6 | 299.4 | 342.5 |
| State Government |  |  |  |  |  |
| Outputs appropriations | 256.6 | 261.9 | 245.6 | 192.3 | 224.4 |
| Contributed capital appropriations | 82.0 | 307.7 | 433.9 | 439.5 | 182.4 |
| Better Roads Victoria Trust Account | 553.4 | 610.7 | 571.9 | 569.6 | 631.5 |
| TOTAL STATE GOVERNMENT FUNDING | 892.0 | 1,180.3 | 1,251.4 | 1,201.4 | 1,038.3 |
| Transport Accident Commission Program Funding | 101.8 | 112.9 | 104.6 | 126.7 | 100.1 |
| VicRoads generated revenue | 271.2 | 241.0 | 225.8 | 225.3 | 246.0 |
|  |  |  |  |  |  |
| TOTAL FUNDING | 1,977.3 | 2,018.4 | 2,117.4 | 1,852.8 | 1,726.9 |
|  |  |  |  |  |  |
| **INCOME COLLECTED ON BEHALF OF THE VICTORIAN GOVERNMENT AND OTHER GOVERNMENT AGENCIES** |  |  |  |  |  |
| Transport Accident Commission fees | 1,705.9 | 1,628.9 | 1,559.7 | 1,466.7 | 1,408.0 |
| Motor vehicle registration | 994.7 | 912.9 | 853.6 | 801.9 | 759.6 |
| Stamp Duty | 581.2 | 576.0 | 568.8 | 512.5 | 568.5 |
| Driver licences | 67.9 | 52.5 | 34.9 | 34.1 | 29.4 |
| Federal Interstate Road Transport Scheme registrations | 42.6 | 41.9 | 33.1 | 27.4 | 30.7 |
| Other | 65.7 | 71.2 | 58.5 | 53.8 | 53.2 |
| TOTAL INCOME | 3,458.0 | 3,283.4 | 3,108.6 | 2,896.4 | 2,849.4 |
|  |  |  |  |  |  |
| **INCOME ADMINISTERED ON BEHALF OF THE VICTORIAN GOVERNMENT** | 27.9 | 27.4 | 27.8 | 39.1 | 51.4 |

| **AS AT 30 JUNE** | **2012**  **$m** | **2011**  **$m** | **2010**  **$m** | **2009**  **$m** | **2008**  **$m** |
| --- | --- | --- | --- | --- | --- |
| **FINANCIAL POSITION** |  |  |  |  |  |
| Total assets | 45,136.6 | 42,393.6 | 41,906.7 | 37,715.9 \* | 22,594.8 |
| Total liabilities | 419.3 | 437.1 | 422.2 | 373.3 | 388.2 |
| NET ASSETS | 44,717.3 | 41,956.5 | 41,484.5 | 37,342.6 | 22,206.6 |
| Contributed capital | 15,301.0 | 15,322.1 | 15,025.6 | 14,627.7 | 14,198.6 |
| Asset revaluation reserve | 13,300.2 | 11,017.7 | 11,067.1 | 7,594.5 | 7,594.5 |
| Accumulated surplus/(deficit) | 16,116.1 | 15,616.7 | 15,391.8 | 15,120.4 \* | 413.5 |
| NET WORTH | 44,717.3 | 41,956.5 | 41,484.5 | 37,342.6 | 22,206.6 |
|  |  |  |  |  |  |
| **ASSETS AND LIABILITIES ADMINISTERED ON BEHALF OF THE VICTORIAN GOVERNMENT** |  |  |  |  |  |
| Total assets | 0.0 | 0.0 | 0.0 | 59.7 | 193.9 |
| Total liabilities | 346.4 | 341.2 | 336.9 | 331.2 | 325.0 |
| NET ASSETS | (346.4) | (341.2) | (336.9) | (271.5) | (131.1) |

\* Includes recognition of land under declared roads valued at $14.7 billion from 1 July 2008

