

PARLIAMENT OF VICTORIA

Public Accounts and Estimates Committee



2017-18 and 2018-19 Financial and Performance Outcomes General Questionnaire

VicRoads

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Introduction – Financial and Performance Outcomes Questionnaire

The Committee's inquiry into the 2017-18 and 2018-19 Financial and Performance Outcomes examines:

- the Government's actual expenditure and revenue compared to the budgeted expenditure and revenue
- the actual performance outcomes against the targeted performance outcomes at a departmental/agency level.

The inquiry aims to benefit the Parliament and the community by:

- promoting the accountability, transparency and integrity of the executive and the public sector
- encouraging the effective and efficient delivery of public services and assets.

This questionnaire seeks information on the departmental/agency financials for the 2017-18 and 2018-19 financial years, what was achieved during those years and how that compares to expectations.

Timeline and format

Responses to this questionnaire are due by **5.00pm on Thursday 12 December 2019**.

Please email the completed questionnaire (in word and pdf) to paec@parliament.vic.gov.au

Please also email a signed copy.

Consistency with the budget papers

Whenever referring to an initiative/program/project that is referred to in the budget papers, please use the same name as is used in the budget papers. This ensures that the Committee can correlate the information provided by the department with the information in the budget papers.

Basis of consolidation

For departments, please use the same basis of consolidation as was used in the budget papers and in the budget portfolio outcomes statement in the department's annual report.

Guidance

Please contact the secretariat should you require guidance in relation to any questions:

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Section A: Output variances and program outcomes

Question 1 (all departments) Completed initiatives from past budgets

This question does not apply to this entity.

Question 2 (all departments) Program outcomes

This question does not apply to this entity.

Question 3 (all departments) Treasurer's advances and other budget supplementation

This question does not apply to this entity.

Section B: Asset investment

Question 4 (all departments) Capital expenditure variances, completion date and scope changes – existing projects

This question does not apply to this entity.

Question 5 (all departments) Details of actual capital expenditure – completed projects (or expected to be completed)

This question does not apply to this entity.

Question 6 (all departments) High-value high-risk projects, gateway reviews and business cases

This question does not apply to this entity.

Question 7 (all departments) Public Private Partnership (PPP) expenditure – existing and completed

This question does not apply to this entity.

Section C: Revenue and appropriations

Question 8 (all departments and entities) Revenue – variances from previous year

Please explain any changes equal to or greater than $\pm 10\%$ or \$100 million between the actual result for 2017-18 and 2018-19 and the actual result for 2017-18 and 2018-19 for each revenue category detailed in your operating statement. Please also indicate what any additional revenue was used for or how any reduced amounts of revenue affected service delivery and then link it to the relevant output and portfolio.

Please also detail the outcomes in the community¹ achieved by any additional expenses or the impact on the community of reduced expenses (if there was no impact, please explain how that was achieved).

For departments, please provide data consolidated on the same basis as the budget portfolios outcomes statement in your annual reports.

If there were no revenue/income categories for the department/agency for which the 2017-18 and 2018-19 expenditure changed from the prior year's expenditure by more than $\pm 10\%$ or \$100 million, you do not need to answer this question. If this is the case, please indicate 'no relevant line items' in the table(s) below.

2017-18 Response

| Revenue category | 2016-17 actual (\$ million) | 2017-18 actual (\$ million) | Explanations for changes $\pm 10\%$ or \$100 million | How the additional revenue was used/the impact of reduced revenue. If no impact, how was this achieved | Relevant output(s) and portfolio(s) |
|-------------------------------------|-----------------------------|-----------------------------|--|--|-------------------------------------|
| Victorian Government Appropriations | 1,412.5 | 2,046.3 | Increase in the size of the VicRoads delivery program. | Delivery of VicRoads program. | Roads |
| Sale of Goods and services | 236.6 | 246.0 | | | Roads |
| Program contributions | 801.3 | 347.3 | Decrease mainly due to construction projects for level | No impact as LXRA now accountable for level crossing removal works. | Roads |

¹That is, the impact of service delivery on the community rather than a description of the services delivered.

| Revenue category | 2016-17 actual (\$ million) | 2017-18 actual (\$ million) | Explanations for changes $\pm 10\%$ or \$100 million | How the additional revenue was used/the impact of reduced revenue. If no impact, how was this achieved | Relevant output(s) and portfolio(s) |
|--|-----------------------------|-----------------------------|--|--|-------------------------------------|
| | | | crossing removal works now with LXRA. | | |
| Fair value of assets received free of charge | 6.8 | 7.8 | | | Roads |
| Other income | 39.9 | 37.9 | | | Roads |
| Total Revenue | 2,497.1 | 2,685.3 | | | |

2018-19 Response

| Revenue category | 2017-18 actual (\$ million) | 2018-19 actual (\$ million) | Explanations for changes $\pm 10\%$ or \$100 million | How the additional revenue was used/the impact of reduced revenue. If no impact, how was this achieved | Relevant output(s) and portfolio(s) |
|--|-----------------------------|-----------------------------|---|--|-------------------------------------|
| Victorian Government Appropriations | 2,046.3 | 1,256.0 | Decrease in the size of the delivery program following transfer of projects to MRPV. | MRPV now responsible for delivery of major projects. | Roads |
| Sale of Goods and services | 246.0 | 313.2 | Increase mainly due to the provision of services to MRPV. | Provision of services to deliver program works. | Roads |
| Program contributions | 347.3 | 346.9 | | | Roads |
| Fair value of assets received free of charge | 7.8 | 254.4 | City Tullamarine Widening construction assets transferred to VicRoads as assets free of charge. | No impact as this is a non-cash transfer between Administered and Controlled entities. | Roads |
| Other income | 37.9 | 49.3 | | | Roads |
| Total Revenue | 2,685.3 | 2,219.8 | | | |

Question 9 (all departments and entities) Revenue – variances from budget to actual

Please explain any variances equal to or greater than $\pm 10\%$ or \$100 million between the initial budget estimate (not the revised estimate) and the actual result for 2017-18 and 2018-19 for each revenue category detailed in your operating statement. Please also indicate what any additional revenue was used for or how any reduced amounts of revenue affected service delivery and then link it to the relevant output and portfolio.

For departments, please provide data consolidated on the same basis as the budget portfolios outcomes statement in your annual reports.

2017-18 Response

| Revenue category | 2017-18 Budget estimate (\$ million) | 2017-18 actual (\$ million) | Explanations for changes $\pm 10\%$ or \$100 million | How the additional revenue was used/the impact of reduced revenue. If no impact, explain why | Relevant output(s) and portfolio(s) |
|--|--------------------------------------|-----------------------------|---|--|-------------------------------------|
| Victorian Government Appropriations | 1,846.6 | 2,046.3 | Increase in revenue is primarily due to new funding received for Outer Suburban Arterial Roads packages and over expenditure of planning compensation and hardship purchases. | No impact as Outer Suburban Arterial Roads packages now delivered by MRPV. | Roads |
| Sale of Goods and services | 264.1 | 246.0 | N/A | | Roads |
| Program contributions | 279.7 | 347.3 | Increase in revenue is mainly due to acceleration of the Road Safety Strategy 2013-22 and Toward Zero Programs and works delivered on behalf of other government departments. | Additional revenue used to deliver funded programs. | Roads |
| Fair value of assets received free of charge | 0 | 7.8 | Assets received free of charge relate to infrastructure assets and are recognised at their value at the time that | N/A | Roads |

| Revenue category | 2017-18 Budget estimate (\$ million) | 2017-18 actual (\$ million) | Explanations for changes $\pm 10\%$ or \$100 million | How the additional revenue was used/the impact of reduced revenue. If no impact, explain why | Relevant output(s) and portfolio(s) |
|----------------------|--------------------------------------|-----------------------------|--|--|-------------------------------------|
| | | | VicRoads obtains control over the assets. | | |
| Other income | 29.2 | 37.9 | Increase in external revenue for works delivered on behalf of third parties. | Additional revenue used to deliver works on behalf of third parties. | Roads |
| Total Revenue | 2,419.6 | 2,685.3 | | | |

2018-19 Response

| Revenue category | 2018-19 Budget estimate (\$ million) | 2018-19 actual (\$ million) | Explanations for changes $\pm 10\%$ or \$100 million | How the additional revenue was used/the impact of reduced revenue. If no impact, explain why | Relevant output(s) and portfolio(s) |
|-------------------------------------|--------------------------------------|-----------------------------|--|--|-------------------------------------|
| Victorian Government Appropriations | 2,125.8 | 1,256.0 | Reduction is principally due to a decrease in Government appropriations received for investment in major capital projects following the transfer of delivery responsibility for such projects to MRPV. | MRPV now responsible for the delivery of major projects | Roads |
| Sale of Goods and services | 280.7 | 313.2 | Increase is principally due to revenue received for services provided to MRPV. | Provision of services to deliver program works. | Roads |
| Program contributions | 356.8 | 347.0 | N/A | | Roads |

| Revenue category | 2018-19 Budget estimate (\$ million) | 2018-19 actual (\$ million) | Explanations for changes $\pm 10\%$ or \$100 million | How the additional revenue was used/the impact of reduced revenue. If no impact, explain why | Relevant output(s) and portfolio(s) |
|--|--------------------------------------|-----------------------------|--|---|-------------------------------------|
| Fair value of assets received free of charge | 0 | 254.4 | City Tullamarine Widening construction assets transferred to VicRoads as assets free of charge. | No impact as this is a non-cash transfer between Administered and Controlled entities. | Roads |
| Other income | 16.9 | 49.3 | Recovery of flood damage repair costs under insurance policy and increase in revenue for works delivered on behalf of third parties. | Revenue used to repair existing infrastructure assets and deliver works on behalf of third parties. | Roads |
| Total Revenue | 2,780.2 | 2,219.9 | | | |

Section D: Expenses

Question 10 (all departments and entities) Expenses changed from previous year

Please explain any changes equal to or greater than $\pm 10\%$ or \$100 million with regards to the actual result for 2016-17 and 2017-18 for each category of expenses detailed in your operating statement, the initial budget estimate (not the revised budget), and 2017-18 and 2018-19 actual results. Please also detail the outcomes in the community² achieved by any additional expenses or the impact on the community of reduced expenses (if there was no impact, please explain how that was achieved).

For departments, please provide data consolidated on the same basis as the budget portfolios outcomes statement in your annual reports.

2017-18 Response

| Expenses category | 2016-17 Actual \$ million | 2017-18 Budget estimate \$ million | 2017-18 Actual \$ million | Explanations for variances $\pm 10\%$ or \$100 million | Outcomes achieved by additional expenses/impact of reduced expenses. If no impact, how was this achieved |
|--|------------------------------|--|------------------------------|---|---|
| Employee Benefit expenses | 280.3 | 297.7 | 313.6 | Increase in the size of the VicRoads delivery program. | |
| Depreciation and amortisation | 622.3 | 641.6 | 632.4 | | |
| Interest expense | 85.1 | 82.9 | 82.9 | | |
| Grant Expense | 96.2 | 90.1 | 97.7 | | |
| Capital asset expense | 49.8 | 49.8 | 49.8 | | |
| Fair value of assets provided free of charge | 25.6 | 0 | 21.6 | Assets provided free of charge are recognised as an expense based on their carrying amount at the time of transfer from VicRoads. | |
| Other operating expenses | 1,217.1 | 851.3 | 745.3 | Decrease mainly due to the completion of the Level Crossing Removal Program in VicRoads which is now delivered by LXRA. | |

²That is, the impact of service delivery on the community rather than a description of the services delivered.

| Expenses category | 2016-17 Actual \$ million | 2017-18 Budget estimate \$ million | 2017-18 Actual \$ million | Explanations for variances $\pm 10\%$ or \$100 million | Outcomes achieved by additional expenses/impact of reduced expenses. If no impact, how was this achieved |
|-----------------------|------------------------------|--|------------------------------|--|---|
| | | | | No impact as LXRA now delivering level crossing removal program. <i>Explanation for variance between 17-18 Budget and 17-18 Actual:</i> Decrease in actual expenditure is mainly due to under expenditure of recurrent projects funded by TAC, Echuca Moama bridge project, and reversal of land tax provision recognised in 2016-17 after ex-gratia relief granted by the Treasurer. | |
| Total Expenses | 2,376.4 | 2,013.4 | 1,943.3 | | |

2018-19 Response

| Expenses category | 2017-18 Actual \$ million | 2018-19 Budget estimate \$ million | 2018-19 Actual \$ million | Explanations for variances $\pm 10\%$ or \$100 million | Outcomes achieved by additional expenses/impact of reduced expenses. If no impact, how was this achieved |
|-------------------------------|------------------------------|--|------------------------------|--|---|
| Employee Benefit expenses | 313.6 | 300.8 | 317.5 | | |
| Depreciation and amortisation | 632.4 | 638.7 | 645.2 | | |
| Interest expense | 82.9 | 80.7 | 80.7 | | |
| Grant Expense | 97.7 | 117.7 | 127.8 | Increase mainly due to council claims under the Fixing Country Roads program | |
| Capital asset expense | 49.8 | 49.8 | 49.8 | | |

| Expenses category | 2017-18 Actual \$ million | 2018-19 Budget estimate \$ million | 2018-19 Actual \$ million | Explanations for variances $\pm 10\%$ or \$100 million | Outcomes achieved by additional expenses/impact of reduced expenses. If no impact, how was this achieved |
|--|------------------------------|--|------------------------------|--|---|
| Fair value of assets provided free of charge | 21.6 | 0.0 | 10.3 | (2018-19) the enhancement of Council assets in connection with VicRoads capital works. (2017-18) Transfer of assets to Councils following a change in the declaration classification from arterial to local. | |
| Other operating expenses | 745.3 | 851.1 | 841.3 | Increase the result of a reduction in the capitalisation of costs following transfer of projects to MRPV. No impact as projects now delivered by MRPV. | |
| Total Expenses | 1,943.3 | 2,038.8 | 2,072.6 | | |

Question 11 (all departments and entities) Changes to service delivery from savings initiatives

Please provide the following details of the impact on service delivery as a result of the savings initiatives announced in the 2017-18 and 2018-19 Budget:

- Savings target in the 2017-18 and 2018-19 Budget and the amount of the savings target allocated to the department/entity
- Actual savings achieved in 2017-18 and 2018-19 and the actions taken to achieve the savings target allocated and their impact, including the link to the relevant output and portfolio impacted.

2017-18 Response

| Savings initiative in the 2017-18 Budget \$ million | Savings target allocated to the department/entity in 2017-18 | Actual savings achieved in 2017-18 \$ million | Actions taken to achieve the allocated savings target | What was the impact as a result of the measures taken to achieve the savings target? <i>(e.g. frontline and/or other areas of business that saw the impact)</i> If no impact, how was this achieved | Which output(s) and portfolio(s) were impacted (if relevant) |
|--|---|---|---|---|--|
| N/A | | | | | |
| | | | | | |

2018-19 Response

| Savings initiative in the 2018-19 Budget \$ million | Savings target allocated to the department/entity in 2018-19 | Actual savings achieved in 2018-19 \$ million | Actions taken to achieve the allocated savings target | What was the impact as a result of the measures taken to achieve the savings target? <i>(e.g. frontline and/or other areas of business that saw the impact)</i> If no impact, how was this achieved | Which output(s) and portfolio(s) were impacted (if relevant) |
|--|---|--|--|--|---|
| N/A | | | | | |
| | | | | | |

Question 12 (all departments) Achievement of reprioritisation of existing resources

This question does not apply to this entity.

Question 13 (all departments) Contractors, Consultants and Labour Hire Arrangements

This question does not apply to this entity.

Question 14 (PNFC and PFC entities only) Dividends and other amounts paid to the general government sector

This question does not apply to this entity.

Section E: Public sector workforce

Question 15 (all departments and entities) Full Time Equivalent (FTE) staff by level and category

Please fully complete the table below, providing actual FTE staff numbers at 30 June 2016, at 30 June 2017 and 30 June 2018 (broken down by the categories listed below) for the department. Please include specific categories as relevant to the department/entity and where relevant, provide a description of what categories constitute 'other'. Please provide figures consolidated on the same basis as the expenditure for the department in the budget papers and detail which, if any, entities are included in the FTE numbers provided.

| Category | 30 June 2017 Actual FTE number | 30 June 2018 Actual FTE number | 30 June 2019 Actual FTE number |
|--------------|-----------------------------------|-----------------------------------|-----------------------------------|
| EO | 61 | 63 | 47 |
| STS | 15 | 16 | 15 |
| VRO Grade 6 | 150 | 167 | 148 |
| VRO Grade 5 | 382 | 436 | 412 |
| VRO Grade 4 | 721 | 825 | 758 |
| VRO Grade 3 | 619 | 708 | 654 |
| VRO Grade 2 | 556 | 663 | 665 |
| VRO Grade 1 | 6 | 10 | 16 |
| Other | | | |
| Total | 2,510 | 2,888 | 2,715 |

Note:- Consistent with FRD 29C, employees on leave without pay in the last pay period are excluded.

Question 16 (all departments and entities) Salary by employment category

In the table below, please detail the salary costs for 2016-17, 2017-18 and 2018-19, broken down by ongoing, fixed-term and casual, and explain any variances equal to or greater than $\pm 10\%$ or \$100 million between the years for each category.

| Employment category | Gross salary 2016-17 (\$ million) | Gross salary 2017-18 (\$ million) | Gross salary 2018-19 (\$ million) | Explanation for any year-on-year variances $\pm 10\%$ or \$100 million |
|---------------------|--------------------------------------|--------------------------------------|--------------------------------------|--|
| Ongoing | 271.4 | 289.9 | 291.8 | |
| Fixed-term | 5.6 | 12.8 | 17.7 | Changes are associated with increased fixed-term opportunities being created for short term projects, and to enable flexibility and reduce agency on-hire costs. |
| Casual | | | | |
| Total | 277.0 | 302.7 | 309.5 | |

Note: Salary costs comprise gross salary payments to employees, and employer superannuation contributions, payroll tax and workcover expenses. Costs associated with accrual of leave entitlements are excluded. The 2016-17 values have been re-stated to include employer superannuation contributions which were previously excluded.

Question 17 (all departments and entities) Executive salary increases

Please detail the number of executives who received increases in their base remuneration in 2017-18 and 2018-19, breaking that information down according to what proportion of their salary the increase was, and explaining the reasons for executives' salaries increasing in each bracket.

2017-18 Response

| Increase in base remuneration | Number of executives receiving increases in their base rate of remuneration of this amount in 2017-18, apart from normal increases due to employment agreements | Reasons for these increases |
|-------------------------------|---|---------------------------------|
| 0-3% | - | |
| 3-5% | - | |
| 5-10% | 2 | Appointment to more senior role |

| | | |
|------------------|---|-------------------|
| 10-15% | 1 | Work value review |
| greater than 15% | - | |

Note: Increases in salary are measured against the Total Remuneration Package of each executive.

2018-19 Response

| Increase in base remuneration | Number of executives receiving increases in their base rate of remuneration of this amount in 2018-19, apart from normal increases due to employment agreements | Reasons for these increases |
|-------------------------------|---|--|
| 0-3% | - | |
| 3-5% | - | |
| 5-10% | 4 | Appointment to more senior role (2) Work value review (2) |
| 10-15% | - | |
| greater than 15% | 2 | Appointment to more senior role (1) Work value review (1) |

Note: Increases in salary are measured against the Total Remuneration Package of each executive.

Question 18 (all departments and entities) Enterprise Bargaining Agreement (EBAs)

Please list the Enterprise Bargaining Agreement (EBAs) concluded in 2017-18 and 2018-19 that had an impact for the department/agency. For each EBA, please show the number of employees affected and the growth in employee expenses attributable to the EBA.

2017-18 Response

| Enterprise Bargaining Agreement | Number of employees affected | Number of employees as a % of department/entity | Growth in employee expenses attributable to the EBA (\$ million) | Growth in employee expenses attributable to the EBA (\$ million) as a % of total employee expenses |
|--|------------------------------|---|--|--|
| <i>No EBAs concluded for the entity during the 2017-18 financial year.</i> | | | | |

2018-19 Response

| Enterprise Bargaining Agreement | Number of employees affected | Number of employees as a % of department/entity | Growth in employee expenses attributable to the EBA (\$ million) | Growth in employee expenses attributable to the EBA (\$ million) as a % of total employee expenses |
|--|------------------------------|---|--|--|
| <i>No EBAs concluded for the entity during the 2018-19 financial year.</i> | | | | |

Section F: Government decisions impacting on the finances

Question 19 (all departments and entities) Commonwealth Government decisions

Please identify any Commonwealth Government decisions during 2017-18 and 2018-19 which had not been anticipated/not been concluded before the finalisation of the State budget in 2017-18 and 2018-19 and their impact(s) on the department's/entity's finances or activities during those years (including new funding agreements, discontinued agreements and changes to funding levels). Please quantify the impact on income and expenses where possible.

2017-18 Response

| Commonwealth Government decision | Impact(s) in 2017-18 | |
|----------------------------------|------------------------|--------------------------|
| | on income (\$ million) | on expenses (\$ million) |
| N/A | | |

2018-19 Response

| Commonwealth Government decision | Impact(s) in 2018-19 | |
|----------------------------------|------------------------|--------------------------|
| | on income (\$ million) | on expenses (\$ million) |
| N/A | | |

Question 20 (all departments and entities) Council of Australian Governments (COAG) decisions

Please identify any COAG decisions during 2017-18 and 2018-19 which had not been anticipated/not been concluded before the finalisation of the State Budget in 2017-18 and 2018-19 and their impact(s) on the department's/entity's finances or activities during those years (including new funding agreements, discontinued agreements and changes to agreements). Please quantify the impact on income and expenses where possible.

2017-18 Response

| Commonwealth Government decision | Impact in 2017-18 | |
|----------------------------------|------------------------|--------------------------|
| | on income (\$ million) | on expenses (\$ million) |
| N/A | | |

2018-19 Response

| Commonwealth Government decision | Impact in 2018-19 | |
|----------------------------------|------------------------|--------------------------|
| | on income (\$ million) | on expenses (\$ million) |
| N/A | | |

Section G: General

Question 21 (all departments and entities) Key audit matters

Please list any Key Audit Matters (KAMs) identified by the Victorian Auditor General in the department/entities 2017-18 and 2018-19 annual reports and provide information about the associated actions taken by the department/entity to benefit future disclosures or manage associated risks, since the KAMs were identified.

2017-18 Response

| Key audit matters identified | Actions taken |
|--|---|
| Subsequent event note 10.7 relating to the accounting treatment of the transfer of responsibilities and function of major road projects from VicRoads to MRPV. | Management had considered the financial reporting and disclosure requirements of AASB 5 <i>Non-current Assets held for Sale and Discontinued Operations</i> and AASB110 <i>Events after the Reporting Period</i> . Audit assessed managements evaluation and no further action is required. |

2018-19 Response

| Key audit matters identified | Actions taken |
|-----------------------------------|---------------|
| None identified in closing report | |

Question 22 (all departments and entities) Reviews/studies undertaken

- a) Please list all internal and external reviews/studies commenced or completed by or on behalf of the department/agency in 2017-18 and 2018-19 and provide the following information:
- i. Name of the review/study and which portfolio and output/agency is responsible
 - ii. Reasons for the review/study
 - iii. Terms of reference/scope of the review/study
 - iv. Timeline for the review/study
 - v. Anticipated outcomes of the review/study
 - vi. Estimated cost of the review/study and final cost (if completed)
 - vii. Final cost if completed
 - viii. Where completed, whether the review/study is publicly available and where.

2017-18 Response

| Name of the review (portfolio(s) and output(s)/agency responsible) | Reasons for the review/study | Term of reference/scope | Timeline | Anticipated outcomes | Estimated cost (\$) | Final cost if completed (\$) | Publicly available (Y/N) and URL |
|--|------------------------------|-------------------------|----------|----------------------|---------------------|------------------------------|----------------------------------|
| <i>There were no major external reviews carried out on the entity during the 2017-18 financial year.</i> | | | | | | | |

2018-19 Response

| Name of the review (portfolio(s) and output(s)/agency responsible) | Reasons for the review/study | Term of reference/scope | Timeline | Anticipated outcomes | Estimated cost (\$) | Final cost if completed (\$) | Publicly available (Y/N) and URL |
|--|------------------------------|-------------------------|----------|----------------------|---------------------|------------------------------|----------------------------------|
| <i>There were no major external reviews carried out on the entity during the 2018-19 financial year.</i> | | | | | | | |

- b) Please outline the Department's/Agencies in house skills/capabilities/expertise to conduct reviews/studies/evaluations/data analysis of the programs and services for which the Department /Agency is responsible.

N/A

Question 23 (all departments and entities) Annual reports – performance measure targets and objective indicators

* Note: Consistent with guidance from the Department of Treasury and Finance performance measures targets are considered met if the variance is within five per cent (increase or decrease).

- a) Please provide the following information on performance measures that did not meet their 2017-18 and 2018-19 targets

2017-18 Response

| Performance measure | 2017-18 target (Budget) | 2017-18 actual (Annual report) | Variance (%) | Explanation | Output(s) and portfolio(s) impacted |
|--|-------------------------|--------------------------------|--------------|---|---|
| Port and Freight Network Access | | | | | |
| Road-based freight accessibility and reliability improvement projects completed (number) | 16 | 11 | -31.3 | Primarily due to revised project scope for a number of projects and delays with subcontractors. | Port and Freight Network Access (Ports and Freight) |
| Road Asset Management | | | | | |
| Road area treated: high strategic priority roads (m2 (000)) | 8,846 | 6,634 | -25.0 | On-site inspections identified a lower area requiring treatment on high strategic priority roads, while additional treatment was able to be carried out on low and medium strategic priority roads. | Road Asset Management Roads (Roads and Road Safety) |

| Performance measure | 2017-18 target (Budget) | 2017-18 actual (Annual report) | Variance (%) | Explanation | Output(s) and portfolio(s) impacted |
|---|-------------------------|--------------------------------|--------------|--|---|
| Road length meeting cracking standard: metropolitan (per cent) | 97.7 | 77.9 | -20.3 | There was an error when setting the target which was based on statewide pavement conditions data instead of using metropolitan conditions data. | Road Asset Management Roads (Roads and Road Safety) |
| Road length meeting roughness standard: metropolitan (per cent) | 98.2 | 93.2 | -5.1 | There was an error when setting the target which was based on statewide pavement conditions data instead of using metropolitan conditions data. | Road Asset Management Roads (Roads and Road Safety) |
| Annual road maintenance program completed within agreed timeframes: metropolitan (per cent) | 100 | 94 | -6.0 | Primarily due to some works being rescheduled to 2018–19. | Road Asset Management (Roads) |
| Road Operations and Network Improvements | | | | | |
| Congestion projects completed (number) | 18 | 16 | -11.1 | Rescheduling of two projects to minimise traffic disruption. | Road Operations and Network Improvements (Roads) |
| Cycling projects completed (number) | 4 | 2 | -50.0 | Two projects delayed as a result of further work requirements. | Road Operations and Network Improvements (Roads) |
| Other road improvement projects completed: metropolitan (number) | 10 | 2 | -80.0 | Projects delayed as a result of further work requirements. | Road Operations and Network Improvements (Roads) |
| Other road improvement projects completed: regional (number) | 8 | 7 | -12.5 | Revised project scope for one project | Road Operations and Network Improvements (Roads) |
| Transport Safety, Security and Emergency Management | | | | | |
| Road vehicle and driver regulation: new driver licences issued (number (000)) | 190 | 180 | -5.3 | Continuous decline in new motorcycle licences issued since the Motorcycle Graduated Licensing Scheme (GLS) introduced new safety restrictions and training requirements. | Transport Safety, Security and Emergency Management (Roads) |

| Performance measure | 2017-18 target (Budget) | 2017-18 actual (Annual report) | Variance (%) | Explanation | Output(s) and portfolio(s) impacted |
|---|-------------------------|--------------------------------|--------------|---|---|
| Road vehicle and driver regulation: average speed of calls answered in VicRoads' call centres (seconds) | 240 | 394 | 64.2 | Inverse measure The introduction of short-term registrations increased call volumes and the introduction of the Payment Card Industry Data Security Standard increased call handling time. | Transport Safety, Security and Emergency Management (Roads) |
| Road vehicle and driver regulation: customers served within 10 minutes in VicRoads' Customer Service Centres (per cent) | 80 | 74 | -7.5 | Increase in customer transaction volumes received into the Customer Service Centre network following the introduction of the short-term registration initiative. | Transport Safety, Security and Emergency Management (Roads) |

2018-19 Response

| Performance measure | 2018-19 target (Budget) | 2018-19 actual (Annual report) | Variance (%) | Explanation | Output(s) and portfolio(s) impacted |
|---|-------------------------|--------------------------------|--------------|--|---|
| Port and Freight Network Access | | | | | |
| Road-based freight accessibility and reliability improvement projects completed (number) | 13 | 7 | -46.2 | Due to rescheduling of projects to 2019-20. | Port and Freight Network Access (Ports and Freight) |
| Road-based freight accessibility and reliability projects completed within agreed timeframes (per cent) | 100 | 38 | -62.0 | Due to the implementation of a new methodology for calculating timeliness of project completion. | Port and Freight Network Access (Ports and Freight) |
| Road Asset Management | | | | | |
| Road area treated: high strategic priority roads (m2 (000)) | 8017 | 7517 | -6.2 | Further investigations throughout the year identified that more roads in the medium strategic priority category required treatment | Road Asset Management (Roads) |
| Road area treated: low strategic priority roads (m2 (000)) | 778 | 609 | -21.7 | Further investigations throughout the year identified that more roads in the | Road Asset Management (Roads) |

| Performance measure | 2018-19 target (Budget) | 2018-19 actual (Annual report) | Variance (%) | Explanation | Output(s) and portfolio(s) impacted |
|---|-------------------------|--------------------------------|--------------|--|---|
| | | | | medium strategic priority category required treatment. | |
| Annual road maintenance program completed within agreed timeframes: metropolitan (per cent) | 100 | 80 | -20.0 | Due to changes to the road maintenance program to minimise the impact on other major road initiatives. | Road Asset Management (Roads) |
| Road Operations and Network Improvements | | | | | |
| Bridge strengthening and replacement projects completed: regional (number) | 6 | 3 | -50.0 | Due to an error when setting the target, early completion of one project and revised scheduling of two projects. | Road Operations and Network Improvements (Roads) |
| Congestion projects completed (number) | 13 | 9 | -30.8 | Due to rescheduling of a number of projects into 2019-20 to allow for additional community consultation. | Road Operations and Network Improvements (Roads) |
| Cycling projects completed (number) | 11 | 2 | -81.8 | Due to a number of program changes for some projects | Road Operations and Network Improvements (Roads) |
| Other road improvement projects completed: metropolitan (number) | 3 | 2 | -33.3 | Due to an error when setting the target. | Road Operations and Network Improvements (Roads) |
| Other road improvement projects completed: regional (number) | 6 | 5 | -16.7 | Due to rescheduling of a project to 2019-20 | Road Operations and Network Improvements (Roads) |
| Programmed works completed within agreed timeframes: metropolitan (per cent) | 95 | 58 | -38.9 | Due to an error when setting the target and revised scheduling of a number of projects. | Road Operations and Network Improvements (Roads) |
| Transport Safety, Security and Emergency Management | | | | | |
| Road safety programmed works completed within agreed timeframes (per cent) | 100 | 73 | -27.0 | Due to the implementation of a new methodology for calculating timeliness of project completion. | Transport Safety, Security and Emergency Management (Roads) |

| Performance measure | 2018-19 target (Budget) | 2018-19 actual (Annual report) | Variance (%) | Explanation | Output(s) and portfolio(s) impacted |
|---|-------------------------|--------------------------------|--------------|--|---|
| Road vehicle and driver regulation: new vehicle registrations issued (number (000)) | 628 | 593 | -5.6 | Due to lower new car sales in 2018-19. | Transport Safety, Security and Emergency Management (Roads) |
| Road vehicle and driver regulation: vehicle registrations renewed (number (000)) | 9000 | 8005 | -11.1 | Due to a lower take up rate of Short-Term Registrations than was initially forecast. | Transport Safety, Security and Emergency Management (Roads) |
| Road vehicle and driver regulation: average speed of calls answered in VicRoads' call centres (seconds) | 240 | 460 | 91.7 | Due to increased call volumes and call complexity following the introduction of short-term registration which has increased total call handling times. | Transport Safety, Security and Emergency Management (Roads) |
| Road vehicle and driver regulation: customers served within 10 minutes in VicRoads' Customer Service Centres (per cent) | 80 | 72 | -10.0 | Due to an increased demand for services and complexity of customer queries. | Transport Safety, Security and Emergency Management (Roads) |

b) Please provide the following information for objective indicators where data was not available at publication of the annual report

2017-18 Response

| Objective indicators stated in annual report for which data was not available at date of publication | Best available data for 2017-18 and relevant date (ie. 95 through January 2018) | Explanation for the absence of data in annual report |
|--|---|--|
| N/A | | |
| | | |

2018-19 Response

| Objective indicators stated in annual report for which data was not available at date of publication | Best available data for 2018-19 and relevant date (ie. 95 through January 2019) | Explanation for lack of timely data in annual report | Action taken to ensure timely data for 2019-20 annual report |
|--|---|--|--|
| N/A | | | |
| | | | |

Question 24 (all departments and entities) Challenges experienced by department/agency

Please list a minimum of five main challenges faced by the department/agency in 2017-18 and 2018-19.

A significant challenge may be any matter or strategy that impacted the department/agency, whether it arose externally or internally or as a result of new policy or legislation.

2017-18 Response

| | Challenge experienced | Internal/ External | Causes of the challenge |
|----|-----------------------|-----------------------|--|
| 1. | Population increase | External | Victoria's significant population growth is both a challenge and an opportunity. Big cities can be great cities, but they have to grow well and the infrastructure investment being undertaken in Victoria is a big part of that response. The growth in population will see an increase in demand for all modes of transportation. The number of Victorians is set to almost double from 4.5 million in 2015 to 8.0 million in 2051. We need to make it easier for all Victorians or visitors to the State to take public transport or cycle. Our challenge is to deliver future-focused solutions as quickly as possible to our metro and regional network-users, with minimal disruption. |
| 2. | Freight demand | External | VicRoads has a critical role in supporting Victoria's economic growth by delivering productivity-enhancing infrastructure for freight and goods to be transported quickly and efficiently. We need to safely and efficiently accommodate the growing number of heavy vehicles on key freight routes across Victoria for a more productive and liveable Victoria. |

| | Challenge experienced | Internal/ External | Causes of the challenge |
|----|--------------------------------------|-------------------------------|---|
| 3. | Managing our country roads | External | With 90 percent of all journeys taken by car, country Victorians rely heavily upon roads to access employment, education, services and social connections. Alarming, current road safety statistics show that country road-users are more than four times more likely to die or be seriously injured from road trauma. A high standard country road network is vital for the safety and the economic wellbeing of regional Victoria. |
| 4. | User expectations | External | Our registration and licensing business is our most public facing service arm and must continue to meet user expectations through the provision of efficient and reliable transactions, both in the digital and online space, and through our customer service network. We must also meet customer expectations through genuine community consultation on issues impacting them. Our road users also expect to have timely and accurate information to support their travel planning choices, including major disruptions. |
| 5. | Emerging and disruptive technologies | External | New technologies and services have the potential to radically change the way that people and goods move across our transport system. Vehicles are increasingly connected, giving them the ability to receive data about the road environment and about other road users in their vicinity. The emergence of advanced driving assistance systems, and the future trend towards self-driving vehicles, bring with them potentially significant road safety and mobility benefits. Similarly, technology advancements with freight vehicles provide considerable opportunity to further enhance productivity and support Victoria as it continues to grow. |
| 6. | Construction disruption | External | Delivering the huge program of works to grow and improve our transport network for the future is going to involve disruption. |
| 7. | Environmental sustainability | External | Road construction, management and use impacts air, noise and water quality as well as biodiversity and climate change. Negative environmental and liveability impacts have the potential to increase, given the growing number of vehicles on Victoria's roads and the expansion of the road network. Community expectations for sustainable environmental practices in the design, construction and management of the road network are high. VicRoads faces increasing scrutiny to ensure we safeguard future generations' needs. |

| | Challenge experienced | Internal/ External | Causes of the challenge |
|----|--|-----------------------|---|
| 8. | Modernising our approach to asset management | External | VicRoads is one of Victoria's largest asset builders, maintainers and operators. Therefore asset management is one of our core functions. Historical investment in capital projects as opposed to maintaining existing infrastructure has placed pressure on asset management outcomes. We have traditionally had a very strong focus on technical asset needs, rather than the service assets provide or the value they have. There is a shift required towards considering whole-of-life management of assets, instead of divided thinking between capital project investment, and ongoing maintenance and operation of assets. In this data rich age, we need to leverage our asset data to enhance decision-making related to asset management investments and interventions. |

2018-19 Response

| | Challenge experienced | Internal/ External | Causes of the challenge |
|----|----------------------------|-----------------------|--|
| 1. | Meeting user expectations | External | <p>Our users are at the centre of everything we do, and we are striving to provide improvements and new services that meet the needs of our users.</p> <p>However, the needs and expectations of people continue to change rapidly.</p> <p>As the transport system grows and travel options increase, users rightly expect their journey to be simple and connected, and to have ready access to information about travel options.</p> |
| 2. | Planning for future growth | External | <p>Victoria is facing a period of unprecedented growth. Melbourne is predicted to grow from 4.5 million people to almost 8 million by 2050.</p> <p>The rest of Victoria's population is predicted to double to around 2 million people over the same period. This growth is unprecedented and we must ensure we are able to meet this challenge and build an inclusive and prosperous state.</p> |

| | Challenge experienced | Internal/ External | Causes of the challenge |
|----|------------------------------------|-----------------------|---|
| | | | <p>Over the next 35 years, freight movements are also expected to treble to support state growth. Freight largely uses the same infrastructure used to move people, putting more pressure on, and between, our transport networks.</p> <p>Even with high levels of investment in the network, there could be significant congestion on large parts of the network by 2031. This suggests we need a different approach to meeting transport needs.</p> |
| 3. | Managing disruption | External | <p>Victoria is currently in a transport construction boom with an unprecedented pipeline of major transport projects, valued at over \$30 billion, being built.</p> <p>It's not just about current works, with significant planning also underway for a number of projects that are set to transform the way Victorians travel.</p> <p>These projects, combined with many more local road upgrades and public transport improvements will deliver improvements to the transport system as well as social and economic benefits to Victoria, but there are challenges.</p> <p>Businesses and users will be disrupted during construction. Major projects and upgrades will transform our physical infrastructure and change the way people move around. Coordinating construction activities and managing disruption in a way that provides practical transport choices for users is critical.</p> |
| 4. | Optimising existing infrastructure | External | <p>New infrastructure alone cannot and will not solve the transport challenge. An integrated approach to Victoria's transport system makes the best use of what we have now, plans for the future, and establishes a blueprint to take advantage of the opportunities ahead.</p> <p>We must use our existing transport assets more effectively. In this way, we can manage access and use, and create greater system efficiencies without major, new infrastructure.</p> <p>This approach will also deliver a higher return</p> |

| | Challenge experienced | Internal/ External | Causes of the challenge |
|----|---|-----------------------|---|
| | | | on our transport assets and innovative service changes based on user demand and feedback. |
| 5. | Building capability and sharing knowledge | Internal | <p>Designing, building and operating an integrated and user-centred transport system means we have to think and work fundamentally differently to how we have in the past.</p> <p>Changing mindsets and work practices to reflect our approach requires deliberate actions to create the conditions of change, including strengthening and leveraging purposeful, informed and connected relationships across the transport portfolio.</p> <p>Strong leadership will be needed to support effective change and ensure staff are confident of their role.</p> |
| 6. | Managing our country roads | External | <p>With 90% of all journeys taken by car, country Victorians rely heavily on roads to access employment, education, services and social connections. Current road safety statistics show that country road-users are over four times more likely to die or be seriously injured from road trauma. A high standard country road network is vital for the safety and the economic wellbeing of regional Victoria.</p> |
| 7. | Emerging and disruptive technologies | External | <p>New technologies and services have the potential to radically change the way people and goods move across our transport system.</p> <p>Vehicles are increasingly connected, with the ability to receive data about the road environment and about other road users in their vicinity.</p> <p>With the rise of advanced driving assistance systems, and the future trending towards self-driving vehicles, there are potentially significant road safety and mobility benefits.</p> <p>Similarly, advancing technology in freight vehicles provides great opportunity to further enhance productivity and support Victoria as it continues to grow.</p> |

| | Challenge experienced | Internal/ External | Causes of the challenge |
|----|---|-----------------------|---|
| 8. | Environmental sustainability | External | <p>Construction, management and use of roads can significantly impact air, noise and water quality as well as biodiversity and climate change.</p> <p>Negative environmental and liveability impacts have the potential to increase, given the growing number of vehicles on Victoria's roads and the expansion of the road network.</p> <p>The community has high expectations for sustainable environmental practices in the design, construction and management of the road network. We face increasing scrutiny to ensure we safeguard the needs of future generations.</p> |
| 9. | Natural disasters and other emergencies | External | <p>Victoria has suffered several significant natural disasters over the past ten years. International, state, sector and agency risk assessments detail the risk of increased frequency and intensity of natural disasters, and the increasing economic impacts associated with those disasters.</p> <p>The World Economic Forum (WEF) lists extreme weather events, natural disasters and failure of climate change mitigation and adaptation in the top five risks in terms of likelihood and impact. Additionally, the WEF recognises cyberattacks, man-made environmental disasters and terrorist attacks amongst the top ten risks in terms of likelihood, with cyber-attack ranked number six in terms of impact.</p> <p>It can be difficult to plan for natural disasters and other emergencies due to the unpredictable nature of the threats involved. It is not always possible to anticipate when, where or to what extent (time or geographical footprint) impacts will be incurred. This has implications for delivering against core agency business.</p> |

Question 25 (all departments) Newly created bodies

This question does not apply to this entity.

Section H: Implementation of previous recommendations

Question 26 (relevant departments only)

This question does not apply to this entity.

Section I: Department of Treasury and Finance only

Question 27 (DTF only) Revenue certification

This question does not apply to this entity.

Question 28 (DTF only) Net cash flows from investments in financial assets for policy purposes – General Government Sector (GGS)

This question does not apply to this entity.

Question 29 (DTF only) Purchases of non-financial assets – General Government Sector (GGS)

This question does not apply to this entity.

Question 30 (DTF only) Revenue initiatives

This question does not apply to this entity.

Question 31 (DTF only) Expenses by departments – General Government Sector (GGS)

This question does not apply to this entity.

Question 32 (DTF only) Economic variables

This question does not apply to this entity.

Question 33 (DTF only) Resource Management Framework – Funding reviews

This question does not apply to this entity.

Section J: Treasury Corporation of Victoria only

Question 34 Dividends

This question does not apply to this entity.

Question 35 Commodity risk management

This question does not apply to this entity.

Question 36 Foreign exchange risk management

This question does not apply to this entity.

Question 37 Public Private Partnership (PPP) projects

This question does not apply to this entity.

Question 38 Green Bonds

This question does not apply to this entity.