

Connecting  
our communities

# VicRoads Annual Report 2017–18





**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.

**Published by:**

VicRoads  
60 Denmark St, Kew Vic 3101  
September 2018

Also published at [vicroads.vic.gov.au](http://vicroads.vic.gov.au)

© Copyright State of Victoria (VicRoads) 2018

You are free to re-use this work under a Creative Commons Attribution 4.0 licence, provided you credit the State of Victoria (VicRoads) as author, indicate if changes were made and comply with the other licence terms. The licence does not apply to any branding, including Government logos.

International Standards Serial Number (ISSN): 1832-0732

VicRoads publication identification number 02926

Printed on ENVI 50/50 recycled paper

# Contents

Chief Executive's message .....	5
Section 1: Year in review .....	6
Our Promise .....	6
Our Commitment .....	6
Our public sector values .....	7
Integrity .....	7
Manner of establishment and responsible Minister .....	8
Nature and range of services provided .....	9
Our Functions .....	9
Major Changes in 2017–18 .....	10
Performance Reporting – Non-Financial .....	11
Our performance objectives, indicators and outputs .....	11
1. Regional Victoria .....	12
2. Metro and suburban .....	16
3. Customers .....	18
4. Road Safety .....	22
Performance Reporting – Financial .....	26
Key financial result .....	26
Financial overview .....	27
Financial performance .....	27
Funding sources .....	28
Capital works expenditure .....	28
Cash flows .....	28
Financial position .....	29
Income collected on behalf of the Victorian government and other government agencies .....	29
Melbourne Citylink .....	29
Five year financial summary .....	30
Funding Sources 2017–18 .....	32
Operating output expenditure 2017–18 .....	32
Composition of Funding Sources (\$ million) .....	33
Section 2: Governance and organisational structure .....	34
Senior Executives/officers (as at 30 June 2018) .....	34
Organisational chart as at 30 June 2018 .....	36
Governance .....	38
Occupational Health & Safety .....	40
WorkCover .....	41
Section 3: Workforce data .....	42
Public sector values and employment principles .....	42
Comparative workforce data .....	42
Workforce inclusion policy .....	43
Remuneration of executives and other personnel .....	44

<b>Section 4: Other disclosures</b>	<b>45</b>
Local Jobs First – Victorian Industry Participation Policy (VIPPP)	45
Disclosure of government advertising expenditure	46
Consultancy expenditure	46
Information and Communication Technology (ICT) expenditure	47
Disclosure of major contracts	47
Application and operation of Freedom Information Act 1982	47
Compliance with building and maintenance provisions of Building Act 1993	48
Competitive Neutrality Policy	48
Application and operation of the Protected Disclosure Act 2012	48
Statement of availability of other information	49
Attestation for compliance with Ministerial Standing Direction	49
Compliance with DataVic Access Policy	50
Compliance with the Disability Act 2006 (Vic)	50
Compliance with Section 22 of the Road Management Act 2004	51
<b>Section 5: Financial Statements</b>	<b>52</b>
How these financial statements are structured	52
Comprehensive operating statement	53
Balance sheet	54
Cash flow statement	55
Statement of changes in equity	56
1. About these financial statements	57
2. Operating Net Result	58
3. Funding the delivery of our services	58
3.1 Summary of income from transactions that funds the delivery of our services	58
3.2 Sale of goods and services	59
3.3 Program contributions	59
3.4 Other income	60
4. The cost of delivering services	61
4.1 Expenses incurred in the delivery of services	61
4.1.1 Employee benefits	61
4.1.2 Grant expenses	62
4.1.3 Other operating expenses	65
5. Key assets available to support service delivery	66
5.1 Property, plant and equipment	66
5.1.1 Buildings and leasehold improvement assets	68
5.1.1.1 Carrying value of buildings and leasehold assets	68
5.1.1.2 Reconciliation of movements in carrying value of buildings and leasehold assets	69
5.1.2 Plant and equipment	70
5.1.2.1 Carrying value of plant and equipment	70

5.1.2.2 Reconciliation of movements in carrying value of plant and equipment.....	70
5.1.3 Land .....	70
5.1.3.1 Carrying value of land .....	70
5.1.3.2 Reconciliation of movements in carrying value of land .....	71
5.1.4 Infrastructure assets .....	73
5.1.4.1 Carrying value of Infrastructure assets .....	73
5.1.4.2 Reconciliation of movements in carrying value of infrastructure assets .....	74
5.2 Intangible assets .....	76
5.2.1 Carrying value of intangible assets.....	76
5.2.2 Reconciliation of movements in carrying value of intangible assets.....	77
5.3 Depreciation and impairment.....	78
5.3.1 Depreciation and amortisation charge for the reporting period.....	78
5.3.2 Useful lives .....	79
5.3.3 Impairment.....	80
<b>6. Other assets and liabilities .....</b>	<b>81</b>
6.1 Receivables .....	81
6.1.1 Movement in the provision for doubtful debts .....	82
6.1.2 Ageing analysis of contractual receivables .....	83
6.2 Non-financial physical assets classified as held for sale .....	84
6.3 Payables.....	84
6.3.1 Maturity analysis of contractual payables .....	85
6.4 Unearned Income .....	86
6.5 Other provisions .....	86
6.5.1 Reconciliation of movements in other provisions.....	87
<b>7 Financing our operations .....</b>	<b>88</b>
7.1 Borrowings .....	88
7.1.1 Maturity analysis of borrowings .....	89
7.1.2 Interest expense.....	89
7.2 Leases .....	89
7.2.1 Finance lease liabilities (Corporation as lessee).....	89
7.2.2 Operating leases (Corporation as lessee) .....	91
7.3 Cash flow information.....	91
7.3.1 Cash balances .....	91
7.3.2 Reconciliation of net result for the reporting period to cash flow from operating activities...	92
7.3.3 Non-cash financing and investing activities .....	92
7.4 Commitments for expenditure .....	93
7.4.1 Total commitments payable .....	93

7.4.2 Public Private Partnership commitments .....	94
<b>8. Risks, contingencies and valuation judgements .....</b>	<b>97</b>
8.1 Financial instruments specific disclosures .....	97
8.1.1 Financial instruments: Categorisation.....	98
8.1.2 Financial risk management objectives and policies .....	99
8.1.2.1 Financial instruments: Credit risk.....	100
8.1.2.2 Financial instruments: Liquidity risk .....	101
8.1.2.3 Financial instruments: Market risk .....	101
8.2 Contingent assets and contingent liabilities.....	104
8.3 Fair value determination .....	105
8.3.1 Fair value determination of financial assets and liabilities .....	106
8.3.1.1 Fair value of financial instruments measured at amortised cost.....	106
8.3.2 Fair value determination: Non-financial physical assets .....	107
8.3.2.1 Fair value measurement hierarchy for assets .....	108
8.3.2.2 Reconciliation of Level 3 fair value movements.....	110
8.3.3 Description of significant unobservable inputs to level 3 valuations .....	114
<b>9. Transactions administered on behalf of the State of Victoria .....</b>	<b>115</b>
9.1 Administered items .....	115
9.1.1 Income collections.....	115
9.1.2 Private provision of public infrastructure.....	115
9.1.2.1 Melbourne City Link .....	116
9.1.2.2 EastLink .....	116
9.2 Transactions administered on behalf of the State of Victoria.....	117
9.3 Collections on behalf of other government agencies .....	118
9.4 Administered contingent assets .....	118
<b>10 Other disclosures .....</b>	<b>119</b>
10.1 Other economic flows included in net result .....	
10.2 Responsible persons .....	120
10.3 Remuneration of executives .....	121
10.4 Related parties .....	122
10.5 Remuneration of auditors .....	124
10.6 Other accounting policies .....	125
10.7 Subsequent events .....	126
10.8 Australian Accounting Standards issued that are not yet effective .....	127
10.9 Glossary of technical terms .....	130
<b>Accountable Officer's and Chief Financial Officer's Declaration .....</b>	<b>133</b>
<b>Independent Auditor's Report .....</b>	<b>134</b>
<b>Disclosure index.....</b>	<b>136</b>

# Chief Executive's message

I have joined VicRoads during a period of significant transformation. We're changing our focus and the way we do business to make sure we're a road authority that delivers for Victorians and is ready for the challenges of the future.

This period of change has required VicRoads to re-evaluate its priorities, and its worth to Victorians.

People want to live in places that work well for them – where it's easy to move around and stay connected to jobs and each other. Keeping us moving to where we need to be as Victoria grows to 10 million people by 2050 is not just a demographic challenge – it's more than 10 million extra journeys a day on the network.

As we move forward under my leadership we will focus on Delivery, Performance and Accountability with an emphasis on delivery and maintenance in Regional Victoria, reliability in metropolitan and suburban Melbourne and customers and community through our registration and licensing and public engagement work.

VicRoads will transform the way it delivers and measures performance and success – starting with the establishment of Regional Roads Victoria (RRV). The community called for action and transparency from us and we listened.

Led by the Chief Regional Roads Officer, RRV was established in September 2018 to work towards a better planned, maintained and integrated road network that aligns with the changing shape of regional Victoria. Its focus on planning, maintaining, upgrading and rebuilding will deliver on this year's record \$941m investment in regional roads.

What we have now is a dedicated division looking at the whole regional road network and working to get ahead of the challenge of road maintenance, rather than triaging it from behind.

In July, VicRoads' Major Projects and its staff transferred to the Office of the Coordinator General to become the Major Road Projects Authority, which will now build and deliver the state's biggest road projects, joining other delivery arms including Rail Projects Victoria. While OCG delivers the state's major projects, VicRoads runs and maintains the network.

Our goal in managing the network is to create a smarter and safer road network that better connects Victorians.

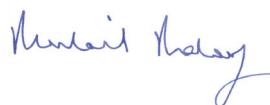
We're building more roads than ever before, but we know we can't simply build our way out of congestion. It is up to us as the Roads Authority to drive the change needed to make a real difference to the millions of people who travel on our roads every day.

In our thriving state, 2000 new drivers get their licence every week, and there are now almost six million registered vehicles here – up half a million in the last five years.

We need to continue to provide information to help people make better travel choices around the time they travel, the mode they take and the route they use. It's this behaviour change that will have the most impact on traffic volumes and congestion.

Smarter technology is being rolled out to enhance our freeways' performance and streamline traffic flow to keep people moving. In 2017–18, this saw the first wave of our Managed Motorway freeway-to-freeway ramp meters installed on the Eastlink to Monash Freeway, with more to come.

We are upgrading, maintaining and constructing more roads across the state than ever before. We acknowledge there's work to be done to repair and maintain the road network and meet the growing demands placed on it. Our commitment is to work hard to make sure we all have roads we can rely on, to connect our communities and take us from work, back to our families every day.



Michael Malouf  
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 2018.



Michael Malouf  
Chief Executive

September 2018

## Our Promise

As part of Transport for Victoria (TfV), 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:

*"We make lives better by delivering connectivity through shaping the development and use of Victoria's roads."*

## Our Commitment

As we work toward a more liveable, prosperous and connected Victoria, we are guided by our focus on five key areas as outlined in the VicRoads Corporate Plan 2017–2020:

### 1. Putting the customer and community first

We want to engage with Victorians early and often to achieve outcomes that are community driven and make our cities, towns and regions work better. We're improving our communication and customer service through honest dialogue, streamlined business processes and new fit-for-purpose technologies, and continuing to reduce our paper waste by moving consumer transactions online wherever possible. Some of our key initiatives for 2017–18 include implementing short term registration, moving services to digital and creating a new team dedicated to community engagement.

In September 2017, we established a new team – Engage VicRoads – to bring a dedicated focus to our community relationships and partnerships. This team is committed to working closely with communities and stakeholders throughout Victoria, facilitating discussions and engaging with residents and industry to gain valuable feedback about our work. Through Engage VicRoads, people around Victoria can have a say in how we design and deliver our projects, programs and services.



## **2. Getting from A – B — Enabling integrated transport choices and making journeys predictable**

Victoria's road network is vital for the economic and social development of the state. Our roads connect key transport hubs like ports and airports and public transport services; allowing us to travel to work and school, connect with family and friends, and access community services. We work with other transport agencies to ensure the community knows the most appropriate modes of transport available and how long it will take them to get where they need to; and that their experience matches expectation.

We use technology and prioritise road space to help manage peak demand, and harness new technologies to respond to the changing transport landscape. We've been working closely with industry, assessing technologies in real world trials, and ensuring that our planning is well informed and outcomes focused.

Some of our initiatives include:

- real-time travel info – we're using our extensive network of Bluetooth readers to provide real-time travel time information on routes affected by major construction works; helping you make informed trip decisions
- road technology – as part of our longer term planning, we co-ordinated a vehicle technology trials program, including the Bosch-TAC highly automated driving vehicle, the self-driving shuttle bus at La Trobe University, and a connected tram priority system
- optimising the network – we've continued to trial new technologies that help prioritise public transport services that are running behind schedule.

## **3. Improving road safety**

We're working hard to improve road safety. We want to reduce lives lost on Victorian roads to fewer than 200 by 2020, and reduce serious injuries by 15%. Our approach takes many different forms; including making sure people are licensed and fit to drive and that vehicles are reliable and registered. We educate, and listen to, the community about road safety issues and invest heavily in our roads so they're well maintained and safe for everyone. Progress includes:

- Safe Systems Road Infrastructure Program (SSRIP) – we're working with the Transport Accident Commission to make a wide range of improvements to our road safety infrastructure; including installing safety barriers, constructing roundabouts and altering road speeds. More than \$450 million will be invested in Victoria's most dangerous rural roads

- better incident detection – we've been trialling an Automated Incident Detection system to improve our response times and improve your journeys
- community programs – we're providing a range of these. They include road safety education and training for Year 10 students through our new Road Smart program; offering the L2P Learner Driver Mentor program to help learners who don't have access to a supervising driver or car gain the necessary driving experience to apply for their Ps; and Look After our Mates, a drug and drink drive information session about responsible drinking, safe driving and looking after your friends

## **4. Productivity – Creating a smart and efficient transport network that supports a thriving economy while increasing affordability**

We're making progress toward moving more freight, more efficiently with less impact and finding better, more efficient ways to deliver and maintain roads. In 2017–18 we took steps to improve:

- freight – we've strengthened 28 of our 31 bridges on major freight routes; Hume Freeway, Goulburn Valley Highway, Western Highway and Monash Freeway
- maintenance – in 2017–18, we spent \$731.3 million on asset maintenance; delivering 14.5 million square metres of resurfacing and pavement restoration. This was 34% higher than target and almost three times more than in 2016–17.
- technology – we're rolling out freeway-to-freeway ramp signals to streamline the flow of traffic. In 2018, we rolled out these signals on the Eastlink to Monash Freeway inbound ramps
- heavy vehicle regulation – we've added new Heavy Vehicle Compliance Monitoring Camera Sites on the Princes Freeway at Cherry Creek and Princes Hwy near Bairnsdale, lifting the state's heavy vehicle compliance monitoring sites to eight.

## **5. Being our best – in everything that we do, we are working hard to do our best for the community**

In everything we do, we are working hard for Victoria. We value innovation, transformational leadership and responsible governance. We also recognise that we need additional resources to address cultural heritage management as our program and regulatory demands grow. In response to this need, we've approved three new cultural heritage advisor roles to provide support to VicRoads and the Major Road Projects Authority.

## Our public sector values

We recognise that the road system operates as part of a wider, integrated transport system. Our role isn't just to deliver better roads and services. We also need to work and collaborate with other transport bodies and public entities to make sure Victoria's transport system meets the needs of all users.

We know that to earn and keep your trust and respect, we need to respond effectively to Victoria's transport challenges and keep meeting our stated objectives:

### Integrity

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

### Impartiality

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

### Respect

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

### Responsiveness

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

### Leadership

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

### Human rights

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

### Accountability

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

## 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*.

The Chief Executive of VicRoads reports to the Minister of Roads and Road Safety and is 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 Luke Donnellan MP, Minister for Roads and Road Safety and Minister for Ports

## Nature and range of services provided

VicRoads is part of Victoria's integrated transport portfolio, led by Transport for Victoria (TfV). TfV's user-centred, outcomes focused and integrated approach 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 2017–18

In the first half of 2018 it was announced that the government would make changes designed to bring a more integrated approach to the broader Victorian transport portfolio.

### Introducing the Major Road Projects Authority

On 1 July 2018, as part of creating a more integrated approach to Victoria's transport system, the Major Road Projects Authority (MRPA) was created.

This action combined all of Victoria's significant road construction projects under one coordinated banner to deliver the state's 'Big Build'.

During this period of unprecedented growth, MRPA will solely focus on building and delivering the major road projects that will keep Victoria moving into the future as our population grows.

Whilst we're no longer building these roads, we're still playing a central role through:

- managing and maintaining a high-functioning metro, suburban and country road network
- delivering congestion busting projects to support population growth
- administering Victoria's registration and licencing functions
- helping Transport for Victoria with major road system planning.

### Regional Roads Victoria

Regional Roads Victoria was established in September 2018 in response to the changing shape of regional Victoria.

It is a new division of VicRoads that will oversee all services to regional Victoria and is another step toward a better planned, maintained and integrated road network that is focused on what Victoria needs in the short and long term. Based in Ballarat, RRV is solely focussed on championing the needs of regional Victoria through the Transport for Victoria portfolio of government.

As the advocate in chief for the regional road network, RRV will ensure that Victorians get a seat at the funding table, with the Chief Regional Roads Officer (CRRO) being asked to speak candidly for and to help resolve the concerns around regional roads conditions.

The new division brings together the five rural regions and the Safe System Road Infrastructure Program (SSRIP) under the one banner and collective focus of the CRRO.

Ensuring jobs remain in regional Victoria will safeguard our ability to understand the community we serve.

### Short-term vehicle registrations

In January 2018, we delivered on the Government's commitment to introduce three and six month vehicle registrations for owners of cars, utes, vans, motorcycles and other light vehicles. By allowing people to pay less upfront and spread the cost of registration across the year, this change helps to ease the financial pressures on families around Victoria.



# Performance Reporting – Non Financial

## Our performance objectives, indicators and outputs

2017–18 Budget Paper No. 3 Service Delivery outlines objectives and indicators of the Department of Economic Development, Jobs, Transports and Resources (DEDJTR). 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.

The table below shows the indicators of our progress towards achieving this objective. For more information about how we've contributed towards this objective, read our detailed performance narratives on pages 12–25.

### Performance against output performance measures

2017–18 Departmental objective indicators							
Indicators		2017–18 target	2017–18 actual	2016–17 actual	2015–16 actual	2014–15 actual	2013–14 actual
<b>Improved transport infrastructure</b>							
Percentage length meeting cracking standard	metro:	97.7	77.9 <sup>1</sup>	n.a.	n.a.	n.a.	n.a.
	regional:	98.8	96.3	n.a.	n.a.	n.a.	n.a.
Percentage length meeting rutting standard	metro:	98.9	96.4	n.a.	n.a.	n.a.	n.a.
	regional:	97.8	97.8	n.a.	n.a.	n.a.	n.a.
Percentage length meeting roughness standard	metro:	98.2	93.2	n.a.	n.a.	n.a.	n.a.
	regional:	96.4	96.0	n.a.	n.a.	n.a.	n.a.
<b>Safety of the transport system</b>							
Calendar year			2017	2016	2015	2014	2013
Victorian road fatality rate per 100,000 population		n.a. <sup>2</sup>	3.76 <sup>3</sup>	4.28	4.35	4.26	4.39
Victorian road serious injury rate per 100,000 population		n.a. <sup>2</sup>	63 <sup>4</sup>	75	79	86	91
<b>Reliable travel</b>							
Travel time punctuality <sup>5</sup> metropolitan roads		n.a.	74.0	75.9	80.3	83.1	83.2

1) The 2017-18 outcome is lower than the 2017-18 target, reflecting performance against the new measure adopted in 2017-18. An improved method of measurement was used for the actual result, compared to the one used for setting up the target. The new method provided a more accurate result than the estimate for the target indicator and informed the adjustment of 2018–19 target.

2) The 2020 target is less than 200 fatalities and a 15% reduction of serious injuries by 2020 (from the baseline of 4951 in 2014–15).

3) The figure might slightly change as a result of later reviews on a case by case basis.

4) Due to the time lag in reporting serious injuries, data for the second half of 2017–18 financial year is not available at the time of report publication. Calendar year data is used instead.

5) A section of road is considered punctual for a 15 minutes' interval if the actual travel time is within three seconds of the 'typical' travel time. These punctuality measures are aggregated into a percentage across the day and weighted by the number of vehicles and length of the road section to provide a single summary figure for the network. Metropolitan road efficiency, as measured through travel time punctuality on roads, decreased over the last year owing to further population growth and congestion. This underlines the need for the major projects now in progress, as well as the active transport initiatives being implemented to encourage people to think of alternatives to private car travel to reach their destination, where feasible to do so.

## 1. Regional Victoria

Ninety percent of journeys taken by country Victorians are by car. They rely heavily on roads to access employment, education, services and social connections. Infrastructure must also support business' ability to transport freight and goods quickly and efficiently. A high standard road network is vital.

To make sure we're meeting the needs of rural and regional communities, we established new engagement teams in some of our rural regions. From September 2017, they've been working to six-month engagement plans, helping us:

- allocate resources ahead of time
- plan each region's engagement activity to keep our communities informed
- provide greater opportunities for the community to participate in our planning
- identify opportunities to consolidate our plans with other regions when goals and projects overlap.

As part of our Country Roads: Your insights, our actions initiative, the VicRoads leadership team visited every part of Victoria having frank conversations about the state of the roads and what people would like done. We connected with more than 11,000 Victorians, met with 30 councils and spoke to more than 700 people. These included freight operators, transport industry, businesses, tourism operators, environmental and wildlife groups, cycling enthusiasts, motorcycle groups, government agencies, the Victorian Farmer's Federation, RACV and Regional Development Victoria.

The message we heard was loud and clear: "fix the roads that need fixing because they are our lifelines; make it safer and easier for us to move around without hurting ourselves or damaging our goods; and help set our regions up for tourism and economic growth while giving people better connections to job opportunities and each other." This rich feedback from across the state gave us a much better understanding of the needs of rural Victorians. It has also been a major factor in the establishment of Regional Roads Victoria (RRV).

Regional Roads Victoria (RRV), a new division of VicRoads, based in Ballarat, with staff in regional centres across the state will focus on the needs of communities throughout regional Victoria; working toward a better planned, maintained and integrated road network that aligns with the changing shape of regional Victoria. It will engage with regional communities and industries to help us better understand and prioritise their needs and turn concerns into actions and delivery of road works. RRV will work with stakeholders every step of the way to plan, maintain, and advocate for the regional road network.

As part of our strengthened commitment to rural and regional communities, in 2017–18, we invested a record amount, delivering an unprecedented number of improvements to rural arterial roads.

### Maintenance

It's our job to manage Victoria's arterial roads and freeways, and that means a lot of monitoring and maintenance. We're responsible for more than 41,000 lane kilometres of road pavement in regional areas. We also maintain roadsides, structures (including bridges), traffic lights, electronic motorway management systems, and freeway street lighting.

As part of the Regional Road Restoration and Road Surface Replacement Program, we invested \$216.8 million in regional Victoria to replace damaged road surfaces with a new waterproof layer. As part of this, we also conducted ancillary works that help preserve the pavement. These works protect the underlying pavement structure and prevent further deterioration, delaying expensive road rebuilding.

In 2017–18, we completed 105 pavement replacement projects totalling \$72.8 million, with \$45.6 million spent in regional Victoria. Some of these projects include:

- Balnarring Road – a 3.2 km section was reconstructed with deep-lift asphalt addressing long-term maintenance issues. This included improvements at the intersection of Bittern-Dromana Rd
- Broadford – Flowerdale Road – 660 m of pavement replaced between Strath Creek and Flowerdale
- Daylesford – Malmsbury Road – 5 km of pavement replaced on the approach to Malmsbury
- Great Ocean Road – 800 m of works, including upgrading kerb, drainage, driveways and footpaths to improve access to Apollo Bay, for locals and visitors
- Great Alpine Road – pavement rehabilitation to Tambo Crossing and Omeo
- Hamilton Highway – 3 km of road pavement replaced between Hexham and Caramut
- Heathcote – Kyneton Road – 1.7 km of pavement replaced at Redesdale
- Heathcote – Kyneton Road – 3.45 km of pavement replaced at Edgecombe
- Otway Light House Road – pavement replacement and widening to provide safe and efficient access to tourists and local community in the South West of Victoria
- Princes Freeway (West) – pavement replacement on the freeway using about 17,000 tonnes of bitumen crumb rubber and recycling old tyres. This supports VicRoads commitment to using more environmentally sustainable products and treatments

- Princes Highway (East) – 5 pavement replacement projects between Drouin and Bairnsdale, including asphalt pavement rehabilitation from Service St to Pike St, Bairnsdale
- Sunraysia Highway – 2.6km of pavement replaced at Morton Plains
- Wahgunyah Wangaratta Road – 410 m of pavement replacement at Bowser
- Wimmera Hwy – 3.7km of pavement replaced in several locations between Dooen and Murtoa.

## Future Planning

To keep up with Victoria's growing population in outer Melbourne and regional Victoria, \$20.2 million was committed towards planning future road projects. As part of Planning our Future, VicRoads is supporting TfV in making detailed plans for the upgrade and duplication of some of outer Melbourne's most congested arterial roads and major intersections. These upgrades will make it safer and easier to travel around local communities. The project will also be investigating ways to improve road infrastructure in regional Victoria to support our growing regional communities.

The planning and project development stage is an essential part of major road developments. It helps us understand the benefits, costs, environmental and social considerations, and timeframes for each potential new road project, so we can make smart decisions. At the end of this planning process, we'll prepare a business case to submit to the government for funding.

## Improvement Projects

### Eastern region

- **Reducing congestion in Wonthaggi**  
We've been removing bottlenecks in Wonthaggi by installing traffic signals with fully-controlled right turns at the Bass Highway/ Korumburra-Wonthaggi Road intersection. These traffic signals will improve the intersection's safety, efficiency, productivity and amenity, and support Wonthaggi's commercial and industrial activity.
- **New truck rest areas on the Princes Highway**  
We've been building new truck rest areas for eastbound traffic on the Princes Highway near Moe. These new rest areas will provide trucks with convenient, practical and safe parking bays. They'll allow drivers to take rest breaks (helping to reduce fatigue-related crashes) and undertake other tasks (such as load checks, completing work diaries, and addressing associated operational needs).
- **Traralgon bypass planning project**  
We're planning for a safer and more efficient road link to connect Gippsland's growing communities, trucks and visitors. This planning project will identify solutions to improve safety and amenity in the Traralgon township. A proposed Traralgon bypass route will reduce the number of trucks and traffic travelling through Traralgon's town centre.
- **Alternative truck route for Sale**  
We're working with Wellington Shire to upgrade intersections, improve roads and strengthen bridges along the proposed Sale alternative truck Route. This will provide a safer, more efficient journey for trucks passing through Sale. Our project team is engaging extensively with stakeholders and the community to finalise our plans.

### North-eastern region

- **Sealing pavement on the Shelley Walwa Road**  
We're sealing the unsealed section of Shelley-Walwa Road to improve the safety and efficiency of logging operations in the area. This project will reduce vehicle operating costs, improve – and reduce travel times for all vehicles, increasing the region's productivity. These works are scheduled to be completed in mid-2019.
- **Heavy vehicle alternative route in Rutherglen**  
The State and Federal Governments have allocated \$4 million to plan and construct a heavy vehicle alternative route in Rutherglen. This alternative route will divert heavy traffic away from Main Street in Rutherglen, improving the town's safety and amenity for locals and tourists.
- **Improving the Wodonga Hume Freeway**  
We're investigating ways to improve safety and access along the Wodonga Hume Freeway in an Improvement planning study. The project study area will cover access points on the Hume Freeway between Murray Valley Highway and the Victorian/NSW border, including McKoy Street, Melbourne Road, Melrose Drive and High Street. We'll be engaging with the community along the way to make improvements.

## Western region

- **Improving intersections on the Western Freeway/Ballarat-Maryborough Road**

This project was successful in improving the turning movement for B-Doubles accessing the Ballarat West Employment Zone at the Western Freeway/Ballarat-Maryborough Road interchange. The upgrade will also cater for A-Double vehicles in the future, as the precinct has been earmarked as Ballarat's future industrial area. The works were completed three months ahead of schedule.

- **Improving intersections on the Western Freeway/Halletts Way**

This project aims to improve journeys and support growth around the Bacchus Marsh region through a \$15.2 million upgrade to Halletts Way, including:

- building new entry and exit ramps onto the Western Freeway
- building a new bridge over the Western Freeway to improve safety for pedestrians and cyclists
- installing noise walls between houses and the southern side of the freeway exit ramp
- installing traffic lights at the intersections of the two freeway ramps and Halletts Way to effectively manage traffic flow.

The project was completed ahead of schedule.

- **Mair Street upgrade**

To ease congestion and cater for Ballarat's growing population, we're working to improve traffic flow and provide greater walking and cycling along Mair St. Stage 1 of construction addresses the sections between Dawson St – Armstrong St and Davies St – Humffray St. We're continuing to speak with local businesses through a new project monitoring group. This important project will improve journeys along Mair St and surrounding roads, and support Ballarat's growing population.

## South Western region

- **Overtaking lanes on the Midland Highway**

This year, we constructed four overtaking lanes on the Midland Highway between Geelong and Ballarat. Located between Bannockburn and Meredith, these new lanes provide drivers with a safe opportunity to overtake slow vehicles. As an additional safety measure, we've also installed flexible safety barriers along these four overtaking lanes to reduce the risk of head-on and run-off-road crashes.

This \$12 million overtaking lanes project is part of the State Government's Better Roads package to improve the state's regional roads.

- **Working with the community on the Great Ocean Road**

Since 2013, the Australian and Victorian governments have invested \$100 million to fund vital safety improvements as part of the Great Ocean Road upgrade program. The Victorian Government has provided an additional \$53 million to safeguard the geotechnical future of a road steeped in history and rich in beauty.

To undertake this significant project, we forged a series of close relationships with agencies, traders, tourism operators, communities and visitors in the area.

This year, it became clear, that to safely undertake repairs to a two-kilometre section of the Great Ocean Road at Mount Defiance, where the road is both narrow and high, we needed to close the Great Ocean Road for four days.

With the region receiving 5.2 million visitors each year and the road providing the only access to several towns along the coast, we undertook comprehensive contact with 15,000 landowners and over 350 stakeholders across tourism, business, freight, agencies, and services. From sending each landowner detailed information three months ahead of the closure, to community events, door-knocking and close partnership with schools, hospitals, agencies, the tourism sector and traders, we were able to achieve the four-day closure with the community's support.

The four-day construction blitz involved 100 workers, 300 truck trips, 1,500 tonnes of asphalt, installation of six new cross road culverts, cleaning of 2,200 metres of drains, the collection of geotechnical samples at five sites, three seismic surveys and new line marking. We also did some dare-devil rubbish removal with crews abseiling below Mount Defiance lookout to gather up and winch out rubbish that included an old truck tyre, old suitcases, bottles and bags of other rubbish.

By making a big effort to explain what we wanted to do, we were able to bring the people most affected 'with us', and make vital repairs with the least amount of disruption to the community.



## Northern region

### • **Saunders Road & Station Road Intersection Upgrade**

We're working to reduce congestion and improve traffic flow and safety for all road users in the Gisborne area, by upgrading the intersection of Saunders Road (Gisborne – Kilmore Road) and Station Road. This project forms part of a larger program to support the growth of the Gisborne area; which includes the recent Calder Freeway – Station Road intersection upgrade.

### • **Upgrading Napier Street in Bendigo**

Napier Street is an important arterial link for Bendigo, connecting the Bendigo CBD to its northern suburbs. By duplicating Napier Street and upgrading its existing bus facilities, we're helping to improve journeys for people travelling to and around Bendigo. The upgrade will also improve safety along this section as we install new traffic signals, pedestrian-operated signals and improved on-road and off-road cycling facilities. These works are scheduled to be completed in early 2020.

## Supporting Industry and Freight

Victoria is only 3% of Australia's land mass but accounts for almost a quarter of the nation's food and fibre exports. The value of all goods we export is \$26 billion. High-quality, reliable freight transport and logistics services are essential to our connectedness and liveability, for the success of Victorian businesses and primary producers and for job creation across all parts of our economy.

We need to be able to move more for less; reducing the costs associated with delays, congestion, excessive regulation — and infrastructure that is not fit-for-purpose. We need to help industry embrace the technologies that will better use of the capacity on our transport networks.

Since one B-double truck has the same impacts on a road surface as 10,000 cars, freight routes need to be strong enough to support the heavy lifting of the state's productivity. The introduction of heavier trucks has been the single greatest development to the freight industry and helps drive our healthy economy, but it has also accelerated the deterioration of our roads. With freight volumes forecast to grow at a rate of 1.5% a year, Victoria must find new and more efficient ways to move goods to market.

The Victorian Budget 2017–18 included a significant upgrade to key freight routes on roads and bridges including upgrades around the Port of Portland and the Henty Highway in the Green Triangle, \$10.2 million to plan and undertake preconstruction works for the first stage of the Shepparton bypass and \$41 million for bridge strengthening projects.

## Strengthening our bridges

As of the end of June 2018, we've strengthened 28 of 31 bridges on our major freight routes: Hume Freeway, Goulburn Valley Highway, Western Highway and Monash Freeway. This strengthening accommodates Victoria's High Productivity Freight Vehicles (HPFV) and supports industry's productivity. The remaining three structures (two on the Monash Freeway and one on the Western Highway) are due for completion by the end of 2018.

### **Ravenswood interchange**

Jointly funded by the Victorian and Australian Governments, the \$86m Ravenswood Interchange opened in March 2018 and replaced the intersection of the Calder Highway and Calder Alternative Highway, near Bendigo. This new interchange provides a grade separation; helping slower-moving local and freight traffic to use an elevated circular road. Fast-moving highway traffic can travel uninterrupted on two upgraded Calder Freeway carriageways.

### **Supporting Farmers**

You told us that the face of farming was changing and that with fewer and larger farms, there was a need for bigger machinery on the roads. We worked closely with the Victorian Farmers' Federation, its members, the Tractor Machinery Association and local government to make this possible. A recent Gazettal allows Victorian farmers to drive large agricultural machinery on our regional roads, in most cases without the need for a permit.

## 2. Metro and suburban

It's our job to manage and develop Victoria's major arterial roads and freeways (excluding tollways) that form part of the road network. These roads are the primary routes for public, private and commercial travel, and for on-road public transport. We help provide improvements and many projects are planned or underway to better connect communities, improve road safety and help traffic flow better.

### Maintenance

In 2017–18 we maintained more than 11,000 lane kilometres of road pavement in the metropolitan area. We were also responsible for maintaining roadsides, structures (including bridges), traffic lights, electronic motorway management systems, and freeway street lighting. We contributed 60% of the cost of maintaining approximately 80,000 arterial road street lights that provide communities with improved safety and amenity.

We spent \$53.1 million replacing damaged road surface layers with a new waterproof layer in metropolitan Melbourne. As part of this, we also conducted ancillary works that help protect the underlying pavement structure and prevent further deterioration, delaying expensive road rebuilding.

We spent another \$27.2 million on pavement replacement projects in metropolitan Melbourne. Some of these projects included:

- Keilor Park Drive – replacement of 50 slabs of concrete pavement in Keilor East between Calder Freeway and Western Ring Road
- Narre Warren – Cranbourne Road – 150m section on the southbound carriageway, near Norfolk Drive in Narre Warren was repaired. The project included major improvements to the road drainage system and the pavement of the northbound carriageway.
- Healesville – Yarra Glen Road – a 1km section in Yarra Glen was reconstructed. The speed reduction that had been in place before the works was removed, returning the section to 100km/h
- Healesville – Yarra Glen Road – a 3km section near Healesville was reconstructed using deep-lift asphalt, providing a smoother, surface with reduced maintenance requirements

### Fixing damaged noise walls

Several of our timber-posted and light-weight concrete panel noise walls are either past their design life, or have failed prematurely. To restore these walls and improve the wellbeing of nearby residents, we're rolling out a noise wall replacement and repair program. These works will restore the safety and functionality of the walls and eliminate the risk of unexpected failure in the future.

### Major Projects

On 1 July 2018, as part of creating a more integrated approach to Victoria's transport system, the Major Road Projects Authority (MRPA) was created. All of Victoria's major road construction projects will now be delivered through The Office of the Coordinator General (OCG).

### Managing our Public Private Partnerships

VicRoads manages three of Victoria's long-term road Public Private Partnerships (PPPs):

- CityLink
- EastLink
- Peninsula Link.

We're the state's delegate under these contracts, and do the ongoing administration and management. As part of this work, we're responsible for:

- reviewing and assessing project performance, including payment administration in the case of Peninsula Link
- ensuring the accuracy of toll and fee escalation on CityLink and EastLink
- ensuring the state's rights and interests are protected, including managing claims, liabilities and benefits
- advising on commercial and legal impacts through the development of new major transport projects
- managing operational interfaces that arise during and after the construction of new infrastructure.

### CityLink Tulla widening

The CityLink Tulla widening project is a \$1.28 billion upgrade of the Tullamarine Freeway and CityLink from Power Street to Melbourne Airport, jointly funded by the Victorian Government, Australian Government, and CityLink operator, Transurban. This corridor is one of the most heavily used roads in Melbourne, carrying 210,000 vehicles per day in its busiest section.

The first section between Power Street and Bulla Road opened to traffic in October 2017. The remaining sections, Bulla Road to Melrose Drive, and Melrose Drive to Melbourne Airport, have been progressively opened to traffic from February 2018, with the last section expected to open by end September 2018.

Once completed, the CityLink-Tullamarine Freeway will be able to carry 30 per cent more traffic, with an estimated reduction in peak travel times of up to 17 minutes.

### Swan Street bridge widening

By removing a key inner-city bottleneck, the widening of the Swan Street bridge will create a better connection between Melbourne's CBD and its popular sports and entertainment precinct. As part of the project, we're adding an additional outbound lane to the bridge and Olympic Boulevard, new shared-use paths and a new pedestrian crossing on the Alexandra Avenue side of the bridge. The bridge opened to five lanes in April 2018.

### Suburban Improvement Projects

#### Keilor Road Grange Road Newman Street intersection Niddrie

We're upgrading the intersections on Keilor Road at Newman Street and Grange Road, in Niddrie.

Both are busy and complex intersections connecting to the Calder Freeway, Keilor Road shopping precinct and residential areas either side of the freeway. Each day around 10,000 vehicles travel on Keilor Road between Grange Road and Newman Street, which is the gateway to the busy Niddrie shopping precinct.

The upgrade will:

- improve traffic flow for the Calder Freeway ramps
- increase safety through controlling the movement of the intersections to allow regulated traffic flow
- improve safety for drivers and pedestrians
- reduce the likelihood and severity of crashes.

Works to complete the intersection upgrade are planned for October 2018.

#### Darebin Creek trail extension

At VicRoads, it's important for us to listen to what customers are saying and create opportunities for meaningful exchange. By working together to define problems and create solutions and healthy and enduring community relationships, we're more likely to achieve community driven outcomes that make our cities and towns work better. That's why we focus on community engagement.

The Darebin Creek trail extension project highlights our commitment to community engagement, integrated transport choices, safety, sustainability, innovation and great design.

Proving we can do more than just build roads, we proudly delivered the missing link of the Darebin

Yarra Trail in early 2018; linking two of Melbourne's most popular trails and providing access to over 600 kilometres for off-road journeys. This new link will help encourage active transport modes such as walking and cycling, by delivering safer and more pleasant infrastructure for our most vulnerable network users.

It is architecturally designed and provides safe, comfortable, and open access for cyclists and pedestrians of all abilities.

Across this project, we facilitated a true co-design process with key stakeholders, including the Community Coalition for the Darebin Yarra Trail and Bicycle Network Victoria. There were genuine opportunities to work together to resolve issues such as the trail's alignment and design.

Through this collaboration, 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.

To celebrate the opening of this long-awaited community asset, we held a launch event for the trail link in March, which was attended by hundreds of cyclists, walkers and conservationists.

For the local community, the opening of the trail marked the end of an almost 25-year journey, dating back to when the first concept plans were developed. The opening was a testament to a long-term collaboration between VicRoads, the local community and several other government departments and agencies.

### Using technology to manage our road network

#### Freeway-to-Freeway ramp signals

By 2020, up to 50% of road trips will happen on freeways. And, as we grow to a city of eight million people, we'll need to accommodate millions more trips every day. That's why some of our busiest freeways are managed motorways, with smart technology that allows you to get the most out of every square inch of road. Variable speed signs, ramp signals, travel time signs, underground sensors and CCTV cameras are all part of a dynamic traffic system that responds in real time to what's happening on the road at any point in time.

In 2017–18, we rolled out freeway-to-freeway ramp meters on the Eastlink to Monash Freeway inbound and outbound ramps, and in 2018–19 we're rolling out more.

### Real time travel information

We're making use of new and existing technologies to improve our network's productivity. Using our extensive network of Bluetooth readers, we've been able to provide comparative real-time travel information via Variable Message Signs on routes affected by major construction works. This has helped our customers to make informed trip decisions, as we undertake vital work across the transport network.

We've also developed a world-first metropolitan-wide transport model that enables us to test the impacts of operational changes to our network and better plan for major road closures or times when train lines are not operating. We've used this model in the planning of the many major disruption periods throughout 2017–18, with our positive results gaining the trust of our many partners and stakeholders.

We continue to trial new technologies which help give even greater priority to public transport services, if they are running behind schedule. These trials show a great deal of promise, with network-wide benefits for public transport users and the maximisation of our transport system's capacity.

### Traffic Light Optimisation

To make sure we're using our traffic lights to best effect, we undertake annual reviews of our traffic light operations. We want to maximise the throughput of people and goods, whilst improving safety outcomes for everyone.

In 2017–18 we conducted 32 planned reviews of key public transport and general traffic routes including potential improvements for pedestrians and cyclists. We also reviewed more than 500 individual sites in response to requests from community and stakeholders.

## 3. Customers

While people across Victoria have a diverse range of transport needs, they all have the same requirement for clear and simple information about our work. We're continually improving our communication and customer service through honest dialogue, streamlined business processes and new fit-for-purpose technologies. We want to deliver modern services so you can access everyday services anywhere, anytime.

### Digital transactions

One of our core functions is to process applications and payments for new licences and registrations; as well as renewals, transfers and cancellations. Last year we processed nearly 30 million of these transactions.

#### 2017–18 Vehicle registrations

- issued 615,518 new vehicle registrations
- renewed 6,016,234 vehicle registrations
- performed 929,459 vehicle registration transfers

#### 2017–18 Licences and learner permits

- issued 120,564 learner permits and 180,173 new driver licences
- renewed 628,068 driver licences
- conducted 156,503 driver licence tests

Just the ability to organise car registrations online, will save many Victorians a lot of time and effort. Hundreds of thousands of Victorians have signed up to manage their licence and registration via a myVicRoads personal account.

Some other highlights of our work to digitise our customer services in 2017–18 include:

- the launch of our second digital, cashless, customer service centre – hub@sunshine
- implementation of a new customer relationship management system incorporating 'fitness to drive' assessments
- a successful pilot for processing vehicle safety certificates
- delivering approximately 800,000 vehicle safety inspections and certificates and over 38,000 heavy vehicle and motorcycle licences through our network of service providers
- safely processing more than 85,000 Medical Review assessments while transitioning to a new platform



## **MyVicRoads**

Our customer-focused, self-service account, myVicRoads, has continued to be popular. In the last 12 months, the number of registered customers grew from 127,000 to 780,000 myVicRoads personal accounts, an increase of around 53,000 accounts per month. This growth has been driven by the rollout of the government's short-term registration initiative.

## **Short-term vehicle registrations**

In response to customer demand, VicRoads delivered on the Government's short-term registration promise. Since 1 January 2018 we've been providing owners of cars, utes, vans, motorcycles and other light vehicles with three and six-month registration options. By paying less upfront and spreading the cost of registration across the year, many Victorians have been able to reduce the financial pressures on them. More than 713,000 vehicles are now on short term registration.

## hub@sunshine

In 2017–18, we opened our second digital customer service centre, hub@sunshine, building on the successful launch of hub@exhibition in 2016. These 'hub' style centres provide a contemporary customer experience with access to a range of self-serve and digital-assisted registration and licensing services. They provide a quick and accessible way for people to complete their registration and licencing transactions, with both locations accessible via multiple transport options.

## Traditional customer service performance measures

While many customers are now using online options to complete their registration and licence transactions, others still prefer the traditional service delivery channels of telephone and face-to-face, especially when they have complex enquiries.

In 2017–18, the VicRoads call centre answered 2,126,866 phone calls while the customer service centres processed 4,750,820 registration and licensing transactions.

### Traditional customer service 2017–18

Indicator	Target	Measure	2017–18	2016–17	2015–16	2014–15	2013–14
Overall Satisfaction	85 per cent of customers satisfied with registration and licensing services	Customer satisfaction survey	87%	91%	90%	89%	91%
Professional approach	85 per cent of required customer service standards met by staff	Mystery shopping	87%	84%	82%	77%	82%
Efficient services	80 per cent of customers served within 10 minutes	Internal systems	74% <sup>1)</sup>	72%	76%	81%	80%
	240 seconds – average time to answer a call	Internal systems	394 <sup>2)</sup>	310	268	208	202

1) The overall end of year Average Speed of Answer (ASA) result was impacted by several factors including:

- the introduction of compulsory PCI-DSS (Payment Card Industry Data Security Standard) processes to all payment-related calls – this increased our average handling times for payment-related calls by an average of 50 seconds per call
- the Government's Short Term Registration (STR) initiative which has driven a significant increase in call volumes related to myVicRoads account enquiries: an additional 78,000 calls for STR and myVicRoads support were received; an increase of more than 250% from mid-year.

The VicRoads Contact Centre improved its overall ASA performance in June 2018 to achieve an ASA of 246 seconds.

2) The VicRoads Customer Service Centres (CSC) (face-to-face channel) achieved a State-wide Grade of Service (GoS) annual result of 74%. That is, 74% of all customers were served in less than 10 minutes, against a target GoS of 80%. This is a positive result given the increase in customer transaction volumes received into the CSC network following the introduction of STR. An additional 83,000 STR related customer visits were served in the second half of the year; a 3.3% increase in overall transaction volume served.

We're committed to improving our operational efficiency and customer experience, and have initiatives underway to address our performance in both areas; specifically, through the introduction of an enterprise workforce management system and a new service quality framework in 2018–19.

## Environmental Sustainability

One of the things we've learned from engaging with the community, is that the environmental impact of our road system is a topic of significant concern. Two ways we have sought to address this is through experimenting with the use of recyclable materials for construction, and using context-sensitive design — a practical approach that takes community expectations and the surrounding environment into account. Below are two projects where we did this:

- **Chandler Highway upgrade**

This project involved sensitive retention of the historic bridge as a shared user asset, an architecturally considered new bridge form, and the creative use of the area beneath the bridge to connect the Main Yarra Trail. It included a Water Sensitive Urban Design raingarden.

- **Thompsons Road grade separation**

Through the continuation of the boulevard treatment to Thompsons Road, the separated shared-use paths and the architectural treatment to the bridge, we've created a unique and well-considered amenity for the community to enjoy.

Biodiversity, especially where construction impacts Indigenous habitat; and the uncovering of stone Aboriginal artefacts; continue to be a concern. By working with volunteer critics and experts; developing best practice timber reuse guidelines, investigating the provision of hollows and nest boxes, providing training in better biodiversity protection on construction sites and fostering increasingly constructive relationships with Aboriginal groups, we are making progress in addressing some of these important issues.

## 4. Road Safety

### Towards Zero

The Towards Zero Road Safety Strategy is a plan to lower the number of lives lost on Victoria's roads to 200 or less by 2020, and reduce serious injuries by at least 15%. These are the most ambitious road safety targets in Victoria's history. The plan is about creating a safe system for all Victorians – safe roads and roadsides, safe speeds, safe vehicles and safe road use.

Towards Zero 2016–2020 was developed by Victoria's road safety partners— VicRoads, the Transport Accident Commission (TAC), Victoria Police, the Department of Justice and Regulation and the Department of Health and Human Services. Its development was informed by the views of the Victorian community and road safety experts and the best evidence about what works, worldwide.

Achieving our goals will require everyone on our roads to share the responsibility for improving safety. This includes road users, road designers, vehicle manufacturers, transport companies, state and local government and road safety agencies.

### Safe System Road Infrastructure Program

Since its inception in 2013, VicRoads' Safe System Road Infrastructure program (SSRIP) program has allocated over \$960 million to more than 360 projects state-wide, with over 270 completed.

Under Victoria's newer Safe System approach, effectively improving road safety requires a multi-faceted approach that targets the safety of the road environment, the vehicles in which people travel, and the behaviour of everyone on the road. In partnership with the Transport Accident Commission (TAC), we're working to transform some of Victoria's highest-risk roads over the next five years; particularly country roads where most fatalities happen, by making improvements to our roads including:

- installing flexible safety barriers, rumble strips and Side Traffic Activated Rural Speeds (STARS) systems
- constructing roundabouts
- improving bicycle and pedestrian facilities
- sealing road shoulders
- introducing safer speeds on local roads near towns and in built up areas
- making improvements to curves and intersections.

The current SSRIP involves more than \$450 million of investment in Victoria's most dangerous rural roads. Over 2,000 linear kilometres of safety barrier will be installed, and work is already approximately one third of the way through.

All projects have commenced construction and six were finished in 2017–18, involving a range of safety treatments to more than 340km of road. Audio-tactile line marking has treated over 4,000 linear kilometres of road across northern, eastern, north-eastern and western Victoria.

The program also includes \$100million in funding to improve safety for cyclists and pedestrians. It will see a transformation of cycling routes and walkable neighbourhoods across metropolitan and regional parts of Victoria. Over 30 projects are scheduled for construction during 2018–19.

Below are two important, and potentially lifesaving, examples of work done through the SSRIP program in 2017–18:

- **Safety barriers on Yea-Molesworth Road**  
New safety barriers have been installed along the Goulburn Valley Highway between Molesworth and Yea. This stretch was identified as one of the top twenty high-risk rural roads in Towards Zero 2016–2020. To improve the safety of this road, we installed median and roadside flexible safety barriers along 10 kilometres of this undivided highway. The project is Victoria's first use of median flexible barriers to reduce the likelihood of head-on or run-off-road-to-the-right crashes from a vehicle crossing the centre of the road.
- **Smoothing out curves on Euroa-Mansfield Road**  
Euroa-Mansfield Road provides an important link between the communities of Euroa and Mansfield. It carries a large number of heavy vehicles as well as motorcyclists and vehicles towing caravans and boat trailers. This road runs over hilly terrain, and its tight curves and steep grades previously contributed to a poor safety record. To improve the safety of this road, we're working to realign these curves to reduce the number and severity of lane departure crashes.

During 2017–18 the SSRIP program operated alongside other important Road Safety infrastructure initiatives, including:

- TAC Motorcycle Levy Program, 19 projects were completed State-wide, with a total value of \$5.5 million.
- Federal Blackspot Program, 50 projects were completed State-wide in conjunction with Councils, with a total value of \$13.6 million.

## Increasing heavy vehicle safety

In alignment with 'Delivering the Goods, Victoria's Freight Plan' which was released in July 2018, we've been working to improve the safety of heavy vehicles on our roads. As part of our work, we've added new Heavy Vehicle Compliance Monitoring Camera Sites on the Princes Freeway at Cherry Creek and Princes Hwy near Bairnsdale. These sites are the latest additions to the development of a heavy vehicle monitoring camera network in Victoria, delivered in partnership with the National Heavy Vehicle Regulator (NHVR) to support national compliance of heavy vehicles.

These two new sites further expand sites delivered in 2016–17 at Wallan, Yarragon, Longwarry, Ballan, Murchison and Gisborne, lifting the state's heavy vehicle compliance monitoring sites to eight.

The heavy vehicle compliance data generated from the Victorian sites will provide our Heavy Vehicle Services teams with number plate, speed, vehicle type, and axle and vehicle weight data at the time of detection. These systems will enable compliance and camera data sharing across state borders to provide a national data set, reinforcing our efforts to make Australia's major freight networks safer.

## Midland Highway safety improvements – Community Engagement

We're currently investigating ways to improve safety and traffic movement on the Midland Highway between Castlemaine and Harcourt. To help us develop a business case, we invited the community to provide their feedback and ideas for ways to improve journeys for commuters, cyclists and commercial traffic around the area.

The Midland Highway currently carries more than 10,000 vehicles per day, and this is expected to increase due to the growing number of commuters between Castlemaine and Bendigo and additional freight movement across Victoria. This planning study will focus on a 5.5 kilometre stretch of highway between Castlemaine and Harcourt that has a lack of designated turning lanes at intersections. This has been a key contributing factor to crashes on this route, which has seen 17 crashes in the past five years, 10 of these rear end collisions.

## Technology

As part of the Towards Zero Road Safety Action Plan 2016–2020, we've identified the introduction of Connected and Automated Vehicles (CAVs) as a key pathway to Victoria's long-term vision of zero deaths on our roads. In 2017–18 we ran a grants program to explore new and emerging connected and automated vehicle technologies. The aim was to:

- trial CAV technologies to inform and support Victoria's readiness for them and to optimise safety benefits leading to reduced deaths and serious crashes
- evaluate how CAVs improve road safety trauma outcomes to inform future investment and planning (infrastructure, roads, communications and technology requirements)
- generate knowledge to inform VicRoads and the TAC's future planning for physical and digital infrastructure, roads design and CAV technology requirements that reduce road trauma
- spur early deployment of CAVs by providing a testing environment for on-road development of CAVs.

This program saw trials of the Bosch-TAC highly automated driving vehicle, the self-driving shuttle bus at La Trobe University, and a connected tram priority system. The Road Safety Amendment (Automated Vehicles) Act 2018 recently established a permit scheme for trialling automated vehicles on Victorian roads—an Australian first, developed by VicRoads. Under the scheme, permit holders are considered drivers, and responsible for the vehicle's actions.

This legislation will encourage national and international industry leaders to develop this exciting, emerging technology here in Victoria – which means more jobs and opportunities for Victorians. Automated vehicles will be a game-changer—initially reducing and ultimately eliminating, human driver error.

More highly automated cars will be tested on our roads from mid 2018, once regulations have been further developed and finalised.



## 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:

- **Road Smart – Preparing young drivers**

From February 2018, we've been stepping into the classroom to provide road safety education and training for Year 10 students around Victoria as part of our new Road Smart program. The Road Smart program is designed to build on the existing road knowledge, skills and behaviours of Year 10 (or equivalent) students and help provide the foundations for safe driving. As part of the Road Smart program, we provide students with a better understanding of road trauma and its causes, the graduated licensing system, the importance of learning to drive through a staged approach, and more. This program is offered via–

- an interactive classroom session
- e-learning for students and their supervising drivers
- an in-car session
- a teacher resource toolkit linked to the Victorian curriculum

- **L2P Learner Driver mentor program**

A program that helps learners, who don't have access to a supervising driver or car, gain the necessary driving experience to apply for their Ps

- **Towards safer speed challenge**

A one-off grant of up to \$50,000 for organisations to support new, creative and innovative approaches to address safer speeds

- **Starting out safely program**

A program that helps children, parents, carers and early childhood educators work together to guide children's learning around safe driving

- **Looking after our mates program**

A drug and drink drive information session about responsible drinking, safe driving and looking after your friends

## Tackling drink driving

To improve the safety of roads for all our customers, we've changed how we respond to drink-driving. As of 30 April 2018, fully-licensed first-time drink-drivers with a Blood Alcohol Concentration between 0.05 and 0.069 must:

- face a mandatory licence ban of three months
- complete a behaviour change program
- use an alcohol interlock for at least 6 months once licensed to drive.

The new behaviour change program is now also mandatory for all drink-drivers and all drug-drivers. These measures are part of Towards Zero 2016–2020, and will help to reduce trauma on Victoria's roads.

## Meeting emergency planning requirements

Almost every part of VicRoads has some Emergency Management responsibilities. We're committed to embedding emergency management across our work, and we understand the value of investing in building resilience in assets, systems and people. We approach our Ministerial Attestation requirements as an opportunity to build our capabilities and capacity.

In 2017–18, we met the Ministerial Attestation requirements set out in the Emergency Management Act 2013 and Critical Infrastructure Resilience Amendment 2014 through the following activities:

- an annual preparedness forum
- a series of development sessions for emergency management nominated staff
- a multi-agency exercise showing our ability to manage an emergency involving critical infrastructure
- six regionally-based multi-agency consequence management exercises, conducted for the first time.

We've also worked with the Department of Environment, Land, Water and Planning (DELWP), Emergency Management Victoria (EMV) and the National Heavy Vehicle Regulator (NHVR) to establish an emergency arrangement supporting access across pre-approved Victorian routes, for all emergency service vehicles of an agreed size and shape.

Over the past 12 months, we've partnered with agencies in the emergency sector and other key stakeholders to help manage the consequences of a range of emergency incidents including:

- major public transport disruptions in July 2017
- Great Ocean Road landslides in September 2017
- North east flooding in December 2017
- extreme heat and storm events in December 2017
- Flinders Street incident in February 2018
- Barwon South fires in March 2018
- multiple heavy vehicle incidents leading to significant community consequences.

# Performance Reporting – Financial

## Key financial result

Year Ended 30 June	2018 \$m	2017 \$m	\$m change inc(dec)
<b>Financial Performance</b>			
Income from Transactions	2,685.4	2,497.1	188.3
Expenses from Transactions	(1,943.3)	(2,376.4)	433.1
<b>Net Result From Transactions</b>	<b>742.1</b>	<b>120.7</b>	<b>621.4</b>
Other Economic Flows included in Net Result	11.2	(10.0)	21.1
<b>OPERATING RESULT</b>	<b>753.3</b>	<b>110.7</b>	<b>642.6</b>
<b>Expenses from Transactions</b>			
Road Operations and Network Improvements	960.7	1,640.3	(679.6)
Road Asset Management	620.6	429.1	191.5
Transport Safety, Security and Emergency Management	289.4	246.1	43.3
Ports and Freight Network Improvements and Maintenance	72.6	60.9	11.7
<b>TOTAL</b>	<b>1,943.3</b>	<b>2,376.4</b>	<b>(433.1)</b>
<b>Capital Works Expenditure</b>			
Infrastructure assets	1,696.4	925.8	770.6
Other assets	60.5	105.9	(45.6)
<b>Total</b>	<b>1,756.9</b>	<b>1,031.7</b>	<b>725.2</b>
<b>Total Expenditure</b>	<b>3,700.2</b>	<b>3,408.1</b>	<b>292.1</b>
<b>Income Collected on Behalf of the Victorian Government and Other Government Agencies</b>	<b>4,799.4</b>	<b>4,717.7</b>	<b>81.7</b>
<b>Income Administered on Behalf of the Victorian Government</b>	<b>36.5</b>	<b>34.9</b>	<b>1.6</b>
<b>Financial Position</b>			
Total Assets	55,916.1	52,374.6	3,541.5
Total Liabilities	(1,511.1)	(1,346.3)	(164.8)
<b>Net Assets</b>	<b>54,405.0</b>	<b>51,028.3</b>	<b>3,376.7</b>
<b>Assets and Liabilities Administered on Behalf of the Victorian Government</b>			
Total Assets	58.0	58.0	(0.0)
Total Liabilities	(592.3)	(501.4)	(90.8)
<b>Net Assets</b>	<b>(534.3)</b>	<b>(443.4)</b>	<b>(90.9)</b>

## Financial overview

VicRoads' total expenditure was \$3.7 billion in 2017–18, \$292.1 million higher than the previous year due primarily to increased investment in capital works by the State and Federal governments. This total expenditure comprised \$1.9 billion in expenses from transactions and \$1.8 billion in capital works expenditure.

The value of road infrastructure and other assets managed by VicRoads increased by \$3.5 billion to \$55.9 billion during 2017–18 and total liabilities increased by \$164.8 million to \$1.5 billion. These movements in assets and liabilities resulted in an increase in net assets of \$3.4 billion to \$54.4 billion as at 30 June 2018.

## Financial performance

The net result for 2017–18 was a surplus of \$753.3 million compared with a surplus of \$110.7 million in 2016–17.

The improvement in the net result for 2017–18 is primarily due to an increase in Government appropriations received for investment in capital works.

The net result surplus of \$753.3 million in 2017–18 has occurred due to the recognition of income totalling \$1,402.3 million, being income received for capital works expenditure, and finance lease repayments (being recognised as equity), funding not utilised in the current year, and assets received free of charge. This income was partly offset by the recognition of expenses totalling \$649.0 million, being depreciation, assets register, and assets given free of charge or disposed, for which funding was recognised as income in previous years, or funded from shareholder equity contributions.

## Funding sources

VicRoads' funding is derived from the Victorian Government annual budget, program funding from the Transport Accident Commission, revenue from regulatory fees and fee-for-service charges. Funding for operating outputs and capital works from all sources totalled \$3.1 billion during 2017–18, an increase of \$288.2 million on the previous year.

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

Victorian Government appropriations of Federal funding to VicRoads in 2017–18 were \$432.1 million, an increase of \$83.6 million compared to the previous year. The increase in funding is principally due to funding received for the Metropolitan Ring Road upgrade, Princes Highway West duplication – Winchelsea to Colac, Western Highway improve freeway operation projects, and Rural and Regional Roads Upgrade Program.

In 2017–18, VicRoads received Victorian Government output and asset appropriations of \$2.0 billion, an increase of \$648.5 million on the previous year primarily due to new funding received as part of the Government's commitment to repair and upgrade roads in outer suburban and regional areas including increase funding for road restoration and resurfacing program. The increase in funding is also attributed to existing major projects including, the Metropolitan Ring Road upgrade, the Monash Freeway upgrade, Chandler Highway Bridge Widening, Streamlining Hoddle Street Initiative, Swan Street Bridge, and Yan Yean Road Duplication projects reaching their delivery phase.

In 2017–18, VicRoads received a funding of \$6.0 million for level crossing removal works undertaken on behalf of LXRA. This is a decrease of \$632.7 million on previous year.

VicRoads generated revenue from regulatory fees and fee for service charges totalling \$318.2 million in 2017–18, an increase of \$14.0 million on the previous year. This increase is mainly due to revenue received for increased fees for cost recovery activities.

The TAC provides funding for a range of road safety infrastructure projects and motorcycle safety initiatives. During 2017–18 this funding amounted to \$310.1 million, an increase of \$174.9 million on the previous year principally due to acceleration of the Road Safety Strategy 2013–22 and Towards Zero Programs.

## Capital works expenditure

VicRoads undertook asset construction works and acquisitions totalling \$1.8 billion during 2017–18, an increase of \$725.2 million from the previous year. This expenditure supports VicRoads' primary objective as set out in the Transport Integration Act is to provide, operate and maintain the road system. Which will help Transport for Victoria to realise the common goal of an integrated and sustainable transport system, and support Victoria's prosperity and liveability.

## Cash flows

During 2017–18, VicRoads utilised cash funds received from the Victorian Government and collections of revenue totalling \$3.1 billion to fund operating activities totalling \$1.4 billion and capital works activities totalling \$1.7 billion.



## Financial position

During 2017–18, VicRoads' financial assets increased by \$209.6 million to \$933.1 million. This was primarily due to an increase in receivables from the Victorian Government reflecting an increase in funding levels and the timing of expenditure payments. VicRoads' non-financial assets increased by \$3.3 billion to \$55.0 billion primarily due to a revaluation of land assets.

VicRoads' total liabilities increased by \$164.8 million to \$1.5 billion primarily due to timing of payments to trade creditors, and increases in provisions for land acquisition and compensation.

As a result of the above changes, VicRoads' net assets increased by \$3.4 billion to \$54.4 billion as at 30 June 2018.

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

VicRoads administers the collection of certain fees, licences and duties on behalf of the Victorian Government, various State Government agencies, and the Commonwealth Department of Infrastructure and Regional Development. These amounts are not recognised as VicRoads income but are paid to the Victorian Government's Consolidated Fund or other government agencies. During 2017–18, collections on behalf of the Victorian Government and other government agencies totalled \$4.8 billion compared with \$4.7 billion from 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.

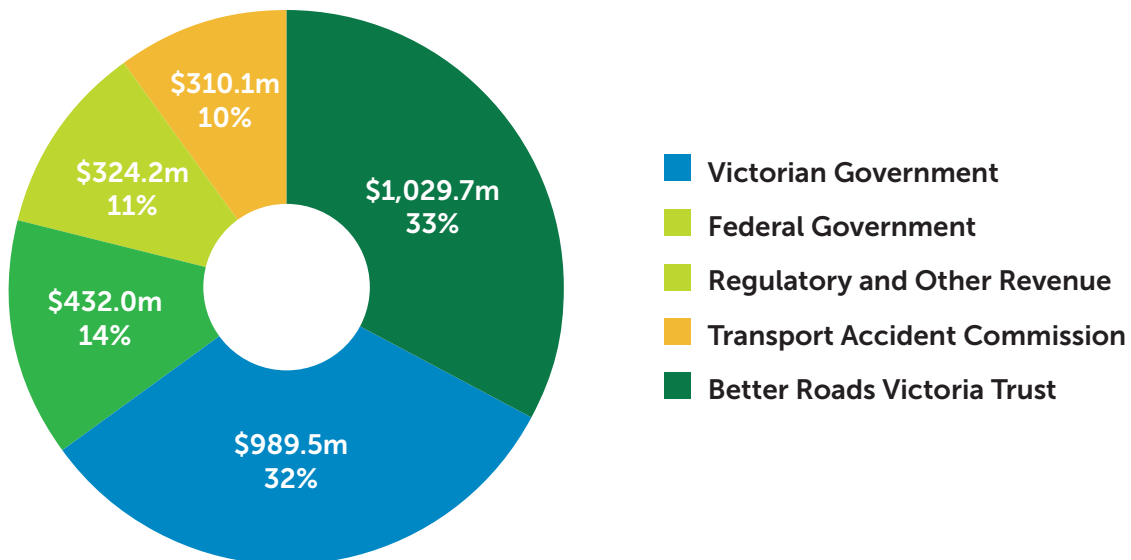
## Five year financial summary

Year Ended 30 June	2018 \$m	2017 \$m	2016 \$m	2015 \$m	2014 \$m
<b>Financial Performance</b>					
Income from transactions	2,685.4	2,497.1	2,077.5	1,398.7	1,550.1
Expenses from transactions	(1,943.3)	(2,376.4)	(2,243.3)	(1,588.6)	(1,489.0)
<b>Net Result From Transactions</b>	<b>742.1</b>	<b>120.7</b>	<b>(165.8)</b>	<b>(189.9)</b>	<b>61.1</b>
Other Economic Flows Included in Net Result	11.2	(10.0)	(3.9)	(78.5)	7.5
<b>Net Result</b>	<b>753.3</b>	<b>110.7</b>	<b>(169.7)</b>	<b>(268.4)</b>	<b>68.6</b>
Net change in asset revaluation reserve	2,258.9	4,455.6	(48.1)	1,276.7	10.2
<b>Comprehensive Result</b>	<b>3,012.1</b>	<b>4,566.3</b>	<b>(217.8)</b>	<b>1,008.3</b>	<b>78.8</b>
<b>Cash Flows</b>					
Cash flows from operating activities	1,330.7	653.9	466.6	445.5	616.1
Cash flows from investing activities	(1,726.2)	(985.1)	(596.5)	(671.1)	(762.9)
Cash flows from financing activities	407.0	324.5	131.9	223.5	146.9
<b>Net Increase/(Decrease) In Cash Held</b>	<b>11.5</b>	<b>(6.7)</b>	<b>2.0</b>	<b>(2.1)</b>	<b>0.1</b>
<b>Capital Works</b>					
<b>Total Expenditure</b>	<b>1,756.9</b>	<b>1,031.7</b>	<b>596.9</b>	<b>703.2</b>	<b>755.4</b>
<b>Funding Sources</b>					
<b>State Government Funding derived from the Federal Government</b>					
Construction	332.3	246.6	167.9	156.3	115.8
Asset maintenance and minor works	58.0	60.0	58.5	55.8	51.3
Federal Interstate Road Transport Scheme	20.6	18.4	18.9	19.7	20.1
National Blackspot Program	21.3	22.8	30.9	14.7	13.3
Federal Other	(0.2)	0.7	0.3	1.6	2.1
<b>Total Federal Government Funding</b>	<b>432.0</b>	<b>348.5</b>	<b>276.5</b>	<b>248.1</b>	<b>202.6</b>
<b>State Government</b>					
Outputs appropriations	581.6	579.7	550.1	135.0	155.2
Contributed capital appropriations	407.9	307.0	246.6	237.9	168.7
Better Roads Victoria Trust Account	1,029.7	484.0	264.3	571.1	822.9
<b>Total State Government Funding</b>	<b>2,019.2</b>	<b>1,370.7</b>	<b>1,061.0</b>	<b>944.0</b>	<b>1,146.8</b>

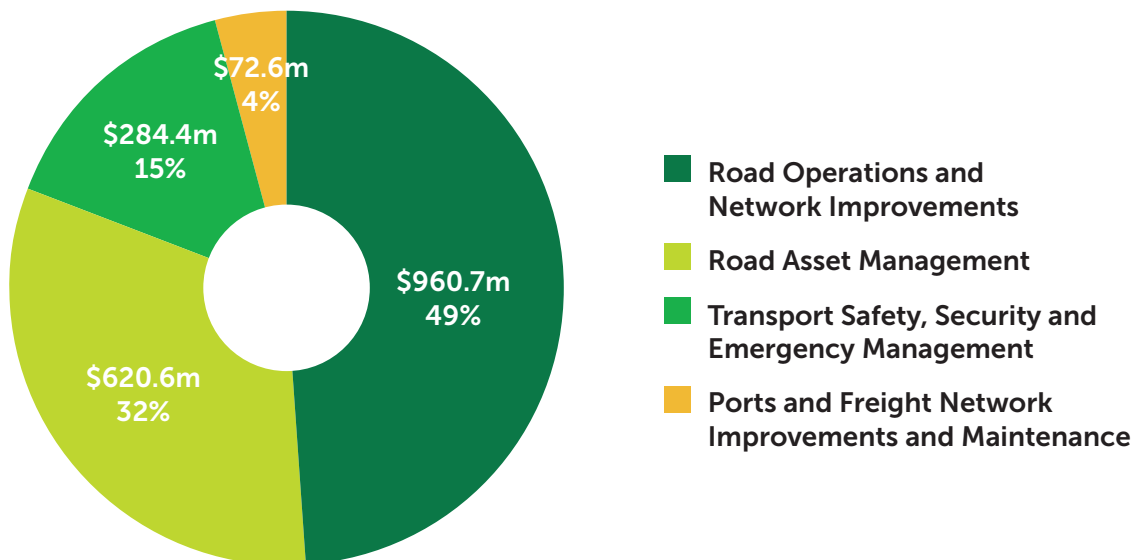
## Five year financial summary (continued)

Year Ended 30 June	2018 \$m	2017 \$m	2016 \$m	2015 \$m	2014 \$m
<b>Other Funding Sources</b>					
Transport Accident Commission Program Funding	310.1	135.2	68.1	105.5	85.4
Level Crossing Removal Authority Program Funding	6.0	638.7	591.1	0.0	0.0
VicRoads generated revenue	318.2	304.2	292.5	303.2	275.0
<b>Total Other Funding Sources</b>	<b>634.3</b>	<b>1,078.1</b>	<b>951.7</b>	<b>408.7</b>	<b>360.4</b>
<b>Total Funding</b>	<b>3,085.5</b>	<b>2,797.3</b>	<b>2,289.2</b>	<b>1,600.8</b>	<b>1,709.8</b>
<b>Income Collected on Behalf of the Victorian Government and Other Government Agencies</b>					
Transport Accident Commission fees	2,115.5	2,137.5	2,028.8	1,972.6	1,873.1
Motor vehicle registration	1,541.8	1,535.4	1,439.5	1,381.0	1,215.2
Stamp Duty	916.6	813.8	777.0	717.8	660.7
Driver licences	91.3	109.5	133.3	132.2	126.4
Federal Interstate Road Transport Scheme registrations	34.4	36.9	40.2	41.3	42.1
Other	99.8	84.5	74.3	75.2	73.3
<b>Total Income</b>	<b>4,799.4</b>	<b>4,717.6</b>	<b>4,493.1</b>	<b>4,320.1</b>	<b>3,990.8</b>
<b>Income Administered on Behalf of the Victorian Government</b>					
	<b>36.5</b>	<b>34.9</b>	<b>33.1</b>	<b>31.6</b>	<b>30.3</b>
<b>Financial Position</b>					
Total assets	55,916.1	52,374.7	47,497.3	47,732.8	45,579.0
Total liabilities	(1,511.1)	(1,346.3)	(1,303.9)	(1,201.4)	(370.7)
<b>Net Assets</b>	<b>54,405.0</b>	<b>51,028.4</b>	<b>46,193.4</b>	<b>46,531.4</b>	<b>45,208.3</b>
<b>Contributed Capital</b>					
Contributed Capital	16,555.9	16,191.4	15,922.9	16,043.0	15,728.1
Asset revaluation reserve	21,225.2	18,966.3	14,510.6	14,558.7	13,282.0
Accumulated surplus/(deficit)	16,623.9	15,870.6	15,759.9	15,929.7	16,198.1
<b>Net Worth</b>	<b>54,405.0</b>	<b>51,028.3</b>	<b>46,193.4</b>	<b>46,531.4</b>	<b>45,208.2</b>
<b>Liabilities Administered on Behalf of the Victorian Government</b>					
Total assets	58.0	58.0	23.8	0.0	0.0
Total liabilities	(592.3)	(501.4)	(405.6)	(352.0)	(351.4)
<b>Net Assets</b>	<b>(534.3)</b>	<b>(443.4)</b>	<b>(381.8)</b>	<b>(352.0)</b>	<b>(351.4)</b>

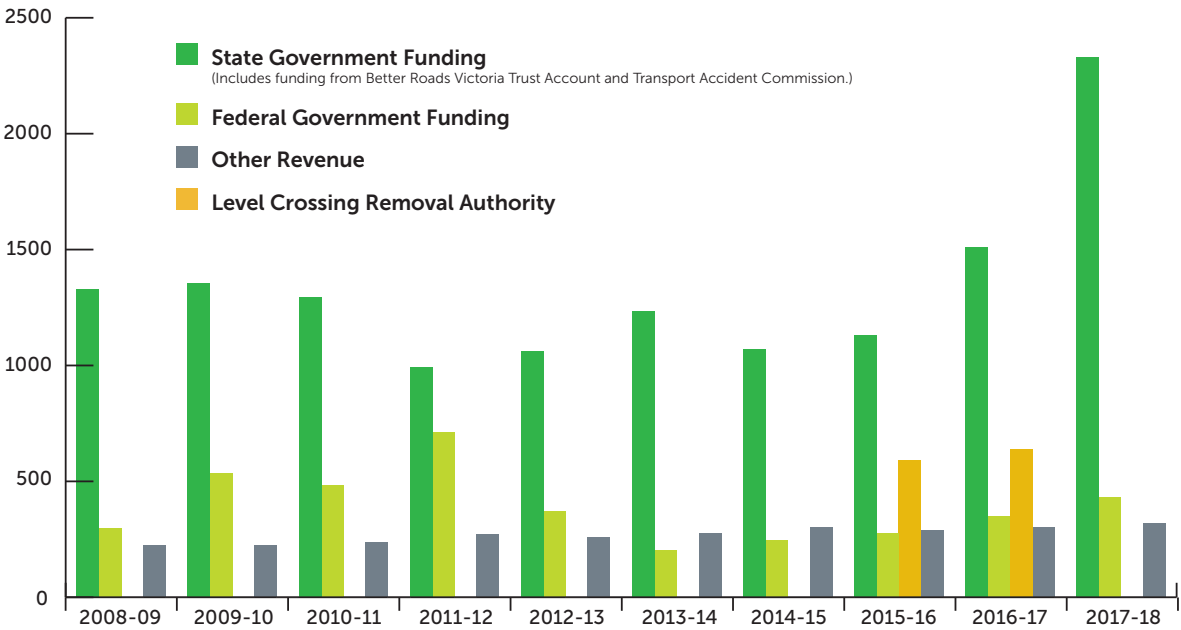
## Funding Sources 2017–18



## Operating output expenditure 2017–18



# Composition of Funding Sources (\$ million)





# Section 2: Governance and organisational structure

## Senior Executives/officers (as at 30 June 2018)

Our 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 of the VicRoads Executive Directors and is chaired by the Chief Executive.

### Acting Chief Executive: Kerry Thompson

Previously Deputy Secretary for Investment and Business with Transport for Victoria (TfV), Kerry has significant CEO experience and a strong understanding of the world of transport. Kerry has been CEO of the City of Melbourne, the City of Geelong, CEO of the City of Maribyrnong and CEO of the City of Wyndham, one of the fastest growing populations in Australia.

Kerry was also Chair of the Western Region Transport Alliance from 2009 to 2015, during which time she worked closely with VicRoads, industry and multiple councils to develop the Western Region Transport Strategy. Kerry has also played a key role in harnessing transport to create communities in growth areas in the west.

On 30 July 2018 Michael Malouf joined VicRoads as its new Chief Executive.

### Deputy Chief Executive: Robyn Seymour

Robyn Seymour has dedicated 18 years, 10 of which has been at VicRoads, to providing better outcomes for the community by developing and implementing various road safety initiatives, programs, legislation and policy. Currently in her role as Deputy Chief Executive, Robyn is responsible for leading the management and direction for the Investment and Design Services, a Division focused on meeting VicRoads obligations as an effective road network manager, as well as Commercial Enterprises, the Division of five commercial businesses within VicRoads that provide important community, organisational and government benefits and outcomes.

### Chief Financial Officer: Mark Dale

Mark Dale is the Chief Financial Officer and Executive Director of the Finance and Risk Division. Mark is responsible for the leadership, management and performance of VicRoads' finance risk and compliance, management business support operations, legal and procurement services. 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. Mark has also held senior management positions with the Victorian Auditor General's Office and the Registry of Estate Agents and Money Lenders. Mark has been a trustee director of the public sector superannuation scheme, the Port of Melbourne Superannuation Scheme, and private superannuation funds.

### Executive Director Registration & Licensing: 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. Sally has delivered major infrastructure projects, is a trusted adviser to Government and has successfully led customer focussed priority projects. 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 Public Relations: Louise Perry

With more than 15 years of experience in media, government and not-for-profit organisations, Louise brings her forward-thinking leadership, energy and knowledge of public engagement to lead a high performing state-wide team that communicates and engages with the public on a daily basis about projects, programs and issues that affect them.

**Executive Director People, Culture & 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 the industrial relations for the 2006 Commonwealth Games 2 billion dollar infrastructure build supporting on time, on budget delivery. Prior to this Louise embraced organisational change roles working with BurnsBridge 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 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 Access and Operations:  
Anita Curnow**

As the Executive Director Access and Operations, Anita currently oversees the division responsible for day to day operation of the road network and the technology used to run it, regulation of heavy vehicles and ensuring mobility for Victorians as safe road users, driving safe vehicles. Over almost 16 years at VicRoads, Anita has also occupied the roles of Executive Director Policy and Programs, Director Network Strategy and Planning, Director Network Improvements and Manager Road Based Public Transport.

A civil engineer by training, with a Masters of Engineering Science in Traffic and Transport, Anita is Chair of the Monash University Department of Civil Engineering Industry Advisory Committee. In 2017 she was named Monash Civil Engineering Alumnus of the Year and among the Top 50 Victorian Public Sector Women.

**Executive Director Major Projects:  
Andrew Williams**

As the Executive Director Major Projects, Andrew is responsible for leading eight project offices across Victoria, delivering over 25 major projects with an annual expenditure of over \$1 Billion. First joining VicRoads in 1995, Andrew has extensive experience in project development and delivery.

In 2005, Andrew moved into his first Project Director role managing the Albury Wodonga Bypass and Goulburn Valley Highway projects. Since then, he has been responsible for the delivery of a range of major road, level crossing removal and public transport projects.

**Executive Director Regional Services:  
Bill Glasgow**

In his role as the Executive Director Regional Services, Bill is responsible for the leadership, management and performance of VicRoads' seven operating regions covering Victoria's arterial and highway network of over 22,000km.

Bill has over 25 years of experience in the private sector, including more than 20 years with global professional services organisations, GHD, the P&O Group, JLL and Aurecon. He has extensive hands-on and executive level experience with businesses and clients across Australia and internationally, predominantly relating to professional services, infrastructure, built environment, and capital works. He is also one of the principal authors of the 1st Edition of the International Infrastructure Management Manual.

## Organisational chart as at 30 June 2018



Acting Deputy Chief Executive  
**Robyn Seymour**

**Executive Director  
Registration  
& Licensing**

**Sally Curtain**

Director  
Customer Services  
**Paul Santamaria**

Director  
Registration  
& Licensing Services  
**Glen Madeira**

Director  
R&L Practice,  
Standards and  
Solutions  
**Helen Lindner**

Director  
Service Strategy  
& Innovation  
**Jill Fitzroy**

Chief Information  
Officer  
**Dale Andrea**

Director  
ICT strategy  
**Robyn Murphy**

Director  
ICT Delivery  
**Ajay Ravindran**

Director  
Information Access  
**David Martin**

Director  
IT Operations  
**Nicholas Colarossi**

**Executive Director  
Regional Services**

**Bill Glasgow**

Director  
SSRIP  
**Bryan Sherritt**

Acting Regional  
Director  
Metro North West  
**Fatima Mohamed**

Regional Director  
Metro South East  
**Aidan McGann**

Regional Director  
Eastern  
**Scott Lawrence**

Regional Director  
North Eastern  
**Nicki Kyriakou**

Regional Director  
Northern  
**Bryan Westley**

Regional Director  
South Western  
**Mark Koliba**

Regional Director  
Western  
**Mal Kersting**

**Investment &  
Design Services**

Director  
Asset Services  
**Catherine Dear**

Director  
Commercial Roads  
**Peter Holcombe  
Henley**

Director  
Integration Services  
**Andrew Wall**

Director  
Pipelines & Programs  
**Wendy Sladen**

Director  
Network Design  
Services  
**Con Stasinos**

Director  
Project Integration  
**Agnelo Duarte**

**Director  
Commercial  
Enterprise  
& Business  
Development**

**Adrian Tofful**

## Governance

In 2015–16, we established a governance framework to support our Chief Executive in fulfilling their governance obligations. This committee arrangement provides the basis for effective Corporate Governance. In 2017–18, we reviewed these committee arrangements, resulting in our Executive Leadership Team incorporating the Vision and Governance, Finance Governance and People and Culture committees into their responsibilities for oversight. As at 30 June 2018 our committee structure is as follows:

### 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 Registration and Licensing**

### 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 & 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 of the TAC and VicRoads.

**Chair: Kerry Thompson, Acting Chief Executive**

### 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: Robyn Seymour, Deputy Chief Executive**



## 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 2018 is provided below.

In 2017–18 the committee held six formal meetings, numerous briefings and inductions, and a strategy and planning day attended by the Victorian Auditor General, Andrew Greaves. 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 2017–18 included oversight of the Internal Audit program, the Risk and Assurance program and Corporate Reporting including Finances, Fraud & Integrity.

### Members of Risk & Audit Governance Committee

Members as at 30 June 2018	Role
Jane Brockington (1 July 2017 – 30 June 2018)	Independent Chair
Dennis Cavagna (1 July 2017 – 30 June 2018)	Independent member
Janice Van Reyk (1 July 2017 – 30 June 2018)	Independent member
Freya Marsden (1 July 2017 – 30 June 2018)	Independent member
Kate Hughes (1 July 2017 – 30 June 2018)	Independent member
Robyn Seymour (21 December 2017 – 2 March 2018) (10 March 2018 – 30 July 2018)	Acting Deputy Chief Executive, VicRoads
Peter Todd (1 July 2017 – 20 December 2017 and 3 March 2018 – 09 March 2018)	Deputy Chief Executive, VicRoads
Greg Larson (1 July 2017 – 31 December 2017)	Independent member
<b>Observers</b>	
John Merritt (1 July 2017 – 20 December 2017)	Chief Executive, VicRoads
Peter Todd (21 December 2017 – 03 March 2018)	Acting Chief Executive, VicRoads
Kerry Thompson (9 March – 30 June 2018)	Acting Chief Executive, VicRoads
Mark Dale (1 July 2017 – 30 June 2018)	Chief Financial Officer, VicRoads

## Occupational Health & 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 wellbeing and safety of our staff is fundamental to the successful delivery of our work across all of our activities.

In the past year, we've made significant investments in improving our safety management and performance through employing a number of highly-experienced industry safety specialists and developing a new Safety Management System (SMS). As part of the SMS project, we've made improvements to our safety and wellbeing processes and procedures as well as the supporting IT infrastructure. This is a major project that will continue into 2018–19.

As part of our commitment to safety, we're engaging 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 Major Road Projects Victoria and Regional Roads Victoria and our contract partners to address the shared risks we face and to improve safety performance across our industry. To do this, we will focus on delivering high-quality safety systems, data and capability that allows our people to make informed, risk-based decisions at all levels of our organisation and particularly across high-risk worksites.

As part of our commitment to health and wellbeing, we've developed a new framework to inform our future focus and programs of work.

We've also implemented an early injury response program that provides tailored intervention to staff with work or non-work related injuries or illness. This will help to support recovery and facilitate safe and durable return-to-work outcomes.

In 2017–18, we renewed our commitment to staff on mental health and wellbeing support through implementing a new solution-focussed employee assistance program called vCARE. The program provides improved access to services for staff and is the first phase of a broader mental health and wellbeing approach. The second phase of this approach will be implemented during 2018–19 when we launch discrete programs of work to be trialled and implemented around specific risks. These programs will include a peer support program for high-risk roles and a detailed assessment of workplace aggression risk that will feed into a targeted risk solution being developed across the business.

## WorkCover

In 2017–18 we received 40 standard WorkCover claims including two for psychological injuries. Of these, 15 claims reported time loss.

Our average claims costs were 61% less than the industry average. This is an improvement from previous years where our average claims costs were worse than or similar to industry.

### VicRoads WorkCover performance

Measure	KPI	2017–18
<b>Claims<sup>1</sup></b>	<b>Number of standard claims<sup>2</sup></b>	<b>40</b>
	Number of lost time claims <sup>3</sup>	15
	Claim Incidence Rate per 100 FTE	1.6
	Premium rate (Prem/Rem*100)	1.06
	Number claims exceeding 13 weeks <sup>4</sup>	4
<b>Fatalities</b>	<b>Fatality claims</b>	<b>0</b>
<b>Claim costs</b>	<b>Average cost per standard claim (\$) <sup>6</sup></b>	<b>25,780</b>

1. Data is provided by CGU, VicRoads's 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 (2017 calendar year).

6. Average claim costs consist of standard claims received by the WorkCover Agent between 30 June 2017 and 30 June 2018 (claims that impact the next WorkCover Premium), calculated as of 30 June 2018. 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 on the basis of 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

	Headcount				Full Time Equivalent (FTE)*			
	Ongoing Full Time	Ongoing Part Time	Fixed Term	Total	Ongoing Full Time	Ongoing Part Time	Fixed Term	Total
<b>Gender</b>								
Female	835	286	93	1214	835	194	85	1113
Male	1598	44	150	1792	1598	31	147	1776
<b>Total</b>	<b>2433</b>	<b>330</b>	<b>243</b>	<b>3006</b>	<b>2433</b>	<b>225</b>	<b>232</b>	<b>2889</b>
<b>Age</b>								
<=24	80	5	22	107	80	4	19	103
24-34	545	46	91	682	545	33	90	668
35-44	616	137	59	812	616	90	54	760
45-54	589	81	47	717	589	57	46	692
55-64	520	47	18	585	520	32	18	569
65+	83	14	6	103	83	9	6	97
<b>Total</b>	<b>2433</b>	<b>330</b>	<b>243</b>	<b>3006</b>	<b>2433</b>	<b>224</b>	<b>232</b>	<b>2889</b>
<b>Classification</b>								
Executives	61	3	0	64	61	2	0	63
STS	15	1	0	16	15	1	0	16
VRO6	149	15	8	172	149	11	7	167
VRO5	384	42	25	451	384	28	24	436
VRO4	706	78	70	854	706	52	67	825
VRO3	603	47	72	722	603	33	72	708
VRO2	514	142	57	713	514	96	53	663
VRO1	1	2	11	14	1	1	8	10
<b>Total</b>	<b>2433</b>	<b>330</b>	<b>243</b>	<b>3006</b>	<b>2433</b>	<b>224</b>	<b>231</b>	<b>2889</b>
<b>Comparison</b>								
June 2018	2433	330	243	3006	2433	224	232	2889
June 2017	2242	279	88	2609	2242	184	84	2510

### Notes

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

Ongoing employees means people engaged on an open-ended contract of employment and executives engaged on a standard executive contract, who were active in the last full pay period of June.

Full Time Equivalent (FTE) figures rounded to the nearest whole number.

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

## Workforce inclusion policy

As part of our commitment to create an inclusive workplace culture, we launched the VicRoads Diversity and Inclusion Strategy 2018–2022 (D&I Strategy) in 2017. As part of this strategy, we're working 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 are able to 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 LGBTI workforce
- provide a workplace that welcomes and enables people with disability.

The D&I Strategy sets out a number of related workforce composition targets corresponding with the above priorities. We're currently working towards developing a system to regularly capture and track this information, and our baseline information obtained via Connect and the 2016 People Matter survey is outlined below.

### Diversity targets and baseline data

Target	2022 Target	Baseline as at 31 Dec 2017
Gender balanced leadership	50% of VicRoads leaders will be female (VR05 and above)	33% of VicRoads leaders at VR05 and above were female <sup>(1)</sup>
Indigenous workforce	2% of our employees will identify as Aboriginal and/or Torres Strait Islander peoples	0.7% of our employees identified as being an Aboriginal and/or Torres Strait Islander Australian <sup>(2)</sup>
Indigenous leaders	3 Indigenous employees will be VR04 and above	1 Indigenous employee was at VR04 level and above
CaLD leaders	30% of VicRoads leaders will be of CaLD background (VR05 and above)	Not yet available
Accessibility	10% of our employees will identify as having a disability	3% of our employees identified as having a disability <sup>(2)</sup>
LGBTI	10% of our workforce will identify as belonging to the LGBTI community	3% of our workforce identified as belonging to the LGBTI community <sup>(2)</sup>

### Notes:

(1) Data obtained via VicRoads internal system Connect

(2) Data obtained via the 2016 People Matter survey (2293 respondents representing 70% participation rate)

In addition to the above, as at 31 March 2018, 40% of our overall staff were female, which represents an increase of 3% since November 2017. Also, at the time of publication, 56% of staff in our Executive Leadership Team are female.

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

- Inaugural meeting of the VicRoads Diversity & Inclusion Council in June 2018
- Continued implementation of our flexible working policy
- Delivery of successful inclusion events on days of significance including National Reconciliation Week, International Day Against Homophobia, Biphobia, Intersexism, and Transphobia (IDAHOBIT Day), International Women's Day, Lunar New Year, White Ribbon Day, and Wear it Purple Day
- Supporting the community by providing scholarships to Indigenous secondary school students and through VicRoads stalls for Cultural Diversity Week and Midsumma Festival.

## Remuneration of executives and other personnel

Income Band (Salary \$)	Note	Executive	STS	
< 160,000	a	1	2	
160,000 – 179,999	b	10	8	
180,000 – 199,999	c	33	6	
200,000 – 219,999	d	9		
220,000 – 239,999		2		
240,000 – 259,999	e	2		
260,000 – 279,999		3		
280,000 – 299,999		1		
300,000 – 319,999		2		
320,000 – 339,999				
340,000 – 359,999				
360,000 – 379,999		1		
380,000 – 399,999				
400,000 – 419,999				
420,000 – 439,999				
440,000 – 459,999				
460,000 – 479,999				
480,000 – 499,999				
		<b>64</b>	<b>16</b>	

Note: All salaries reflect the equivalent per FTE

a – There are two part time (.71 and .84) and two purchased leave people in this band

b – There are five purchased leave people in this band

c – There are five purchased leave people in this band

d – There are two part time (.8 and .84) and four purchased leave people in this band

e – There is one purchased leave person in this band



# Section 4: Other disclosures

## Local Jobs First – Victorian Industry Participation Policy (VIPP)

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 – Victorian Industry Participation Policy (Local Jobs First – VIPP)
- apply the Local Jobs First – VIPP 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.

During 2017–18, we commenced 116 Local Jobs First – VIPP applicable procurements totalling \$2131.5 million. Of those projects, 85 were located in regional Victoria, with a commitment of 95 per cent of local content. Thirty projects were located in metropolitan Melbourne, with an average commitment of 94 per cent local content. We commenced one project that occurred state-wide.

Through implementing the Local Jobs First – VIPP, we made commitments to achieve the following:

- an average of 95 per cent of local content
- a total of 2320 jobs (annualised employee equivalent (AEE)) including the creation of 570 new jobs and the retention of 1750 existing jobs (AEE)
- a total of 320 positions for apprentices/trainees including the creation of 140 new apprenticeships/traineeships and the retention of 180 existing apprenticeships/traineeships.

During 2017–18, we completed 78 Local Jobs First – VIPP applicable projects, collectively valued at about \$829.6 million. Of these projects, 62 were located in regional Victoria, with an average commitment of 93 per cent local content, and 16 took place in metropolitan Melbourne representing 93 per cent of estimated local content. No state-wide projects were completed.

Through implement Local Jobs First – VIPP in these projects, we achieved the following outcomes:

- an average of 93 per cent of local content
- a total of 320 (AEE) positions were created
- 60 new apprenticeships/traineeships were created and 170 existing apprenticeships/traineeships retained.

During 2017–18, 30 small to medium-sized businesses prepared a VIPP Plan or Local Industry Development Plan (LIDP) for contracts and were successfully appointed as the Principal Contractor.

In 2017–18, 61 projects had the minimum formal weighting of 10 per cent applied for local content in the tender evaluation of the VIPP Plan or LIDP.

VicRoads commenced nine contracts with an average of 93 per cent estimated local content where a VIPP Plan or LIDP was not required as the procurement activity was deemed local by nature.

## Disclosure of government advertising expenditure

In 2017–18, we conducted three government advertising campaigns with a total media spend of \$100,000 or greater (exclusive of GST). The details of each campaign are outlined below.

### VicRoads advertising expenditure

	Campaign 1 Summer Roadworks	Campaign 2 Motorcycle Lane Filtering	Campaign 3 Motorcycle ABS
<b>Campaign summary</b>	A public awareness campaign was developed to inform Victorians of the significant program of works occurring throughout Melbourne during the summer of 2017–18, including an 8 day closure of Hoddle Street.	A public education campaign to ensure the Victorian community is aware of the legislative change making lane filtering legal for motorcyclists.	A public education campaign to increase the number of Victorian motorcyclists who ride motorcycles with ABS braking to reduce the instances of death and severe injury from motorcycle accidents.
Start/End date	Dec 2017 – Jan 2018	Dec 2017	March – June 2018
Advertising (media) expenditure 2017–18 (\$ excluding GST)	500,000	130,000	\$400,000
Creative and campaign development expenditure 2017–18 (\$ excluding GST)	65,000	\$49,950	\$200,000
Research and evaluation expenditure 2017–18 (\$ excluding GST)	N/A	N/A	\$80,000
Print and collateral expenditure 2017–18 (\$ excluding GST)	N/A	N/A	N/A
Other campaign expenditure 2017–18 (\$ excluding GST)	N/A	N/A	N/A

## Consultancy expenditure

During 2017–18, we had 27 operational consultancies where the total fees payable to the consultant was \$10,000 or greater. The total expenditure incurred during 2017–18 in relation to these consultancies was \$5.819 million (excluding GST). Details of individual consultancy arrangements can be viewed at [vicroads.vic.gov.au](http://vicroads.vic.gov.au).

During 2017–18, we had six operational consultancies where the total fees payable to the consultant was less than \$10,000. The total expenditure incurred during 2017–18 in relation to these consultancies was \$24,614 (excluding GST).

## Information and Communication Technology (ICT) expenditure

For the 2017–18 reporting period, VicRoads had a total ICT expenditure of \$144.4 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.

### VicRoads 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)		
\$95.9 million	\$48.5 million	\$27.4 million	\$21.1 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 into during the financial year ending 30 June 2018.

Details of these contracts can be viewed at:

[www.vicroads.vic.gov.au/business-and-industry/tenders-and-suppliers/tenders-and-contracts](http://www.vicroads.vic.gov.au/business-and-industry/tenders-and-suppliers/tenders-and-contracts)

## Application and operation of *Freedom 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.

The FOI Act allows a person to request documents held by a Minister or agency. VicRoads may determine that the document is released in full, exempt in part or in full in accordance with the exemptions stipulated in the FOI Act, or that the document does not exist or cannot be located.

We received 1,138 requests in 2017–18.

## Compliance with building and maintenance provisions of *Building Act 1993*

To ensure that buildings under our management are compliant with the *Building Act 1993* and are maintained in a safe and serviceable condition, we engage the Department of Treasury and Finance's Shared Service Provider. In 2017–18 the Shared Service Provider identified several compliance issues under the *Building Act 1993* at a number of properties, and these are currently being rectified. The Shared Service Provider is currently reviewing their processes and programs to ensure ongoing compliance.

For all other buildings, we 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 annual maintenance programs.

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

## 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). There were no disclosures in 2017–18.

## 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

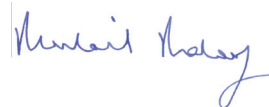
Phone: (03) 99354148

Email: [Elinda.Pak@roads.vic.gov.au](mailto:Elinda.Pak@roads.vic.gov.au)

## Attestation for compliance with Ministerial Standing Direction

I, Michael Malouf, 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 in order to enhance our maturity level against the applicable Standing Directions.



**Michael Malouf**  
**VicRoads Chief Executive**

## Compliance with DataVic Access Policy

In keeping with the DataVic Access Policy issued by the Victorian Government in 2012, we've made 70 data sets available on the DataVic website in 2017–18. This is an increase of 18% from 2016–17. These data sets are among the most downloaded items from the Victorian Data Directory at [data.vic.gov.au](http://data.vic.gov.au).

In 2017–18 we also committed additional funding and resources to further implement initiatives consistent with implementation of DataVic Access Policy.

We're 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, we undertook the following initiatives in 2017/18:

- Taking part as a sponsor and major contributor in transport challenges for GovHack and MAV Hack innovation competitions to help find new ways to solve challenges facing government
- Developing a data exchange platform to facilitate sharing of more enriched content in real time
- Developing real time Application Program Interfaces (API's)
- Further collaborating with private and public sector groups, including data science forums, academics, public sector, entrepreneurs, data experts, archivists, hackers and web developers
- Partnering with the Victorian Centre for Data Insights (VCDI) to progress data sharing initiatives across Victorian Government agencies.

Information included in this Annual Report will also be available at [www.data.vic.gov.au](http://www.data.vic.gov.au) in electronic readable format.

For more information, please see the DataVic Access Policy and Guidelines at [www.data.vic.gov.au/policy-and-standards-0](http://www.data.vic.gov.au/policy-and-standards-0)

## Compliance with the *Disability Act 2006 (Vic)*

The *Disability Act 2006 (Vic)* reaffirms and strengthens the rights of people with disability and recognises that this requires support across the government sector and within the community.

The Disability Act requires that public sector bodies (including all government departments) prepare a disability action plan and report on its implementation in their annual report.

A disability action plan is a strategic plan which helps an organisation to remove barriers that prevent people with disability from using the organisation's goods, services and facilities, and from gaining and keeping employment. Disability action planning also strives to promote inclusion and participation in the community, and achieve changes in attitudes and practices that may result in discrimination.

*Absolutely everyone: state disability plan for 2017–2020* 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. Over time the government will consider ways to align disability action plans to the stats plan.

In relation to this framework, we achieved the following in 2017–18:

- A series of disability confidence workshops and presentations were held at our offices in Kew, Spring Street, Bendigo, Geelong and Traralgon, and these were made available for staff at any level in the organisation to attend
- Consulting with focus groups and individual leaders to inform the development of the new Accessibility Action Plan 2018–2022
- Launch of the Ability+ employee network for people with disability
- Development and delivery of accessible websites training to staff
- Participation as a foundation partner in the Victorian Government's Recruit Smarter program to determine the impact of bias in recruitment.



## 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 2017–18 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](http://vicroads.vic.gov.au).

### Ministerial Directions

Minister for Roads and Road Safety		
Start	End	Designated road project (location)
12/11/2015	31/12/2017	North, McKinnon and Centre Road Level Crossing Removal Project
16/02/2016	30/06/2018	Bayswater Level Crossing Removal Projects (Mountain Highway and Scoresby Road) (Variation of DRP)
28/01/2016	30/06/2018	Ramp M Project (Webb Dock)
10/06/2015	31/12/2017	Burke Road Level Crossing Removal Project, Glen Iris (Variation of DRP)
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)

# 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 2018. The purpose of these financial statements is to provide users with information about the Corporation's stewardship of resources entrusted to it. The financial statements are presented in the following structure:

Financial statements .....	Page
Comprehensive operating statement .....	53
Balance sheet .....	54
Cash flow statement .....	55
Statement of changes in equity .....	56
<b>Notes to the financial statements</b>	
1. About these financial statements .....	57
The basis on which the financial statements have been prepared and compliance with reporting regulations	
2. Operating Net Result .....	58
Summary of operating result	
3. Funding the delivery of our services .....	58
Revenue recognised in respect of appropriations and other income sources	
4. The cost of delivering services .....	61
Operating expenses of the Corporation	
5. Key assets available to support service delivery .....	66
Land, property, infrastructure, plant and equipment, intangible assets and other financial assets	
6. Other assets and liabilities .....	81
Working capital balances and other key assets and liabilities	
7. Financing our operations .....	88
Borrowings, cash flow information and leases	
8. Risks, contingencies and valuation judgements .....	97
Financial risk management, contingent assets and liabilities as well as fair value determination	
9. Transactions administered on behalf of the State of Victoria .....	115
The Corporation's Administered (non-controlled) items	
10. Other disclosures .....	119

## Comprehensive operating statement

for the year ended 30 June 2018

	Notes	2018 \$'000	2017 \$'000
<b>Continuing operations</b>			
<b>Income from transactions</b>			
Victorian Government appropriations		2,046,267	1,412,448
Sale of goods and services	3.2	246,048	236,601
Program contributions	3.3	347,337	801,311
Fair value of assets received free of charge		7,773	6,777
Other income	3.4	37,924	39,953
<b>Total income from transactions</b>		<b>2,685,349</b>	<b>2,497,090</b>
<b>Expenses from transactions</b>			
Employee benefit expenses	4.1.1.1	(206,539)	(210,780)
Depreciation and amortisation	5.3.1	(632,431)	(622,320)
Interest expenses	7.1.2	(82,925)	(85,129)
Grant expenses	4.1.2	(97,701)	(96,156)
Capital asset charge		(49,800)	(49,800)
Fair value of assets provided free of charge		(21,569)	(25,594)
Other operating expenses	4.1.3	(852,315)	(1,286,625)
<b>Total expenses from transactions</b>		<b>(1,943,280)</b>	<b>(2,376,404)</b>
<b>Net result from transactions (net operating balance)</b>		<b>742,069</b>	<b>120,686</b>
<b>Other economic flows included in net result</b>			
Net gain/(loss) on non-financial assets	10.1	12,815	(12,017)
Net gain/(loss) on financial instruments	10.1	(1,755)	23
Other gains/(losses) from other economic flows	10.1	139	2,001
<b>Total other economic flows included in net result</b>		<b>11,199</b>	<b>(9,993)</b>
<b>Net result</b>		<b>753,268</b>	<b>110,693</b>
<b>Other economic flows – other comprehensive income</b>			
<b>Items that will not be reclassified to net result</b>			
Revaluation gain/(loss) to asset revaluation reserve		2,258,846	4,455,634
<b>Total other economic flows – other comprehensive income</b>		<b>2,258,846</b>	<b>4,455,634</b>
<b>Comprehensive result</b>		<b>3,012,114</b>	<b>4,566,327</b>

The accompanying notes form part of these financial statements.

## Balance sheet

as at 30 June 2018

	Notes	2018 \$'000	2017 \$'000
<b>Assets</b>			
<b>Financial assets</b>			
Cash and cash equivalents	7.3.1	52,502	36,346
Receivables	6.1	880,645	687,184
<b>Total financial assets</b>		<b>933,147</b>	<b>723,530</b>
<b>Non-financial assets</b>			
Prepayments		8,993	7,459
Inventories		2,058	2,144
Non-financial physical assets classified as held for sale	6.2	26,154	17,771
Property, plant and equipment	5.1	54,868,103	51,542,116
Intangible assets	5.2.1	77,625	81,636
<b>Total non-financial assets</b>		<b>54,982,933</b>	<b>51,651,126</b>
<b>Total assets</b>		<b>55,916,080</b>	<b>52,374,656</b>
<b>Liabilities</b>			
Payables	6.3	400,593	288,089
Borrowings	7.1	721,213	740,235
Employee related provisions	4.1.1.2	107,341	101,780
Other provisions	6.5	244,932	181,718
Unearned income	6.4	37,055	34,512
<b>Total liabilities</b>		<b>1,511,134</b>	<b>1,346,334</b>
<b>Net assets</b>		<b>54,404,946</b>	<b>51,028,322</b>
<b>Equity</b>			
Contributed capital		16,555,893	16,191,383
Asset revaluation reserve		21,225,163	18,966,317
Accumulated surplus		16,623,890	15,870,622
<b>Net worth</b>		<b>54,404,946</b>	<b>51,028,322</b>
Commitments for expenditure	7.4		
Contingent assets and contingent liabilities	8.2		

The accompanying notes form part of these financial statements

## Cash flow statement

for the year ended 30 June 2018

	Notes	2018 \$'000	2017 \$'000
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Receipts from government appropriations		1,904,817	1,214,386
Receipts from other sources		552,423	1,154,017
Goods and Services Tax collected		88,288	130,057
Goods and Services Tax recovered from the ATO		167,690	98,110
Interest received		1,094	1,369
<b>Total receipts</b>		<b>2,714,312</b>	<b>2,597,939</b>
<b>Payments</b>			
Payments to suppliers and employees		(899,237)	(1,491,720)
Payments of grants and other transfers		(97,702)	(96,156)
Interest and other costs of finance paid		(89,963)	(79,238)
Goods and Services Tax paid on purchases		(246,896)	(227,082)
Payments of capital asset charge		(49,800)	(49,800)
<b>Total payments</b>		<b>(1,383,598)</b>	<b>(1,943,996)</b>
<b>Net cash flows from operating activities</b>	<b>7.3.2</b>	<b>1,330,714</b>	<b>653,943</b>
<b>Cash flows from investing activities</b>			
Payments for purchase of non-financial assets		(1,733,240)	(989,485)
Proceeds from sale of non-financial assets		6,779	3,824
Loans granted to other parties		263	600
<b>Net cash flows used in investing activities</b>		<b>(1,726,198)</b>	<b>(985,061)</b>
<b>Cash flows from financing activities</b>			
Repayment of interest bearing liabilities		(19,022)	(20,521)
Proceeds from capital contributions by the Victorian Government		426,000	345,050
<b>Net cash flows from financing activities</b>		<b>406,978</b>	<b>324,529</b>
<b>Net increase / (decrease) in cash held</b>		<b>11,494</b>	<b>(6,589)</b>
Cash at the beginning of the financial year		(457)	6,132
<b>Cash held at the end of the Financial Year</b>	<b>7.3.1</b>	<b>11,037</b>	<b>(457)</b>

The accompanying notes form part of these financial statements.

## Statement of changes in equity

for the year ended 30 June 2018

	Asset revaluation reserve 2018 \$'000	Accumulated surplus 2018 \$'000	Contributed capital 2018 \$'000	Total 2018 \$'000
<b>Balance at 1 July 2017</b>	<b>18,966,317</b>	<b>15,870,622</b>	<b>16,191,383</b>	<b>51,028,322</b>
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	–	–	(43,398)	(43,398)
<b>Balance at 30 June 2018</b>	<b>21,225,163</b>	<b>16,623,890</b>	<b>16,555,893</b>	<b>54,404,946</b>
	Asset revaluation reserve 2017 \$'000	Accumulated surplus 2017 \$'000	Contributed capital 2017 \$'000	Total 2017 \$'000
<b>Balance at 1 July 2016</b>	<b>14,510,683</b>	<b>15,759,929</b>	<b>15,922,814</b>	<b>46,193,426</b>
Net result for the year	–	110,693	–	110,693
Other economic flows – other comprehensive income	4,455,634	–	–	4,455,634
Capital appropriations	–	–	306,972	306,972
Assets transferred to other Victorian Government agencies	–	–	(38,403)	(38,403)
<b>Balance at 30 June 2017</b>	<b>18,966,317</b>	<b>15,870,622</b>	<b>16,191,383</b>	<b>51,028,322</b>

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 the controlled activities.

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

### Compliance information

These financial statements have been prepared in accordance with the *Financial Management Act 1994* and applicable Australian Accounting Standards including Interpretations, issued by the Australian Accounting Standards Board. In particular, they are presented in a manner consistent with the requirements of *Australian Accounting Standard AASB 1049 Whole of Government and General Government Sector Financial Reporting*.

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

### Establishment of the Major Road Projects Authority

In April 2018, the Victorian Government announced that it would create a new Major Road Projects Authority (MRPA) as an Administrative Office within the Office of the Coordinator General as part of the Department of Economic Development, Jobs Transport and Resources, to deliver a pipeline of major road projects.

The MRPA was established with effect from 1 July 2018. By Order in Council, the Governor in Council has ordered the transfer of 29 current road construction projects from the Corporation to the MRPA, with effect from 6 August 2018. This transfer represents a significant event for the Corporation and its financial statements as at 30 June 2018. Details of the expected impacts of this event are disclosed in *Note 10.7 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 2017–18 was a surplus of \$753.3 million compared with a surplus of \$110.7 million in 2016–17. The increase in the net result for 2017–18 compared to 2016–17 is principally due to an increase in Victorian Government grants which were received for investment in capital works.

## 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 Economic Development, Jobs, Transport and Resources.

### Structure ..... Page

3.1 Summary of income from transactions that funds the delivery of our services	58
3.2 Sale of goods and services	59
3.3 Program contributions	59
3.4 Other income	60

### 3.1 Summary of income from transactions that funds the delivery of our services

	Notes	2018 \$'000	2017 \$'000
Victorian Government appropriations		2,046,267	1,412,448
Sale of goods and services	3.2	246,048	236,601
Program contributions	3.3	347,337	801,311
Fair value of assets received free of charge		7,773	6,777
Other income	3.4	37,924	39,953
<b>Total income from transactions</b>		<b>2,685,349</b>	<b>2,497,090</b>

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.

## 3.2 Sale of goods and services

	2018 \$'000	2017 \$'000
Regulatory revenue	164,670	149,491
External works	32,286	38,528
Transport Accident Commission premium collection commission	42,979	43,463
Victorian Government agency commission	6,113	5,119
<b>Total sale of goods and services</b>	<b>246,048</b>	<b>236,601</b>

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

	2018 \$'000	2017 \$'000
Transport Accident Commission	310,137	135,182
Level Crossing Removal	5,976	638,683
Other specific purpose	31,224	27,446
<b>Total program contributions</b>	<b>347,337</b>	<b>801,311</b>

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

	2018 \$'000	2017 \$'000
Rental	16,988	14,851
Recoveries	19,842	23,733
Interest	1,094	1,369
<b>Total other income</b>	<b>37,924</b>	<b>39,953</b>

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

The lease terms between 1 and 38 years. The lessee does not have an option to purchase the property at the expiry of the lease period.

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

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

### Non-cancellable operating lease receivables

<i>Non-cancellable operating lease receivables</i>	2018 \$'000	2017 \$'000
Not later than one year	8,150	6,168
Later than one year but not later than five years	27,715	22,399
Later than five years	66,704	64,349
<b>Total lease receivables</b>	<b>102,569</b>	<b>92,916</b>

## 4. The cost of delivering services

### Introduction

This note provides details of the expenses incurred by the Corporation in delivering services. In *Note 3 Funding delivery of our services*, the funds that enable the provision of services were disclosed and in this note, the costs associated with provision of services are disclosed.

### Structure ..... Page

4.1 Expenses incurred in the delivery of services .....	61
4.1.1 Employee benefits .....	61
4.1.1.1 Employee benefits in the comprehensive operating statement .....	61
4.1.1.2 Employee benefits in the balance sheet .....	62
4.1.1.3 Superannuation contributions ...	63
4.1.2 Grant expenses .....	64
4.1.3 Other operating expenses .....	65

## 4.1 Expenses incurred in the delivery of services

	Notes	2018 \$'000	2017 \$'000
Employee benefit expenses	4.1.1.1	206,539	210,780
Grant expenses	4.1.2	97,701	96,156
Capital asset charge		49,800	49,800
Fair value of assets provided free of charge		21,569	25,594
Other operating expenses	4.1.3	852,315	1,286,625
<b>Total expenses incurred in the delivery of services</b>		<b>1,227,924</b>	<b>1,668,955</b>

A **capital asset charge** is a charge levied on the Corporation by the Victorian Government in order to attribute to the Corporation's outputs, the opportunity cost of capital used in service delivery, and to provide incentives to the Corporation to identify and dispose of underutilised or surplus assets in a timely manner.

### 4.1.1 Employee benefits

#### 4.1.1.1 Employee benefits in the comprehensive operating statement

	2018 \$'000	2017 \$'000
Salaries and related on-costs	141,424	149,290
Leave entitlements	31,160	29,056
Superannuation expenses	31,939	31,125
Termination benefits	2,016	1,309
<b>Total employee benefit expenses</b>	<b>206,539</b>	<b>210,780</b>

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

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

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

**Termination benefits** are payable when employment is terminated before the normal retirement date, or when an employee decides to accept an offer of benefits in exchange for the termination of employment. The Corporation recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal, or when providing termination benefits as a result of an offer made to encourage voluntary redundancy.

#### 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.

	2018 \$'000	2017 \$'000
<b>Current provisions:</b>		
Annual leave		
Unconditional and expected to be settled within 12 months	16,754	14,537
Unconditional and expected to be settled after 12 months	4,174	4,213
Long service leave		
Unconditional and expected to be settled within 12 months	8,460	7,906
Unconditional and expected to be settled after 12 months	55,044	53,610
Provisions for on-costs		
Unconditional and expected to be settled within 12 months	3,956	3,571
Unconditional and expected to be settled after 12 months	9,481	9,315
Performance and other entitlements	5,861	4,725
<b>Total current provisions for employee benefits</b>	<b>103,730</b>	<b>97,877</b>
<b>Non-current provisions:</b>		
Conditional long service leave	3,111	3,360
Provision for on-costs	500	543
<b>Total non-current provisions</b>	<b>3,611</b>	<b>3,903</b>
<b>Total provisions for employee benefits</b>	<b>107,341</b>	<b>101,780</b>

## Reconciliation of movement in on-cost provision

	2018 \$'000	2017 \$'000
<b>Carrying amount at the beginning of the year</b>	<b>13,429</b>	<b>13,666</b>
Additional provisions recognised	4,877	4,585
Additions due to transfers in	59	53
Reductions arising from payments/other sacrifices of future economic benefits	(4,142)	(4,077)
Discount rate impact	15	288
Additions/(reductions) from re-measurement or settlement without cost	(254)	(751)
Reduction transfer out	(47)	(335)
<b>Carrying amount at the end of the year</b>	<b>13,937</b>	<b>13,429</b>
<b>Current</b>	<b>13,437</b>	<b>12,886</b>
<b>Non-current</b>	<b>500</b>	<b>543</b>
<b>Total</b>	<b>13,937</b>	<b>13,429</b>

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

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

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

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

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

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

### 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:

#### 4.1.1.3 Superannuation contributions (continued)

	Contributions paid for the reporting period		Contributions outstanding at the end of the reporting period	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
<b>Defined benefit plans:</b>				
State Revised and New Superannuation Schemes	4,633	4,987	84	93
Transport Superannuation Scheme	2,716	2,766	51	52
<b>Defined contribution plans:</b>				
VicSuper	16,103	16,145	301	297
Other	8,460	7,075	164	131
<b>Total superannuation contributions</b>	<b>31,912</b>	<b>30,973</b>	<b>600</b>	<b>573</b>

#### 4.1.2 Grant expenses

	2018 \$'000	2017 \$'000
General purpose grants	4,319	2,175
Payments for specific purposes	93,382	93,981
<b>Total grant expenses</b>	<b>97,701</b>	<b>96,156</b>

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

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

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



#### 4.1.3 Other operating expenses

	2018 \$'000	2017 \$'000
<b>Supplies and services:</b>		
Contractor Services	707,479	1,133,345
Management and operating	99,540	108,853
Public Private Partnerships maintenance and operation	8,234	9,327
Services alterations	1,923	5,713
<b>Operating lease rental expenses:</b>		
Property	14,035	12,665
Plant	16,133	11,928
Motor vehicle	4,971	4,794
<b>Total other operating expenses</b>	<b>852,315</b>	<b>1,286,625</b>

**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.

The significant decrease in contractor services in 2018 is due to a reduction in expenditure associated with level crossing removal projects undertaken by the Corporation on behalf of the Level Crossing Removal Authority. These projects are now being directly managed by that Authority.

**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.

### Structure ..... Page

5.1 Property, plant and equipment.....	66
5.1.1 Buildings and leasehold improvement assets .....	68
5.1.2 Plant and equipment .....	70
5.1.3 Land .....	70
5.1.4 Infrastructure assets .....	73
5.2 Intangible assets .....	76
5.2.1 Carrying value of intangible assets .....	76
5.2.2 Reconciliation of movements in carrying value of intangible assets .....	76
5.3 Depreciation and impairment .....	78
5.3.1 Depreciation and amortisation charge for the reporting period.....	78
5.3.2 Useful lives .....	79
5.3.3 Impairment.....	80

## 5.1 Property, plant and equipment

	Gross carrying amount		Accumulated depreciation		Accumulated impairment		Net carrying amount	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Buildings and leasehold improvements	55,042	54,175	(3,955)	(2,628)	–	–	51,087	51,547
Plant and equipment	78,720	71,962	(44,113)	(42,409)	(1,993)	(1,272)	32,614	28,281
Land	26,043,516	23,631,188	–	–	–	–	26,043,516	23,631,188
Infrastructure assets <sup>(i) (ii)</sup>	48,873,538	47,177,109	(19,800,109)	(19,186,078)	(332,543)	(159,931)	28,740,886	27,831,100
<b>Total property, plant and equipment at fair value</b>	<b>75,050,816</b>	<b>70,934,434</b>	<b>(19,848,177)</b>	<b>(19,231,115)</b>	<b>(334,536)</b>	<b>(161,203)</b>	<b>54,868,103</b>	<b>51,542,116</b>

(i) Infrastructure assets comprise completed and under construction assets

(ii) Of the balance in 'infrastructure assets', \$556 million [\$565.5 million in 2017] is attributable to assets contracted under Public Private Partnership arrangements.

## Classification

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

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

**Buildings and leasehold improvements** comprise offices, residential properties, storage depots and patrol garages on freehold land, buildings on land acquired for future public roads, and leasehold buildings and improvements on Crown and leased land.

**Plant and equipment** comprises office fit outs, furnishings and fittings, computers, and other technical equipment.

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

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

## Initial recognition

With the exception of land under roads acquired prior to 1 July 2008, all property, plant and equipment assets are measured initially at cost and subsequently measured at fair value less accumulated depreciation and impairment, in accordance with *Financial Reporting Direction 103F Non-Financial Physical Assets*.

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

Where an asset is acquired for no or nominal cost, cost is deemed to be its fair value at the date of acquisition.

Assets transferred as part of a machinery of government change are transferred at their carrying amount.

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

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

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

## Subsequent measurement

Property, plant and equipment assets are measured at fair value with regard to the asset's highest and best use from the perspective of market participants, taking into account any legal, financial or physical restrictions imposed on the use or sale of the asset. Fair value is determined as market value, or in the absence of a market value, depreciated replacement cost. Additional information in relation to the fair value determination of property, plant and equipment is included in *Note 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 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 103F Non-Financial Physical Assets*.

The Valuer-General Victoria is the Government's independent valuation agency and is used by the Corporation to conduct these scheduled revaluations. Certain infrastructure assets are revalued using specialised advisors.

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

The Corporation, in conjunction with Valuer-General Victoria, monitors changes in the fair value of each asset class through relevant data sources, in order to determine whether a revaluation is required. A review undertaken during the reporting period indicated that a material change had occurred in respect of land assets and consequently, an interim managerial revaluation was undertaken of this class as at 30 June 2018.

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

- Buildings, leasehold improvements and land in commercial use were independently valued by the Valuer-General Victoria as at 30 June 2015.
- Infrastructure and leased infrastructure assets were valued using replacement cost unit rates independently assessed by the Valuer-General Victoria as at 30 June 2015.
- Land under roads was independently valued by the Valuer-General Victoria as at 30 June 2015 and subject to a managerial revaluation as at 30 June 2017 and 30 June 2018 based on an assessment by the Valuer-General Victoria.
- Land for operations and land acquired for future public roads were revalued as at 30 June 2015 and subject to a managerial revaluation as at 30 June 2017 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	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Buildings operational at fair value	12,841	12,841	(963)	(642)	11,878	12,199
Buildings on land acquired for future public roads at fair value	27,388	26,521	(1,881)	(1,245)	25,507	25,276
Leasehold improvements at fair value	14,813	14,813	(1,111)	(741)	13,702	14,072
<b>Total buildings and leasehold improvements</b>	<b>55,042</b>	<b>54,175</b>	<b>(3,955)</b>	<b>(2,628)</b>	<b>51,087</b>	<b>51,547</b>

#### 5.1.1.2 Reconciliation of movements in carrying value of buildings and leasehold assets

	Buildings operational	Buildings on land acquired for future public roads	Leasehold improvements	Total
	2018 \$'000	2018 \$'000	2018 \$'000	2018 \$'000
<b>Reconciliation</b>				
<b>Carrying amount at the beginning of the year</b>	<b>12,199</b>	<b>25,276</b>	<b>14,072</b>	<b>51,547</b>
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
<b>Carrying amount at the end of the year</b>	<b>11,878</b>	<b>25,507</b>	<b>13,702</b>	<b>51,087</b>

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

## 5.1.2 Plant and equipment

### 5.1.2.1 Carrying value of plant and equipment

	2018 \$'000	2017 \$'000
<b>Gross carrying amount</b>	<b>78,720</b>	<b>71,962</b>
Accumulated depreciation	(44,113)	(42,409)
Accumulated impairment	(1,993)	(1,272)
<b>Net carrying amount</b>	<b>32,614</b>	<b>28,281</b>

### 5.1.2.2 Reconciliation of movements in carrying value of plant and equipment

	2018 \$'000	2017 \$'000
<b>Reconciliation</b>		
<b>Carrying amount at the beginning of the year</b>	<b>28,281</b>	<b>22,273</b>
Acquisitions	11,112	10,977
Depreciation expense	(5,847)	(4,545)
Disposals	(144)	(99)
Impairment expense	(788)	(325)
<b>Carrying amount at the end of the year</b>	<b>32,614</b>	<b>28,281</b>

## 5.1.3 Land

### 5.1.3.1 Carrying value of land

	2018 \$'000	2017 \$'000
Land for operations at fair value	46,851	42,987
Land acquired for future public roads at fair value	1,586,870	1,472,445
Land under declared roads at fair value	24,332,006	22,036,496
Land in commercial use at fair value	77,789	79,260
<b>Total land</b>	<b>26,043,516</b>	<b>23,631,188</b>

### 5.1.3.2 Reconciliation of movements in carrying value of land

	Land for operations	Land acquired for future public roads	Land under declared roads	Land in commercial use	Total
	2018 \$'000	2018 \$'000	2018 \$'000	2018 \$'000	2018 \$'000
<b>Reconciliation</b>					
<b>Carrying amount at the beginning of the year</b>	<b>42,987</b>	<b>1,472,445</b>	<b>22,036,496</b>	<b>79,260</b>	<b>23,631,188</b>
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 <sup>(i)</sup>	–	(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)
<b>Carrying amount at the end of the year</b>	<b>46,851</b>	<b>1,586,870</b>	<b>24,332,006</b>	<b>77,789</b>	<b>26,043,516</b>



### 5.1.3.2 Reconciliation of movements in carrying value of land (continued)

	Land for operations	Land acquired for future public roads	Land under declared roads	Land in commercial use	Total
	2017 \$'000	2017 \$'000	2017 \$'000	2017 \$'000	2017 \$'000
<b>Reconciliation</b>					
<b>Carrying amount at the beginning of the year</b>	<b>38,136</b>	<b>1,204,279</b>	<b>17,811,450</b>	<b>45,074</b>	<b>19,098,939</b>
Acquisitions	–	55,557	–	–	55,557
Asset register adjustments	–	(335)	–	–	(335)
Assets transferred to other entities as contributed capital	–	(26,150)	–	–	(26,150)
Disposals	–	(2,007)	–	–	(2,007)
Assets transferred to Victorian Government as contributed capital <sup>(i)</sup>	–	(9,176)	–	–	(9,176)
Revaluation Increment/ (decrement)	4,851	260,195	4,221,389	34,186	4,520,621
Transfers from/(to) land under declared roads	–	(3,657)	3,657	–	–
Transfers from/(to) properties held for sale	–	(6,261)	–	–	(6,261)
<b>Carrying amount at the end of the year</b>	<b>42,987</b>	<b>1,472,445</b>	<b>22,036,496</b>	<b>79,260</b>	<b>23,631,188</b>

(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	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Road pavements	28,018,531	27,644,812	(15,364,323)	(14,896,278)	(326,844)	(154,393)	12,327,364	12,594,141
Earthworks	8,185,315	8,107,504	–	–	–	–	8,185,315	8,107,504
Sound barriers	608,643	595,928	(202,134)	(185,548)	–	–	406,509	410,380
Bridges	8,633,260	8,505,469	(3,537,580)	(3,441,261)	(5,699)	(5,538)	5,089,981	5,058,670
Traffic signal control systems	1,045,942	938,091	(696,072)	(662,991)	–	–	349,870	275,100
<b>Subtotal</b>	<b>46,491,691</b>	<b>45,791,804</b>	<b>(19,800,109)</b>	<b>(19,186,078)</b>	<b>(332,543)</b>	<b>(159,931)</b>	<b>26,359,039</b>	<b>26,445,795</b>
Assets under construction at cost	2,381,847	1,385,305	–	–	–	–	2,381,847	1,385,305
<b>Total assets under construction at cost</b>	<b>2,381,847</b>	<b>1,385,305</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>2,381,847</b>	<b>1,385,305</b>
<b>Total infrastructure assets<sup>(i)</sup></b>	<b>48,873,538</b>	<b>47,177,109</b>	<b>(19,800,109)</b>	<b>(19,186,078)</b>	<b>(332,543)</b>	<b>(159,931)</b>	<b>28,740,886</b>	<b>27,831,100</b>

(i) Of the balance in 'infrastructure assets', \$556.0 million [\$565.5 million in 2017] is attributable to assets contracted under Public Private Partnership arrangements.

#### 5.1.4.2 Reconciliation of movements in carrying value of infrastructure assets

	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
<b>Reconciliation</b>							
<b>Carrying amount at the beginning of the year</b>	<b>12,594,141</b>	<b>8,107,504</b>	<b>410,380</b>	<b>5,058,670</b>	<b>275,100</b>	<b>1,385,305</b>	<b>27,831,100</b>
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)
<b>Carrying amount at the end of the year</b>	<b>12,327,364</b>	<b>8,185,315</b>	<b>406,509</b>	<b>5,089,981</b>	<b>349,870</b>	<b>2,381,847</b>	<b>28,740,886</b>

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

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

## 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.

### 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 \$35 million to be fully amortised by 2028
- Freeway management systems with a carrying value of \$13 million to be fully amortised by 2026

#### 5.2.1 Carrying value of intangible assets

	Gross carrying amount		Accumulated amortisation		Net carrying amount	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Software at cost	170,938	168,029	(107,832)	(105,595)	63,106	62,434
Work in progress at cost	13,588	18,271	–	–	13,588	18,271
Water rights at cost	931	931	–	–	931	931
<b>Total intangible assets</b>	<b>185,457</b>	<b>187,231</b>	<b>(107,832)</b>	<b>(105,595)</b>	<b>77,625</b>	<b>81,636</b>

## 5.2.2 Reconciliation of movements in carrying value of intangible assets

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

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

## 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

	2018 \$'000	2017 \$'000
<b>Depreciation and amortisation</b>		
Buildings and leasehold improvements	1,365	1,342
Plant and equipment	5,847	4,545
Infrastructure assets <sup>(i)</sup>		
Road pavements	467,733	461,252
Sound barriers	16,586	16,380
Bridges	94,040	93,231
Traffic signal control systems	33,882	31,922
Intangible assets	12,978	13,648
<b>Total depreciation and amortisation</b>	<b>632,431</b>	<b>622,320</b>

(i) Of the amounts included in 'infrastructure assets' \$9.4 million [\$9.4 million in 2017] 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
<b>Infrastructure asset</b>	
Road pavements	60 years
Sound barriers	20 and 50 years
Bridges	90 years
Traffic control systems	7 to 25 years
<b>Buildings</b>	
Operational	40 years
Improvements on land acquired for roads	40 years
<b>Plant and equipment</b>	
Computers and computer systems	4 to 10 years
Plant and Technical equipment	5 to 13 years
Office machines and equipment	5 years
Audio visual and photographic	4 to 5 years
Furniture, fittings and fit-outs	10 years
Weighbridges	40 years
<b>Intangible assets</b>	
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.

## 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.

### Structure ..... Page

6.1 Receivables .....	81
6.1.1 Movement in the provision for doubtful debts .....	82
6.1.2 Ageing analysis of contractual receivables .....	83
6.2 Non-financial physical assets classified as held for sale .....	84
6.3 Payables .....	84
6.3.1 Maturity analysis of contractual payables <sup>(i)</sup> .....	85
6.4 Unearned Income .....	86
6.5 Other provisions .....	86
6.5.1 Reconciliation of movements in other provisions .....	87

### 6.1 Receivables

	2018 \$'000	2017 \$'000
<b>Current receivables</b>		
<b>Contractual</b>		
Sale of goods and services	105,345	35,271
Loans	1,640	263
Other receivables	82,467	72,145
Provision for doubtful debts	(2,864)	(1,109)
<b>Statutory</b>		
Amounts owing from the Victorian Government	610,387	487,029
Goods and Services Tax input tax credit recoverable	(343)	8,827
<b>Total current receivables</b>	<b>796,632</b>	<b>602,426</b>
<b>Non-current receivables</b>		
<b>Contractual</b>		
Compensation payments recoverable	77,793	76,898
Loans	6,220	7,860
<b>Total non-current receivables</b>	<b>84,013</b>	<b>84,758</b>
<b>Aggregate carrying amount of receivables</b>		
Current	796,632	602,426
Non-current	84,013	84,758
<b>Total receivables</b>	<b>880,645</b>	<b>687,184</b>

Receivables consist of:

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

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

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

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

### 6.1.1 Movement in the provision for doubtful debts

	2018 \$'000	2017 \$'000
<b>Balance at beginning of the year</b>	<b>(1,109)</b>	<b>(1,182)</b>
Amounts written off during the year	–	50
Decrease/(increase) in allowance recognised in the net result	(1,755)	23
<b>Balance at the end of the year</b>	<b>(2,864)</b>	<b>(1,109)</b>

#### Doubtful debts

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

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

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

### 6.1.2 Ageing analysis of contractual receivables

	Carrying amount 2018 \$'000	Not past due and not impaired 2018 \$'000	Past due but not impaired				Impaired financial assets 2018 \$'000
			Less than 1 month 2018 \$'000	1–3 months 2018 \$'000	3–12 months 2018 \$'000	1–5 years 2018 \$'000	
Receivables							
Sale of goods and services	102,481	80,989	7,578	3,127	8,854	4,797	2,864
Other receivables	82,467	82,467	–	–	–	–	–
Compensation payments recoverable	77,793	77,793	–	–	–	–	–
Loans	7,860	7,860	–	–	–	–	–
Total	270,601	249,109	7,578	3,127	8,854	4,797	2,864

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

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

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

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

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

## 6.2 Non-financial physical assets classified as held for sale

Reconciliation	2018 \$'000	2017 \$'000
<b>Carrying amount at the beginning of the year</b>	<b>17,771</b>	<b>14,382</b>
Transfers from/(to) land	21,774	6,261
Transfers from buildings	(361)	360
Assets transferred to Victorian Government as contributed capital <sup>(i)</sup>	(7,225)	(3,077)
Disposals	(5,805)	(155)
<b>Carrying amount at the end of the year</b>	<b>26,154</b>	<b>17,771</b>

(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	2018 \$'000	2017 \$'000
<b>Current payables</b>		
<b>Contractual</b>		
Creditors and accruals	360,582	251,790
Amounts Payable to Victorian Government, government agencies and other entities	18,054	17,185
<b>Statutory</b>		
Amounts Payable to Victorian Government, government agencies and other entities	21,957	19,114
<b>Total current payables</b>	<b>400,593</b>	<b>288,089</b>

Payables consist of:

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

Contractual payables are classified as financial instruments and measured at amortised cost.

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

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

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

### 6.3.1 Maturity analysis of contractual payables<sup>(i)</sup>

	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	–	–	–
<b>Total contractual payables</b>	<b>378,636</b>	<b>378,636</b>	<b>358,167</b>	<b>20,469</b>	<b>–</b>	<b>–</b>	<b>–</b>

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

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

## 6.4 Unearned Income

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.

	2018 \$'000	2017 \$'000
Current liability	24,107	20,959
Non-current liability	12,948	13,553
<b>Total unearned income</b>	<b>37,055</b>	<b>34,512</b>

## 6.5 Other provisions

	2018 \$'000	2017 \$'000
<b>Current provisions</b>		
Contractor retentions and other provisions	16,982	38,806
Property acquisition liabilities	58,833	74,826
Compensation payable to property owners	101,365	63,408
<b>Total current provisions</b>	<b>177,180</b>	<b>177,040</b>
<b>Non-current provisions</b>		
Contractor retentions and other provisions	2,050	1,599
Property acquisition liabilities	18,114	2,442
Compensation payable to property owners	47,588	637
<b>Total non-current provisions</b>	<b>67,752</b>	<b>4,678</b>
<b>Total other provisions</b>	<b>244,932</b>	<b>181,718</b>

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

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation.

Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows, using a discount rate that reflects the time value of money and risks specific to the provision.

### Contractor retentions and other provisions

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

The reduction in contractor retentions and other provisions is principally due to the reversal of a provision for land tax amounting to \$22.0 million, following agreement of the Victorian Treasurer to provide the Corporation with ex-gratia relief for its prior year obligations.

### 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. The increase in the provision for compensation payable to property owners in 2017–18, is principally due to claims by landowners impacted by a planning acquisition overlay covering a future Outer Metropolitan Ring Road.

## 6.5.1 Reconciliation of movements in other provisions

	Contractor retentions and other provisions 2018 \$'000	Property acquisition provision 2018 \$'000	Compensation payable to property owners 2018 \$'000	Total 2018 \$'000
<b>Opening balance</b>	<b>40,405</b>	<b>77,268</b>	<b>64,045</b>	<b>181,718</b>
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)
<b>Closing balance</b>	<b>19,033</b>	<b>76,947</b>	<b>148,953</b>	<b>244,933</b>

	Contractor retentions and other provisions 2017 \$'000	Property acquisition provision 2017 \$'000	Compensation payable to property owners 2017 \$'000	Total 2017 \$'000
<b>Opening balance</b>	<b>27,644</b>	<b>40,123</b>	<b>12,223</b>	<b>79,990</b>
Additional provisions recognised	20,825	64,086	61,066	145,977
Reductions arising from payments/other sacrifices of future economic benefits	(7,251)	(17,042)	(720)	(25,013)
Additions/(reductions) from re-measurement or settlement without cost	(813)	(9,899)	(8,524)	(19,236)
<b>Closing balance</b>	<b>40,405</b>	<b>77,268</b>	<b>64,045</b>	<b>181,718</b>



## 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 disclosures 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.

Structure .....	Page
7.1 Borrowings .....	88
7.1.1 Maturity analysis of borrowings .....	89
7.1.2 Interest expense.....	89
7.2 Leases .....	89
7.2.1 Finance lease liabilities (Corporation as lessee) .....	89
7.2.2 Operating leases (Corporation as lessee) .....	91
7.3 Cash flow information .....	91
7.3.1 Cash balances .....	91
7.3.2 Reconciliation of net result for the reporting period to cash flow from operating activities .....	92
7.3.3 Non-cash financing and investing activities .....	92
7.4 Commitments for expenditure .....	93
7.4.1 Total commitments payable .....	93
7.4.2 Public Private Partnership commitments .....	94

### 7.1 Borrowings

	Notes	2018 \$'000	2017 \$'000
<b>Current borrowings</b>			
Public Private Partnership related finance lease liabilities <sup>(i)</sup>	7.2.1	20,493	19,022
<b>Total current borrowings</b>		<b>20,493</b>	<b>19,022</b>
<b>Non-current borrowings</b>			
Public Private Partnership related finance lease liabilities <sup>(i)</sup>	7.2.1	700,720	721,213
<b>Total non-current borrowings</b>		<b>700,720</b>	<b>721,213</b>
<b>Total borrowings</b>		<b>721,213</b>	<b>740,235</b>

(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 borrowings

	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
<b>Total</b>	<b>721,213</b>	<b>1,687,262</b>	<b>–</b>	<b>–</b>	<b>75,989</b>	<b>394,626</b>	<b>1,216,647</b>

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

### 7.1.2 Interest expense

	2018 \$'000	2017 \$'000
Interest on public private partnership finance leases	82,925	85,129
<b>Total interest expense</b>	<b>82,925</b>	<b>85,129</b>

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 infrastructure leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership from the lessor to the lessee. All other leases are classified as operating leases.

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

### 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 commitment 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 for Public Infrastructure projects.

Under the contract with Southern Way Pty Ltd, service payments to be paid by the State of Victoria relating to the design and construction of Peninsula Link, represent the minimum lease payments over a 25 year period. These service payments were agreed at the inception of the contract and are not subject to variation during the project term. There is no contingent rent payable under the contract. The discount rate implicit in the contract is 11.31%, (2017: 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 2018 \$'000	Nominal Value 2017 \$'000	Present Value 2018 \$'000	Present Value 2017 \$'000
<b>Minimum future lease payments <sup>(i)</sup></b>				
Not longer than 1 year	101,221	101,946	20,493	19,022
Longer than 1 year but not longer than 5 years	393,283	398,341	95,516	90,133
Longer than 5 years	1,192,758	1,288,921	605,204	631,080
<b>Minimum future lease payments</b>	<b>1,687,262</b>	<b>1,789,208</b>	<b>721,213</b>	<b>740,235</b>

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	2018 \$'000	2017 \$'000
<b>Cash relating to operating activities</b>		
Cash on hand	101	106
Cash at bank	10,936	(563)
<b>Total cash relating to operating activities</b>	<b>11,037</b>	<b>(457)</b>
<b>Cash and cash equivalent collections on behalf of the Victorian Government, government agencies and other entities</b>		
Cash at bank	40,715	36,053
Fixed deposits	750	750
<b>Total cash and cash equivalent collections on behalf of the Victorian Government, government agencies and other entities</b>	<b>41,465</b>	<b>36,803</b>
<b>Total cash and cash equivalents</b>	<b>52,502</b>	<b>36,346</b>

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

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

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

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

	2018 \$'000	2017 \$'000
<b>Net result for the reporting period</b>	<b>753,268</b>	<b>110,693</b>
<b>Adjustments for non-cash revenue and expense items</b>		
Depreciation	632,431	622,320
Impairment of non-current assets	788	325
Assets given/(received) free of charge	13,796	18,817
Net loss/(gain) on disposal of non-current assets	1,035	8,231
Loss on de-recognition of non-financial assets	–	3,892
Properties incorporated into roadworks	1,159	118
Asset register adjustments	(14,638)	(431)
<b>Movements in assets and liabilities</b>		
(Increase) decrease in receivables	(210,922)	(123,373)
(Increase) decrease in prepayments	(1,534)	(3,463)
Decrease (increase) in inventories	86	(688)
Increase (decrease) in payables	168,513	3,477
Increase (decrease) in provisions	(15,811)	10,115
Increase (decrease) in prepaid revenue	2,543	3,910
<b>Net cash flows from operating activities</b>	<b>1,330,714</b>	<b>653,943</b>

### 7.3.3 Non-cash financing and investing activities

#### 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 by the Governor in Council on 20 March 2018. The transferred land had a carrying value of \$35.4 million.

In addition, 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.

#### 2017

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

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

### 7.3.3 Non-cash financing and investing activities (continued)

Fair value of net assets allocated	2018 \$'000	2017 \$'000
<b>Assets</b>		
Property	(43,398)	(38,403)
<b>Net assets recognised at the date of allocation</b>	<b>(43,398)</b>	<b>(38,403)</b>

## 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 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
<b>Total Commitments (inclusive of GST)</b>	<b>1,023,327</b>	<b>1,197,871</b>	<b>1,953,316</b>	<b>4,174,514</b>
Less GST Recoverable	(93,030)	(108,897)	(177,574)	(379,501)
<b>Total Commitments (exclusive of GST)</b>	<b>930,297</b>	<b>1,088,974</b>	<b>1,775,742</b>	<b>3,795,013</b>

### 7.4.1 Total commitments payable (continued)

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

### 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 the commitments reflects payments made during the reporting period.

## 7.4.2 Public Private Partnership commitments (continued)

Commissioned Public Private Partnership commitments – Peninsula Link	Nominal Value 2018 \$'000	Nominal Value 2017 \$'000	Present Value 2018 \$'000	Present Value 2017 \$'000
<b>Pavement intervention commitments</b>				
Within one year	45	–	42	–
Later than one year but not later than five years	21,981	22,027	17,920	16,776
Later than five years	77,736	77,736	27,573	25,752
<b>Total Pavement Intervention commitments (inclusive of GST)</b>	<b>99,762</b>	<b>99,763</b>	<b>45,535</b>	<b>42,528</b>
Less GST Recoverable	(9,069)	(9,069)	(4,140)	(3,866)
<b>Total Pavement Intervention commitments (exclusive of GST)</b>	<b>90,693</b>	<b>90,694</b>	<b>41,395</b>	<b>38,662</b>
<b>Operation and maintenance commitments</b>				
Within one year	9,658	9,647	9,021	9,010
Later than one year but not later than five years	57,214	55,175	45,251	43,026
Later than five years	268,025	285,246	110,560	113,446
<b>Total Operation and Maintenance commitments (inclusive of GST)</b>	<b>334,897</b>	<b>350,068</b>	<b>164,832</b>	<b>165,482</b>
Less GST Recoverable	(30,445)	(31,824)	(14,985)	(15,044)
<b>Total Operation and Maintenance commitments (exclusive of GST)</b>	<b>304,452</b>	<b>318,244</b>	<b>149,847</b>	<b>150,438</b>
<b>Total Public Private Partnership commitments (inclusive of GST)</b>	<b>434,659</b>	<b>449,831</b>	<b>210,367</b>	<b>208,010</b>
Less GST Recoverable	(39,513)	(40,893)	(19,124)	(18,910)
<b>Total Public Private Partnership commitments (exclusive of GST)</b>	<b>395,146</b>	<b>408,938</b>	<b>191,243</b>	<b>189,100</b>

### Un-Commissioned public private partnership

On 11 December 2017, the State of Victorian entered into a Western Roads Upgrade Project Deed with the Netflow OSARS (Western) Partnership to deliver the Western Roads Upgrade project.

Under the Project Deed, the Netflow OSARS (Western) Partnership will be responsible for the delivery of eight capital road upgrade projects and a range of initial rehabilitation works to improve the performance of the road network within the project area.

The project also includes improvements to and maintenance of more than 260 kilometres of roads between Footscray and Werribee. A 20-year maintenance phase will commence following the capital upgrade period to ensure improved performance standards are maintained over this period.

Capital works on the Western Roads Upgrade project commenced in 2018 and will be completed in stages with all eight projects to be completed by 2021. The capital component of the project deed comprising the eight road upgrade projects and initial rehabilitation works, will be accounted for as a finance lease upon completion these projects in 2021.

The future commitments for various components of the project deed are set out in the table below.



## 7.4.2 Public Private Partnership commitments (continued)

Uncommissioned Public Private Partnership commitments – Western Roads Upgrade	Nominal Value 2018 \$'000	Nominal Value 2017 \$'000	Present Value 2018 \$'000	Present Value 2017 \$'000
<b>Base maintenance commitments</b>				
Within one year	32,750	–	31,784	–
Later than one year but not later than five years	79,833	–	73,002	–
Later than five years	365,912	–	248,529	–
<b>Total Base maintenance commitments (inclusive of GST)</b>	<b>478,495</b>	<b>–</b>	<b>353,315</b>	<b>–</b>
Less GST Recoverable	(43,500)	–	(32,120)	–
<b>Total Base maintenance commitments (exclusive of GST)</b>	<b>434,995</b>	<b>–</b>	<b>321,195</b>	<b>–</b>
<b>Base lifecycle commitments</b>				
Within one year	–	–	–	–
Later than one year but not later than five years	61,396	–	54,879	–
Later than five years	401,645	–	274,190	–
<b>Total Base lifecycle commitments (inclusive of GST)</b>	<b>463,041</b>	<b>–</b>	<b>329,069</b>	<b>–</b>
Less GST Recoverable	(42,095)	–	(29,915)	–
<b>Total Base lifecycle commitments (exclusive of GST)</b>	<b>420,946</b>	<b>–</b>	<b>299,154</b>	<b>–</b>
<b>Minimum future lease payments</b>				
Not longer than 1 year	–	–	–	–
Longer than 1 year but not longer than 5 years	403,478	–	296,505	–
Longer than 5 years	734,464	–	465,467	–
<b>Minimum future lease payments</b>	<b>1,137,942</b>	<b>–</b>	<b>761,972</b>	<b>–</b>
<b>Total Un-Commissioned Public Private Partnership commitments (inclusive of GST)</b>	<b>2,079,478</b>	<b>–</b>	<b>1,444,356</b>	<b>–</b>
Less GST Recoverable	(85,595)	–	(62,035)	–
<b>Total Un-Commissioned Public Private Partnership commitments (exclusive of GST)</b>	<b>1,993,883</b>	<b>–</b>	<b>1,382,321</b>	<b>–</b>

## 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.....	97
8.1.1 Financial instruments: Categorisation .....	98
8.1.2 Financial risk management objectives and policies .....	99
8.2 Contingent assets and contingent liabilities .....	104
8.3 Fair value determination .....	105
8.3.1 Fair value determination of financial assets and liabilities .....	106
8.3.2 Fair value determination: Non-financial physical assets .....	107
8.3.3 Description of significant unobservable inputs to level 3 valuations .....	114

### 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*.

#### Categories of financial instruments

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

The Corporation recognises the following assets in this category:

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

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

The Corporation recognises the following liabilities in this category:

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

### Impairment of financial assets

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

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

#### 8.1.1 Financial instruments: Categorisation

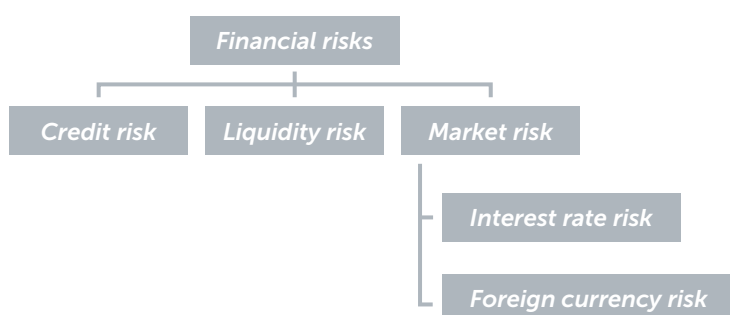
	Notes	Contractual financial assets – loans and receivables 2018 \$'000	Contractual financial liabilities at amortised cost 2018 \$'000	Total 2018 \$'000
<b>Contractual financial assets</b>				
Cash and cash equivalent	7.3.1	11,037		11,037
Sale of goods and services	6.1	270,601		270,601
<b>Total contractual financial assets</b>		<b>281,638</b>		<b>281,638</b>
<b>Contractual financial liabilities</b>				
<b>Payables</b>	6.3			
Creditors and accruals			360,582	360,582
Victorian Government, government agencies and other entities			18,054	18,054
<b>Interest Bearing Liabilities</b>				
Finance lease liabilities	7.1		721,213	721,213
<b>Total contractual financial liabilities</b>			<b>1,099,849</b>	<b>1,099,849</b>

### 8.1.1 Financial instruments: Categorisation (continued)

	Notes	Contractual financial assets – loans and receivables 2017 \$'000	Contractual financial liabilities at amortised cost 2017 \$'000	Total 2017 \$'000
<b>Contractual financial assets</b>				
Cash and cash equivalent	7.3.1	(457)		(457)
Sale of goods and services	6.1	191,328		191,328
<b>Total contractual financial assets</b>		<b>190,871</b>		<b>190,871</b>
<b>Contractual financial liabilities</b>				
<b>Payables</b>	6.3			
Creditors and accruals			251,790	251,790
Victorian Government, government agencies and other entities			17,185	17,185
<b>Interest Bearing Liabilities</b>				
Finance lease liabilities	7.1		740,235	740,235
<b>Total contractual financial liabilities</b>			<b>1,009,210</b>	<b>1,009,210</b>

### 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 counter party resulting in financial loss to the Corporation. Credit risk is measured at fair value and is monitored on a regular basis.

Credit risk associated with the Corporation's contractual financial assets is minimal as the main debtor is the Victorian Government.

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

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

Except as otherwise detailed in the following table, the carrying amount of contractual financial assets recorded in the financial statements, net of any allowances for losses, represents the Corporation's maximum exposure to credit risk without taking account of the value of any collateral obtained.

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

#### Credit quality of contractual financial assets that are neither past due nor impaired <sup>(i)</sup>

	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
Cash and cash equivalents	–	10,936	101	11,037
Sale of goods and services	116,523	–	154,078	270,601
<b>Total contractual financial assets</b>	<b>116,523</b>	<b>10,936</b>	<b>154,179</b>	<b>281,638</b>

	Government Agencies (min triple B credit rating) 2017 \$'000	Other (min triple B credit rating) 2017 \$'000	Other (non rated) 2017 \$'000	Total 2017 \$'000
Cash and cash equivalents	–	(563)	106	(457)
Sale of goods and services	100,678	–	90,650	191,328
<b>Total contractual financial assets</b>	<b>100,678</b>	<b>(563)</b>	<b>90,756</b>	<b>190,871</b>

(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 +1% or -1% 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 1% increase/decrease in interest rates would not have a material impact on the Corporation's net result.

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

#### Interest rate exposure of financial instruments

	Weighted average effective interest rate 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

## Interest rate exposure of financial instruments (continued)

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

## 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

	2018 \$'000	2017 \$'000
<b>Contingent assets</b>		
Pending insurance claims associated with damage caused to Corporation assets	15,500	10,000
Recovery of legal expenses	3,090	7,090
<b>Total contingent assets</b>	<b>18,590</b>	<b>17,090</b>

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

	2018 \$'000	2017 \$'000
<b>Contingent liabilities</b>		
Contract claims against the Corporation for variations to contracts. In a number of cases, the Corporation is contesting the associated claims.	7,039	7,399
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.	6,227	8,384
<b>Total contingent liabilities</b>	<b>13,266</b>	<b>15,783</b>

Contingent liabilities are:

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

### Non-quantifiable contingent assets and liabilities.

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

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

### Fair value hierarchy

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

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

The levels in the fair value hierarchy are as follows:

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

The Corporation determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation, based on the lowest level input that is significant to the fair value measurement as a whole, at the end of each reporting period.

There have been no transfers between levels during the reporting period.

### Disclosures

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

- the carrying amount and the fair value (which is the same for those assets measured at fair value);
- the level of the fair value hierarchy used to determine the fair value; and
- in respect of those assets and liabilities subject to fair value determination using level 3 inputs:
  - a reconciliation of the movements in fair values during the reporting period; and
  - details of significant unobservable inputs used in the fair value determination.

### 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.

These financial instruments include:

<b>Financial assets</b>
<b>Cash and cash equivalents</b>
<b>Receivables:</b>
Sale of goods and services
Loans to third parties
Other receivables
<b>Financial liabilities</b>
<b>Payables:</b>
Creditors and accruals
Amounts payable to the Victorian government and government agencies
<b>Borrowings</b>
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 2018 \$'000	Fair Value 2018 \$'000	Carrying Amount 2017 \$'000	Fair Value 2017 \$'000
<b>Contractual financial assets</b>					
Cash and cash equivalents	7.3.1	11,037	11,037	(457)	(457)
Sale of goods and services receivables	6.1.2	270,601	270,601	191,328	191,328
<b>Total contractual financial assets</b>		<b>281,638</b>	<b>281,638</b>	<b>190,871</b>	<b>190,871</b>
<b>Contractual financial liabilities</b>					
Payables	6.3.1	378,636	378,636	268,975	268,975
Borrowings	7.1	721,213	721,213	740,235	740,235
<b>Total contractual financial liabilities</b>		<b>1,099,849</b>	<b>1,099,849</b>	<b>1,009,210</b>	<b>1,009,210</b>

### 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 a level 3 fair value measurements.

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

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

### 8.3.2.1 Fair value measurement hierarchy for assets

	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

### 8.3.2.1 Fair value measurement hierarchy for assets (continued)

	Carrying amount as at 30 June 2017 \$'000	Fair value measurement at end of reporting period using:		
		Level 1 \$'000	Level 2 \$'000	Level 3 \$'000
Land at fair value				
Land for operations	42,987	–	42,987	–
Land acquired for future public roads	1,472,445	–	–	1,472,445
Land under declared roads	22,036,496	–	–	22,036,496
Land in commercial use	79,260	–	79,260	–
Total of land at fair value	23,631,188	–	122,247	23,508,941
Buildings at fair value				
Buildings operational	12,199	–	12,199	–
Buildings on land acquired for future public roads	25,276	–	–	25,276
Leasehold improvements	14,072	–	14,072	–
Total of buildings at fair value	51,547	–	26,271	25,276
Plant and equipment at fair value				
Plant and equipment	28,281	–	–	28,281
Total of plant and equipment at fair value	28,281	–	–	28,281
Infrastructure assets at fair value				
Road pavements	12,594,141	–	–	12,594,141
Earthworks	8,107,504	–	–	8,107,504
Sound barriers	410,380	–	–	410,380
Bridges	5,058,670	–	–	5,058,670
Traffic signal control systems	275,100	–	–	275,100
Total of infrastructure assets at fair value	26,445,795	–	–	26,445,795
Total property, plant and equipment	50,156,811	–	148,518	50,008,293

### 8.3.2.2 Reconciliation of Level 3 fair value movements

	Land acquired for future public roads 2018 \$'000	Land under declared roads 2018 \$'000	Buildings on land acquired for future public roads 2018 \$'000	
<b>Opening balance</b>	<b>1,472,445</b>	<b>22,036,496</b>	<b>25,276</b>	
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	
<b>Subtotal</b>	<b>1,427,158</b>	<b>22,061,550</b>	<b>25,507</b>	
<b>Gains or losses recognised in other economic flows – other comprehensive income</b>				
Revaluation Increment/(decrement)	159,712	2,270,456	–	
Impairment adjusted to asset revaluation reserve	–	–	–	
<b>Subtotal</b>	<b>159,712</b>	<b>2,270,456</b>	<b>–</b>	
<b>Closing balance</b>	<b>1,586,870</b>	<b>24,332,006</b>	<b>25,507</b>	

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
<b>28,281</b>	<b>12,594,141</b>	<b>8,107,504</b>	<b>410,380</b>	<b>5,058,670</b>	<b>275,100</b>
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)	–	–	–	–	–
–	–	–	–	–	–
–	–	–	–	–	–
–	–	–	–	–	–
<b>32,614</b>	<b>12,499,816</b>	<b>8,185,315</b>	<b>406,509</b>	<b>5,091,245</b>	<b>349,870</b>
–	–	–	–	–	–
–	(172,452)	–	–	(1,264)	–
–	<b>(172,452)</b>	–	–	<b>(1,264)</b>	–
<b>32,614</b>	<b>12,327,364</b>	<b>8,185,315</b>	<b>406,509</b>	<b>5,089,981</b>	<b>349,870</b>



### 8.3.2.2 Reconciliation of Level 3 fair value movements (continued)

	Land acquired for future public roads 2017 \$'000	Land under declared roads 2017 \$'000	Buildings on land acquired for future public roads 2017 \$'000
<b>Opening balance</b>	<b>1,204,279</b>	<b>17,811,450</b>	<b>25,145</b>
Acquisitions	55,557	–	1,354
Asset register adjustments	(335)	–	–
Assets transferred from other entities	–	–	–
Assets transferred to other entities	–	–	–
Assets transferred to other entities as contributed capital	(26,150)	–	–
Capitalised work in progress	–	–	–
Construction expenditure	–	–	–
Depreciation expense	–	–	(650)
Disposals	(2,007)	–	(95)
Assets transferred to Victorian Government as contributed capital	(9,176)	–	–
Impairment expense	–	–	–
Properties incorporated into declared roads	–	–	(118)
Transfers from/(to) land under declared roads	(3,657)	3,657	–
Transfers from/(to) properties held for sale	(6,261)	–	(360)
<b>Subtotal</b>	<b>1,212,250</b>	<b>17,815,107</b>	<b>25,276</b>
<b>Gains or losses recognised in other economic flows – other comprehensive income</b>			
Revaluation Increment/(decrement)	260,195	4,221,389	–
Impairment adjusted to asset revaluation reserve	–	–	–
<b>Subtotal</b>	<b>260,195</b>	<b>4,221,389</b>	<b>–</b>
<b>Closing balance</b>	<b>1,472,445</b>	<b>22,036,496</b>	<b>25,276</b>

Plant and equipment 2017 \$'000	Road Pavements 2017 \$'000	Earthworks 2017 \$'000	Sound barriers 2017 \$'000	Bridges 2017 \$'000	Traffic signal control systems 2017 \$'000
<b>22,273</b>	<b>12,949,277</b>	<b>8,059,283</b>	<b>426,617</b>	<b>5,082,731</b>	<b>281,644</b>
10,977	–	–	–	–	–
–	3,272	(1,619)	–	(3,680)	2,793
–	4,394	623	–	1,760	–
–	(13,881)	(6,008)	–	(4,293)	(1,412)
–	–	–	–	–	–
–	177,040	55,225	143	75,735	17,137
–	–	–	–	617	6,860
(4,545)	(461,252)	–	(16,380)	(93,231)	(31,922)
(99)	–	–	–	(691)	–
–	–	–	–	–	–
(325)	–	–	–	–	–
–	–	–	–	–	–
–	–	–	–	–	–
–	–	–	–	–	–
<b>28,281</b>	<b>12,658,850</b>	<b>8,107,504</b>	<b>410,380</b>	<b>5,058,948</b>	<b>275,100</b>
–	–	–	–	–	–
–	(64,709)	–	–	(278)	–
–	<b>(64,709)</b>	–	–	<b>(278)</b>	–
<b>28,281</b>	<b>12,594,141</b>	<b>8,107,504</b>	<b>410,380</b>	<b>5,058,670</b>	<b>275,100</b>

### 8.3.3 Description of significant unobservable inputs to level 3 valuations

Classification	Valuation technique	Significant unobservable inputs
<b>Land</b>		
Land acquired for future public roads	Market approach	Community services obligation adjustment
Land under declared roads	Market approach	Community services obligation adjustment
<b>Buildings</b>		
Buildings on land acquired for future public roads	Depreciated replacement cost	Direct cost per square metre Useful life
<b>Plant and equipment</b>		
Furniture, fittings, computers and other technical equipment	Depreciated replacement cost	Cost per unit Useful life
<b>Infrastructure Assets</b>		
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 2017.

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 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	–
<b>Total properties held for sale</b>	<b>26,154</b>	<b>–</b>	<b>26,154</b>	<b>–</b>

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

There have been no transfers between levels during the period. 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.

Structure .....	Page
9.1 Administered items .....	115
9.1.1 Income collections.....	115
9.1.2 Private provision of public infrastructure .....	115
9.2 Transactions administered on behalf of the State of Victoria .....	117
9.3 Collections on behalf of other government agencies .....	118
9.4 Administered contingent assets .....	118

### 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, 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 City Link

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

The State of Victoria and CityLink Melbourne Limited (CML) amongst others, entered into the Melbourne City Link Concession Deed on 30 October 1995. Under the terms of the Concession Deed, CML is responsible for the construction, financing and operation of the City Link road network during the concession period that, under the contractual arrangements existing as at 30 June 2018, will expire on 14 January 2035.

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

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

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

The concession notes and related revenues are not recognised as the Corporation's revenue, assets and liabilities. Details of the concession notes and related revenues are disclosed in this note.

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

The Concession Deed provides for CML to lease certain land and road infrastructure from the State of Victoria during the concession period. At the end of this period, the assets are to be returned together with the transfer of the City Link road, to the State of Victoria.

#### 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

	2018 \$'000	2017 \$'000
<b>Administered income from transactions</b>		
<b>Collections on behalf of the State of Victoria</b>		
Registration fees	1,541,818	1,535,382
Driver licences	91,277	109,502
Other fees and permits	66,006	56,951
<b>Total collections on behalf of the State of Victoria</b>	<b>1,699,101</b>	<b>1,701,835</b>
<b>City Link concession notes revenue</b>		
Concession notes revenue	36,517	34,880
<b>Total City Link concession notes revenue</b>	<b>36,517</b>	<b>34,880</b>
<b>Total administered income from transactions</b>	<b>1,735,618</b>	<b>1,736,715</b>
<b>Administered expense from transactions</b>		
City Link concession notes deferred revenue revaluation increment	(31,556)	(30,768)
<b>Total administered expense from transactions</b>	<b>(31,556)</b>	<b>(30,768)</b>
<b>Total administered net result from transactions (net operating balance)</b>	<b>1,704,062</b>	<b>1,705,947</b>
<b>Administered net gain/loss on non-financial assets</b>		
Proceeds from disposal of surplus non-financial assets	8,071	23,800
Written-down value of disposed non-financial assets	(7,996)	(12,253)
<b>Total administered net gain/loss on non-financial assets</b>	<b>75</b>	<b>11,547</b>
<b>Total administered comprehensive result</b>	<b>1,704,137</b>	<b>1,717,494</b>

	2018 \$'000	2017 \$'000
<b>Administered financial assets</b>		
Infrastructure work in progress	57,973	58,015
<b>Total administered assets</b>	<b>57,973</b>	<b>58,015</b>
<b>Administered liabilities</b>		
Present value of City Link unearned revenue	331,169	336,130
City Link Tullamarine widening unearned revenue	249,128	152,593
Unclaimed monies administered on behalf of the State of Victoria	11,988	12,723
<b>Total administered liabilities</b>	<b>592,285</b>	<b>501,446</b>
<b>Total administered net assets / (liabilities)</b>	<b>(534,312)</b>	<b>(443,431)</b>

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

	2018 \$'000	2017 \$'000
<b>Cash flows relating to concession notes</b>		
Goods and Services Tax collected	9,560	9,560
Goods and Services Tax paid to the Australian Taxation Office	(9,560)	(9,560)
<b>Net cash flow</b>	–	–

	2018 \$'000	2017 \$'000
<b>Reconciliation of the present value of deferred City Link revenue</b>		
<b>Present value at beginning of the year</b>	<b>336,130</b>	<b>340,242</b>
Concession notes revenue	(36,517)	(34,880)
Deferred revenue revaluation increment	31,556	30,768
<b>Present value at the end of the year</b>	<b>331,169</b>	<b>336,130</b>

## 9.3 Collections on behalf of other government agencies

	2018 \$'000	2017 \$'000
Transport Accident Charge and related stamp duty (Transport Accident Commission)	2,115,497	2,137,533
Stamp duty (State Revenue Office)	916,577	813,834
Motorboat registrations and licenses (Transport Safety Victoria)	33,802	27,592
Federal interstate registrations (Department of Infrastructure and Regional Development)	34,373	36,932
<b>Total collections on behalf of other government agencies</b>	<b>3,100,249</b>	<b>3,015,891</b>

## 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.

### Structure ..... Page

10.1 Other economic flows included in net result .....	119
10.2 Responsible persons .....	120
10.3 Remuneration of executives .....	121
10.4 Related parties .....	122
10.5 Remuneration of auditors .....	124
10.6 Other accounting policies.....	125
10.7 Subsequent events .....	126
10.8 Australian Accounting Standards issued that are not yet effective .....	127
10.9 Glossary of technical terms .....	130

### 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.

	2018 \$'000	2017 \$'000
<b>Net gain/(loss) on non-financial assets</b>		
Proceeds from disposal of surplus non-financial assets	6,777	3,818
Written-down value of disposed non-financial assets	(7,812)	(12,049)
De-recognised non-financial assets	–	(3,892)
Assets register adjustments	14,638	431
Impairment of assets	(788)	(325)
<b>Total net gain/(loss) on non-financial assets</b>	<b>12,815</b>	<b>(12,017)</b>
<b>Net gain/(loss) on financial instruments</b>		
Bad and doubtful debts	(1,755)	23
<b>Total net gain/(loss) on financial instruments</b>	<b>(1,755)</b>	<b>23</b>
<b>Other gains/(losses) from other economic flows</b>		
Gain/(loss) on revaluation of provision for employee benefits	109	2,049
Gain/(loss) arising from transactions in foreign exchange	30	(48)
<b>Total other gains/(losses) from other economic flows</b>	<b>139</b>	<b>2,001</b>
<b>Total other economic flows included in net result</b>	<b>11,199</b>	<b>(9,993)</b>



### 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 Minister for Finance 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 2017 to 30 June 2018

Accountable Officer:

John Merritt

1 July 2017 to 20 December 2017

Peter Todd

21 December 2017 to 2 March 2018

Kerry Thompson

3 March 2018 to 30 June 2018

### 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:

	2018	2017
John Merritt	\$200,000 – \$210,000	\$430,000 – \$439,000
Peter Todd	\$80,000 – \$90,000	
Kerry Thompson	\$130,000 – \$140,000	

## 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	2018 \$'000	2017 \$'000
Short-term employee benefits	13,749	11,497
Post-employment benefits	1,070	942
Other long-term benefits	576	570
Termination benefits	543	978
<b>Total remuneration</b>	<b>15,938</b>	<b>13,987</b>
<b>Total number of executives</b>	<b>75</b>	<b>70</b>
<b>Total annualised employee equivalents</b>	<b>61.5</b>	<b>53.5</b>

## 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	2018 \$'000	2017 \$'000
Short-term employee benefits	2,762	2,349
Post-employment benefits	187	158
Other long-term benefits	146	80
<b>Total</b>	<b>3,095</b>	<b>2,587</b>

### Significant transactions with government-related entities <sup>(i)</sup>

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	2018 \$'000	2017 \$'000
Transport Accident Commission	Payment of income collected as agent	Agency payments	9.3	2,115,497	2,137,533
		Payables	6.3	14,317	12,671
	Commission received for provision of collection service	Income	3.2	42,979	43,463
	Program funding for delivery of specific projects	Income	3.3	310,137	135,182
		Sale of goods and services receivables	6.1	47,987	40,366
Department of Economic Development, Jobs, Transport and Resources (DEDJTR)	Program funding	Income	3.1	2,046,267	1,412,448
		Contributed capital	Statement of changes in equity	407,908	306,972
		Sale of goods and services receivables	6.1	13,697	487,029
	Transfer of Land	Property, plant and equipment	5.1.3.2	35,402	–
Consolidated Fund	Payment of income collected on behalf of the State of Victoria	Administered payment	9.2	1,699,101	1,701,835
	Payment of income collected as agent for State Revenue Office	Agency payments	9.3	916,577	813,834
	Payment of income collected as agent for Transport Safety Victoria	Agency payments	9.3	33,802	27,592
	Income collected and not paid	Payables	6.3	21,957	19,114
	Land and buildings transferred to administered items as equity	Property, plant and equipment	5.1.3.2 5.1.1.2	–	9,176
		Assets held for sale	6.2	–	3,077
		Contributed capital	Statement of changes in equity	7,996	12,253
	Payment of proceeds from disposal of assets on behalf of the State of Victoria	Administered payments	9.2	8,071	23,800
DEDJTR (Transport Safety Victoria)	Commission received for provision of collection service	Income	3.2	6,113	5,119
DEDJTR (Level Crossing Removal Authority)	Funding for the management of level crossing removal projects	Income	3.3	5,976	638,683
		Sale of goods and services receivables	6.1	15,555	23,914
Department of Treasury and Finance	Capital asset charge for opportunity cost of capital used in service delivery	Expenses	4.1	49,800	49,800
Department of Environment, Land, Water and Planning	Transfer of land	Property, plant and equipment	5.1.3.2	–	26,150

### Transactions with key management personnel and other related parties

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

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

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

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 process is consistent with representatives from other State, Federal and New Zealand transport member organisations. During the 2017–18 financial year, VicRoads provided contributions and subscription fees to Austroads Ltd amounting to \$2.6 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 have not been 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

	2018 \$'000	2017 \$'000
<b>Victorian Auditor-General's Office</b>		
Audit or review of the financial statements	405	396
Other non-audit services <sup>(i)</sup>	–	–
<b>Total auditors' remuneration</b>	<b>405</b>	<b>396</b>

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

## 10.6 Other accounting policies

### **Fair Value of assets provided free of charge**

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

### **Inventories**

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

### **Prepayments**

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

### **Foreign currency balances/transactions**

All foreign currency transactions during the reporting period are brought to account using the exchange rate in effect at the date of the transaction. Foreign monetary items existing at the end of the reporting period are translated at the closing rate on the date of the end of the reporting period.

Non-monetary assets carried at fair value that are denominated in foreign currencies are translated to the functional currency at the rates prevailing at the date when the fair value was determined.

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

### **Contributions by owners**

Consistent with the requirements of Australian Accounting Standard AASB 1004 Contributions, contributions by owners (that is, contributed capital and its repayment) are treated as equity transactions and do not form part of the income and expenses of the Corporation.

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

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

## 10.7 Subsequent events

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

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

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

### Establishment of the Major Road Projects Authority

The Major Road Projects Authority (MRPA) is an Administrative Office within the Department of Economic Development, Jobs, Transport and Resources. The MRPA was established on 1 July 2018 for the purpose of delivering major road projects on behalf of the Crown in right of the State of Victoria.

Consistent with the purpose of the establishment of the MRPA, the Corporation will transfer certain infrastructure construction projects and associated resources to the MRPA after 1 July 2018. This transfer will include the following significant items reported in the Corporation's financial statements:

Item	Value	Reference
Infrastructure assets work in progress	\$1,626 million	Note 5.1.4
Employee benefits provision	\$10 million	Note 4.1.1.2
Uncommissioned PPP commitments	\$2,079 million (including GST where applicable)	Note 7.4.1
Capital expenditure commitments	\$513 million (including GST where applicable)	Note 7.4.1
Other expenditure commitments	\$12 million (including GST where applicable)	Note 7.4.1

In 2017–18 the Corporation recognised \$712.3 million as Victorian Government grants income and \$348.7 million as capital appropriations (as equity) in relation to the projects which will transfer to the MRPA. These amounts will not transfer to the MRPA.

The Corporation and the MRPA have entered into a Memorandum of Understanding which details their agreement to co-operate to effect the transfer to the MRPA of the transferring projects and to facilitate the planning and delivery of MRPA projects, and the subsequent transfer of infrastructure constructed by the MRPA, to VicRoads upon completion.

## 10.8 Australian Accounting Standards issued that are not yet effective

Certain new Australian accounting standards have been published that are not mandatory for the 30 June 2018 reporting period. The Department of Treasury and Finance assesses the impact of these new standards and advises the Corporation of their applicability and early adoption where applicable.

The table below provides a detailed listing of the Australian accounting standards which have been issued but are not yet effective for the 2017–18 reporting period.

### New Accounting Standards and interpretations

Standard/Interpretation	Summary	Applicable for annual reporting periods beginning on	Impact on Corporation's financial statements
<i>AASB 9 Financial Instruments</i> <i>AASB 2014-1 Amendments to Australian Accounting Standards [Part E Financial Instruments]</i> <i>AASB 2014-7 Amendments to Australian Accounting Standards arising from AASB 9</i>	The key changes include simplified requirements for the classification and measurement of financial assets, a new hedging accounting model, and a revised impairment loss model to recognise impairment losses earlier, as opposed to the current approach that recognises impairment only when incurred.	1 January 2018	No material impact on the Corporation's financial statements.
<i>AASB 15 Revenue from Contracts with Customers</i> <i>AASB 2014-5 Amendments to Australian Accounting Standards arising from AASB 15</i> <i>AASB 2016-3 Amendments to Australian Accounting Standards – Clarifications to AASB 15</i>	The core principle of AASB 15 requires an entity to recognise revenue when the entity satisfies a performance obligation by transferring a promised good or service to a customer.	1 January 2019	<p>Revenue recognition changes may result in changes to the timing and amount of revenue recorded in the Corporation's financial statements. Additional disclosures relating to service revenue and contract modifications will also be required.</p> <p>Revenue that was deferred and amortised over a period may now need to be recognised immediately as a transitional adjustment against the opening retained earnings if there are no former performance obligations outstanding.</p>
<i>AASB 2016-8 Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Entities</i>	<p>AASB 2016–8 inserts Australian requirements and authoritative implementation guidance for not-for-profit-entities into AASB 9 and AASB 15.</p> <p>This Standard amends AASB 9 and AASB 15 to include requirements to assist not for-profit entities in applying the respective standards to particular transactions and events.</p>	1 January 2019	<p>This standard clarifies the application of AASB 15 and AASB 9 in a not-for-profit context.</p> <p>No significant impact for the Corporation, other than the impacts identified for AASB 9 and AASB 15 above</p>



Standard/Interpretation	Summary	Applicable for annual reporting periods beginning on	Impact on Corporation's financial statements
<i>AASB 16 Leases</i>	The key changes introduced by AASB 16 include the recognition of most operating leases (which are currently not recognised) on balance sheet.	1 January 2019	<p>The assessment has indicated that most operating leases, with the exception of short term and low value leases will come on to the balance sheet and will be recognised as right of use assets with a corresponding lease liability.</p> <p>In the operating statement, the operating lease expense will be replaced by depreciation expense of the asset and an interest charge.</p>
<i>AASB 1058 Income of Not-for-Profit Entities</i>	<p>AASB 1058 standard will replace the majority of income recognition in relation to government grants and other types of contributions requirements relating to public sector not-for-profit entities, previously in AASB 1004 Contributions.</p> <p>The restructure of administrative arrangement will remain under AASB 1004 and will be restricted to government entities and contributions by owners in a public sector context,</p> <p>AASB 1058 establishes principles for transactions that are not within the scope of AASB 15, where the consideration to acquire an asset is significantly less than fair value to enable not-for-profit entities to further their objective.</p>	1 January 2019	Revenue from capital grants that are provided under an enforceable agreement that have sufficiently specific obligations, will be deferred and recognised as performance obligations are satisfied. As a result, the timing recognition of revenue will change.

Standard/Interpretation	Summary	Applicable for annual reporting periods beginning on	Impact on Corporation's financial statements
AASB 1059 Service Concession Arrangements: Grantors	<p>This standard applies to arrangements that involve an operator providing a public service on behalf of a public sector grantor. It involves the use of a service concession asset and where the operator manages at least some of the public service at its own direction. An arrangement within the scope of this standard typically involves an operator constructing the asset used to provide the public service or upgrading the assets and operating and maintaining the assets for a specified period of time.</p> <p>The State has 2 types of Public Private Partnerships:</p> <ol style="list-style-type: none"> <li>1. Social Infrastructure: A PPP that requires the government to make payments to the operator upon commencement of services: <ul style="list-style-type: none"> <li>• Operator finances and constructs the infrastructure; and</li> <li>• State pays unitary service payments over the term.</li> </ul> </li> <li>2. Economic Infrastructure: A PPP that is based on user pays model: <ul style="list-style-type: none"> <li>• Operator finances and constructs the infrastructure;</li> <li>• State does not pay for the cost of the construction; and</li> <li>• Operator charges asset users and recovers the cost of construction and operation for the term of the contract.</li> </ul> </li> </ol>	1 January 2019	<p>The Corporation has both Social and Economic Public Private Partnership arrangements.</p> <p>For economic infrastructure Public Private Partnership arrangements that were previously not on balance sheet, the standard will require recognition of these arrangements on balance sheet.</p> <p>There will be an impact to the balance sheet if the Corporation is required to record assets and liabilities associated with City Link and Eastlink operations as controlled assets and liabilities.</p>

## 10.9 Glossary of technical terms

### Administered item

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

### Amortisation

Amortisation is the expense which results from the consumption, extraction or use over time of an intangible asset.

### Commitments

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

### Comprehensive result

The comprehensive result is the net result of all items of income and expense recognised for the reporting period. It is the aggregate of the operating result and other comprehensive income.

### Controlled item

Controlled item generally refers to an item where the Corporation has the capacity to benefit from that item in the pursuit of the Corporation's objectives and to deny or regulate the access of others to that benefit.

### Current grants

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

### Depreciation

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

### Effective interest method

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

### Employee benefits expenses

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

### Financial asset

A financial asset is any asset that is:

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

## **Financial instrument**

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

## **Financial liability**

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

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

## **Grants and other transfers**

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

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

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

## **Interest bearing liabilities**

Interest bearing liabilities are related to finance leases.

## **Interest expense**

Costs incurred in connection with the borrowing of funds including the interest component of finance lease repayments.

## **Interest income**

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

## **Net 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.

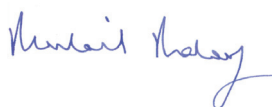
## Accountable Officer's and Chief Financial Officer's Declaration

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

We further state that, in our opinion, the information set out in the comprehensive operating statement, balance sheet, statement of changes in equity, cash flow statement and accompanying notes, presents fairly the financial transactions during the year ended 30 June 2018 and financial position of the Corporation at 30 June 2018.

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 30 August 2018.



Michael Malouf  
Chief Executive  
Roads Corporation  
Melbourne  
30 August 2018



Mark Dale  
Chief Financial Officer  
Roads Corporation  
Melbourne  
30 August 2018

## Independent Auditor's Report

### To the Chief Executive of the Roads Corporation

<b>Opinion</b>	<p>I have audited the financial report of the Roads Corporation (the corporation) which comprises the:</p> <ul style="list-style-type: none"> <li>• balance sheet as at 30 June 2018</li> <li>• comprehensive operating statement for the year then ended</li> <li>• statement of changes in equity for the year then ended</li> <li>• cash flow statement for the year then ended</li> <li>• notes to the financial statements, including significant accounting policies</li> <li>• accountable officer's and chief financial officer's declaration.</li> </ul> <p>In my opinion the financial report presents fairly, in all material respects, the financial position of the corporation as at 30 June 2018 and their financial performance and cash flows for the year then ended in accordance with the financial reporting requirements of Part 7 of the <i>Financial Management Act 1994</i> and applicable Australian Accounting Standards.</p>
<b>Basis for Opinion</b>	<p>I have conducted my audit in accordance with the <i>Audit Act 1994</i> which incorporates the Australian Auditing Standards. I further describe my responsibilities under that Act and those standards in the <i>Auditor's Responsibilities for the Audit of the Financial Report</i> section of my report.</p> <p>My independence is established by the <i>Constitution Act 1975</i>. My staff and I are independent of the corporation in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 <i>Code of Ethics for Professional Accountants</i> (the Code) that are relevant to my audit of the financial report in Victoria. My staff and I have also fulfilled our other ethical responsibilities in accordance with the Code.</p> <p>I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.</p>
<b>Chief Executive's responsibilities for the financial report</b>	<p>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 <i>Financial Management Act 1994</i>, and for such internal control as the Chief Executive determines is necessary to enable the preparation and fair presentation of a financial report that is free from material misstatement, whether due to fraud or error.</p> <p>In preparing the financial report, the Chief Executive is responsible for assessing the 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.</p>

<b>Auditor's responsibilities for the audit of the financial report</b>	<p>As required by the <i>Audit Act 1994</i>, 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.</p> <p>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:</p> <ul style="list-style-type: none"> <li>• 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.</li> <li>• 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</li> <li>• evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Chief Executive</li> <li>• 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.</li> <li>• 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.</li> </ul> <p>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.</p>
---	--

MELBOURNE  
31 August 2018



Simone Bohan  
*as delegate for the Auditor-General of Victoria*



# Disclosure index

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

Legislation	Disclosure required	Page
MINISTERIAL DIRECTIONS & FINANCIAL REPORTING DIRECTIONS		
	Report of operations	
	Charter and purpose	
FRD 22H	Manner of establishment and the relevant Ministers	8
FRD 22H	Purpose, functions, powers and duties	6, 9
FRD 8D	Departmental objectives, indicators and outputs	11
FRD 22H	Key initiatives and projects	12–25
FRD 22H	Nature and range of services provided	9
MANAGEMENT AND STRUCTURE		
FRD 22H	Organisational structure	36–37
FINANCIAL AND OTHER INFORMATION		
FRD 8D	Performance against output performance measures	11
FRD 8D	Budget portfolio outcomes	11
FRD 10A	Disclosure index	136
FRD 12B	Disclosure of major contracts	47
FRD 15D	Executive officer disclosures	34–35
FRD 22H	Employment and conduct principles	42
FRD 22H	Occupational health and safety policy	40
FRD 22H	Summary of the financial results for the year	26
FRD 22H	Significant changes in financial position during the year	26
FRD 22H	Subsequent events	126
FRD 22H	Application and operation of <i>Freedom of Information Act 1982</i>	47
FRD 22H	Compliance with building and maintenance provisions of <i>Building Act 1993</i>	48
FRD 22H	Statement on Competitive Neutrality Policy	48
FRD 22H	Application and operation of the <i>Protected Disclosure Act 2012</i>	48
FRD 22H	Details of consultancies over \$10,000	46
FRD 22H	Details of consultancies under \$10,000	46
FRD 22H	Disclosure of government advertising expenditure	46
FRD 22H	Disclosure of ICT expenditure	47
FRD 22H	Statement of availability of other information	49
FRD 22H	Compliance with the <i>Disability Discrimination Act 2006</i>	50
FRD 25C	Victorian Industry Participation Policy disclosures	45
FRD 29B	Workforce data disclosures	43
COMPLIANCE ATTESTATION AND DECLARATION		
SD 5.1.4	Attestation for compliance with Ministerial Standing Direction	49
SD 5.2.3	Declaration in report of operations	6

FINANCIAL STATEMENTS		
Declaration		
SD 5.2.2	Declaration in financial statements	133
Other requirements under Standing Directions 5.2		
SD 5.2.1(a)	Compliance with Australian accounting standards and other authoritative pronouncements	57, 127, 133
SD 5.2.1(a)	Compliance with Ministerial Directions	49
OTHER DISCLOSURES AS REQUIRED BY FRDS IN NOTES TO THE FINANCIAL STATEMENTS(A)		
FRD 21C	Disclosures of responsible persons and executive officers in the financial report	5, 8, 34–39, 120–122
FRD 103F	Non-financial physical assets	66–79, 84, 106–114, 126
FRD 110A	Cash flow statements	55, 91–92
FRD 112D	Defined benefit superannuation obligations	63–64
(a) References to FRDs have been removed from the Disclosure Index if the specific FRDs do not contain requirements that are of the nature of disclosure.		
LEGISLATION		
<i>Building Act 1993</i>		48
<i>Protected Disclosure Act 2012</i>		48
<i>Victorian Industry Participation Policy Act 2003</i>		45
<i>Financial Management Act 1994</i>		49, 57, 120, 133–134
<i>Audit Act 1994</i>		134
<i>Road Management Act 1994</i>		51
<i>Disability Discrimination Act</i>		50
<i>Freedom of Information Act 1982</i>		47

