



2016 / 17
Annual Report

A Better Way

TAC Transport
Accident
Commission

VICTORIA
State
Government

A woman with blonde hair is smiling and looking down at a child whose head is visible in the bottom left corner. The woman is holding the child. The entire image is covered with a semi-transparent blue filter. A large white diagonal shape cuts across the right side of the image, separating the blue-tinted area from a plain white area.

/ Kat

“I died pretty much. I had five weeks on life support, I had stroke symptoms down my left side, 22 broken bones plus three in my spine and two in my neck.

“Everything I am doing now I was told I wouldn’t be able to do.”

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Letter from the Chair to the Ministers

19 September 2017

The Honourable Luke Donnellan MP
Minister for Roads and Road Safety

Level 22, 1 Spring Street
MELBOURNE VIC 3000

The Honourable Robin Scott MP
Minister for Finance

Level 5, Macarthur Street
EAST MELBOURNE VIC 3002

Dear Ministers

I am pleased to submit the 31st Annual Report of the Transport Accident Commission for presentation to Parliament pursuant to Part 7 of the *Financial Management Act 1994*.



Penny Armytage
Chair



Vision

**Zero deaths
and serious
injuries on
our roads**



Mission

**To be the
world's leading
social insurer**

Highlights 2016/17

**\$1.35
billion**

paid to injured Victorians
to help them get their lives
back on track after a crash

**48,707
Victorians**

supported with their
transport accident claims

Established

a new Disability Reference
Group to give our clients a
greater say in the services
we deliver

Commenced


work on the world's first
Road Safety Education
Complex, to be housed
at Melbourne Museum

Partnership

a new partnership was
entered into with Ambulance
Victoria, enabling immediate
payment of patient bills

7.73/10

highest ever client
satisfaction score



\$119 million

invested in 194 projects
that will improve safety
on Victorian roads

\$1.3 billion

profit for 2016/17, derived
through careful claims
management and investments

Developed

the new myTAC app
and web-portal, making
it easier for clients to
self-manage claims and
be reimbursed faster

84% staff engagement

remained above
global standards

Chair and CEO's report

2016/17 was a year of significant change and achievement for the TAC. Our determined new approach to making roads safer and improving life for injured Victorians has delivered record-breaking outcomes and taken us closer to reaching our mission of being the world's leading social insurer.

We marked a 30-year milestone of being Victoria's leading voice of road safety and supporting many thousands of people whose lives have been impacted by road trauma. At the same time, we embarked on a whole new strategic journey and put into action our plan to achieve better outcomes across all areas of the TAC.

The TAC 2020 Strategy, unveiled in July last year, is an ambitious five-year plan outlining our vision, mission, values and strategic objectives and this Annual Report demonstrates our commitment to its implementation and achieving improved outcomes.

In 2016/17 we supported an unprecedented 48,707 people with their transport accident claims and funded \$1.35 billion in support services. Through accident prevention and continued strong claims management, a Performance from Insurance Operations (PFIO) of \$142 million was recorded. The strength of external factors contributed to a record profit of \$1.3 billion.

The TAC is endeavouring to play a leading role in the global revolution underway to improve disability care. Outcomes to date demonstrate a clear commitment to putting lives back on track.

We are particularly proud of our wholly-owned Residential Independence initiative (RIPL), with four projects completed to date. This unique program is now providing purpose-built accommodation to 21 of the TAC's most severely injured clients. A further three projects are set

to commence construction in coming months.

As a testament of its success, a further \$10 million has been allocated over the next four years, bringing the total investment to \$40 million.

Great strides were taken in 2016/17 towards removing red tape and impediments to care through the introduction of new digital technologies. Our myTAC app and web portal means client reimbursements, which took up to a week to process, can now be turned around in just 24 hours. Similarly, an agreement reached with Ambulance Victoria allows patient transportation costs to be met without delay.

In this year of great change, we managed to record our best ever client satisfaction (7.73) and client outcome (7.20) scores – a heartening vote of confidence in our new direction and the quality of our services.

Our vision is for zero deaths on Victorian roads, however 2016 proved challenging with 291 lives lost, chiefly as a result of a sharp increase in fatalities on country roads and involving motorcyclists.

In response, the TAC and road safety partners are investing an unprecedented \$1.1 billion in safer road infrastructure under the Victorian Government's Towards Zero Road Safety Strategy and Action Plan. Lives have already been saved as we start to roll-out flexible barriers and other life-saving infrastructure on Victoria's 20 highest risk highways and roads.



We are proud to be partnering with the Melbourne Museum to develop the world's first Road Safety Education Complex. Once it opens in 2018, with more than 20,000 students expected to pass through its doors annually, it will play an important role in creating a new generation of safe drivers.

Automated technology will also play a pivotal role in keeping Victorians safe on our roads in the future and the TAC, via a \$1.2 million investment, is excited to be supporting Bosch Australia in developing the nation's first self-driving car.

Despite the challenge of strong population growth and the recent increase in vehicle fatalities, the TAC and our road safety partners are confident that the evidence-led approach to accident prevention will put downward pressure on trauma trends in the coming years.

The TAC's unique set of values urges our employees to be client-focussed, brave and innovative in their thinking and actions. They display these qualities and much more. Our annual Employee Opinion Survey – the key measure of staff engagement – tells us they consider the TAC a great place to work and are proud of what they do.

Finally, in 2016/17 the TAC farewelled Ms Deborah Hallmark, Dr Robert Nethercote, Ms Sonia Petering and Mr John Walter from the TAC Board. As Chair for three years, Mr Walter made a significant contribution in guiding our TAC 2020 Strategy and we thank him for his service.

Penny Armytage
Chair, TAC

Joe Calafiore
Chief Executive Officer, TAC

IMPACTS ON PROFIT

	13/14 \$M	14/15 \$M	15/16 \$M	16/17 \$M
Performance from insurance operations	325	413	542	142
Impact on profit from external factors:				
/ Difference between actual investment returns and long-term expected returns	644	395	(524)	516
/ Change in inflation assumptions and discount rates	(277)	(586)	(1,268)	1,289
/ Repayment of capital	-	-	(78)	(30)
Tax	(193)	(47)	395	(573)
Net profit/(loss) after tax	499	175	(933)	1,344
Accounting Funding Ratio*	91.1%	92.3%	81.3%	96.4%
Economic Funding Ratio*	145.7%	156.4%	153.9%	164.0%

*The accounting funding ratio is defined as the ratio of net funding assets to net outstanding claims liabilities which are valued using the risk free discount rate and includes a prudential margin, as required by the applicable Australian Accounting Standards. The economic funding ratio is defined as the ratio of net funding assets to net outstanding claims liabilities which are valued using the long term market rate and excludes a prudential margin. Net funding assets are defined as net assets plus net outstanding claims liabilities less intangibles, deferred tax assets and an allowance for expected final dividend.

About the TAC

The TAC is a Victorian Government-owned organisation, established under the *Transport Accident Act 1986* to reduce the social and financial cost of transport accident injuries and prevent deaths and injuries on our roads.

The TAC's key functions are paying for treatment and support services for people injured in transport accidents, promoting road safety in Victoria and improving the state's trauma system.

The TAC is funded through payments made by Victorian motorists when they register their vehicles each year with VicRoads.

The TAC covers transport accidents directly caused by the driving of a car, motorcycle, bus, train or tram.

The scheme operates on a 'no-fault' basis, which means that anyone injured in a transport accident within Victoria (or interstate if in a Victorian-registered vehicle) is eligible to receive support services, irrespective of who caused the crash. Where a person suffers a serious injury in a transport accident of no fault of their own, they may make a common law claim and receive a lump sum payment.

The TAC funds medical treatment for transport accident-related injuries for as long as it is necessary. For people with severe injuries, funding and support may intermittently vary for the rest of their lives.

The treatment and services the TAC pays for include ambulance services, surgery and medical visits, medicines, therapies and nursing visits. Depending on the seriousness of the injury, the TAC's support may extend to income support, rehabilitation and disability services, return to work programs, attendant care, allowances for parents to visit dependent children in hospital, travel costs to and from medical appointments and equipment or aids, such as wheelchairs.

Our Values

In developing TAC 2020 we created a new set of values to guide our thinking, our behaviour and ultimately the service we provide to injured Victorians.

We value life

We will find a better way, today

We make the complicated simple

We make every conversation count

Board and Executive Management

BOARD OF MANAGEMENT

Penny Armytage

Commenced as Chair July 1 2017

David Heath

Appointed February 2017

Louisa Hudson

Appointed August 2016
Acting Chair March - June 30 2017

Dr Tien Kieu

Appointed September 2015

Paul Kirk

Appointed October 2014

Julia Mason

Appointed August 2016

Sue O'Connor

Appointed October 2014

Colin Radford

Appointed September 2015

Dr. Samantha Smith

Appointed February 2017

RECENT DEPARTURES

John Walter

Appointed October 2013
Appointed Chair March 2014
End of term 28 February 2017

Dr. Robert Nethercote

Appointed October 2013
End of term 8 October 2016

Sonia Petering

Appointed 2007
End of term 2 July 2016

Deborah Hallmark

Appointed 2010
End of term 2 July 2016

EXECUTIVE LEADERSHIP TEAM

Joe Calafiore

Chief Executive Officer

Jane Barker

People and Culture

Amanda Bavin

Community Relations

Liz Cairns

Independence

Bruce Crossett

Rapid Recovery

Tony Dudley

Business Enablement
Chief Financial Officer

David Gifford

Strategy

Damian Poel

Supported Recovery

Ashley West

Information Technology Shared Services

Prevention

The TAC stands firm in its belief that one life lost is one too many. For this reason, and in the wake of a heartbreaking 2016 in which 291 people lost their lives, 2017 became a year of renewed action against road fatalities.

The following information highlights how we are striving, along with our road safety partners, to reduce lives lost and serious injuries.

THE JOURNEY TOWARDS ZERO

The Victorian Government's Towards Zero Road Safety Strategy and Action Plan aims to reduce road deaths by 20 percent and serious injuries by 15 percent by 2020, making it our most ambitious road safety target.

Victorian drivers have witnessed a record level of investment in delivering safer roads, vehicles, speeds and ultimately, people.

TARGETING OUR 20 MOST DANGEROUS ROADS

Hundreds of kilometres of flexible barriers and other life-saving road treatments are being installed, as efforts to safeguard motorists on our 20 highest risk roads move into top gear. This project is targeted in country areas, where most fatalities occur.

Since July, the Safe System Road Infrastructure Program (SSRIP) team has invested \$119 million in 194 projects that will improve safety on Victorian roads, including flexible barriers on our key inland highways (Princes, Hume, Bass, Goulburn, Calder and Midland), tactile centre and edge road markings and other minor safety installations in busy urban streets.

Flexible barriers have been shown to reduce run-off-road and head-on crashes on high-volume roads by up to 85 percent. With Victorians four times more likely to be killed and 40 percent more likely to be seriously injured on regional roads, there is evidence these barriers are already contributing to saving lives.

WORLD LEADING RESEARCH

Quality research continues to underpin the TAC's approach to road safety. The Monash University Accident Research Centre (MUARC) is examining more than 400 separate vehicle accidents in detail as part of our \$8 million Enhanced Crash Investigation Study (ECIS). This world-first study aims to provide an in-depth understanding of how crashes are caused and injuries sustained. It forms part of the TAC's Safe System project, which looks to prevent road deaths and injuries through education, infrastructure improvements and promoting the purchase of safer cars. Results are expected in 2018.

CARS OF THE FUTURE

The TAC has entered into a \$1.2 million partnership with Bosch to develop Australia's first vehicle with self-driving capabilities. The partnership, which also includes the Victorian Government and VicRoads, is enabling Bosch to create and test the vehicle at its Clayton headquarters and on dedicated Victorian roads. Self-driving vehicles are an important innovation to reducing road trauma with 90 percent of crashes involving human error. The trials will inform the development of regulations and infrastructure to enable similar self-driving cars to operate on Victorian roads, when they become commercially available in the future.

IMPROVED ENFORCEMENT

The TAC has continued to support an Enhanced Enforcement Program that has enabled Victoria Police to conduct extra patrols of the state's roads and highways, targeting speed, drugs and drink driving. Speed accounts for about a third of all road fatalities and still about one-in-five drivers killed have an illegal blood alcohol content. The program is backed by public education and community engagement activities, reminding Victorians that police will be out in large numbers, seeking to protect them on the roads. The TAC has invested \$15 million in 10 new state of the art drug and booze buses and the TAC is working with Victoria Police to increase roadside drug testing from 40,000 a year to 100,000, putting drivers on notice to expect "more drug tests, more places, more often."

KEEPING MOTORCYCLISTS SAFE

2016 saw an unprecedented 55 motorcyclists and one pillion passenger tragically killed, accounting for 19 percent of all lives lost. With research showing Antilock Braking Systems (ABS) can reduce rider deaths and serious injury by around 30 percent, the TAC's Spokes webpage continues to promote the technology. Featuring new interactive content, Spokes demonstrates the importance of wearing protective gear and generates conversations about motorcycle safety. The TAC also provides motorcycle safety "tips" at key events such as the Motorcycle Grand Prix and Super Bike events.

PEDESTRIANS

The TAC has partnered with the City of Melbourne and VicRoads to trial the installation of new pedestrian safety technology, LED Tactile Safety Block footpaths, at the intersection of Little Collins Street and Swanston Street. There is growing evidence that pedestrian phone use can lead to serious injuries. The lights are designed to remind people walking around the city to stop at the red light, look up and pay attention to the people, cars and bikes around them. The 12-month trial will determine the safety benefits of the technology, with the potential for installation at other busy intersections.

YOUNG DRIVERS

The world's first Road Safety Education Complex, currently under development, will help create a new generation of safe drivers.

A cornerstone of the \$146 million Young Driver Safety Package, the complex will be housed within the Melbourne Museum and feature the latest in visual and digital technology to deliver a better understanding of human vulnerability and how the TAC is creating a safer road system for all road users.

Such an initiative is vital, with young drivers sadly over-represented in road trauma statistics.

The complex is expected to be open to the public in 2018 and attract as many as 20,000 students in its first year.

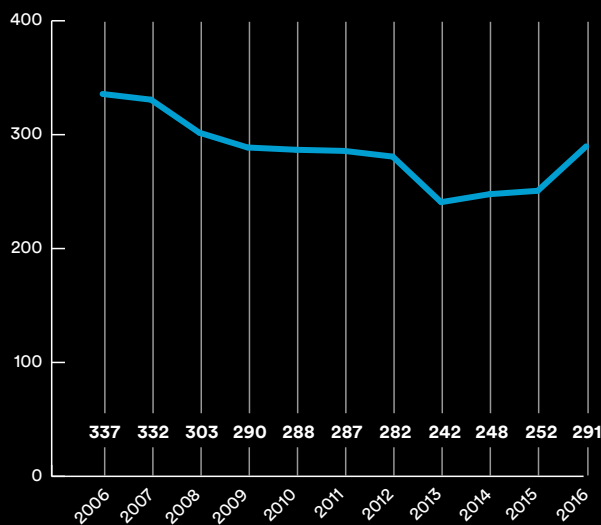
CYCLISTS

With cycling increasing as both a commuter and recreational activity, it is important for the TAC to ensure increased cycling does not lead to increased trauma. The TAC has developed partnerships with groups such as Cycling Victoria to develop a better safety culture. Key cycling events such as the Cadel Evans Great Ocean Road Race and the Towards Zero Race Melbourne were used to talk to cyclists about staying safe on the road. TAC's event-based activity was boosted with social media and online videos, which were shared by the cycling community.

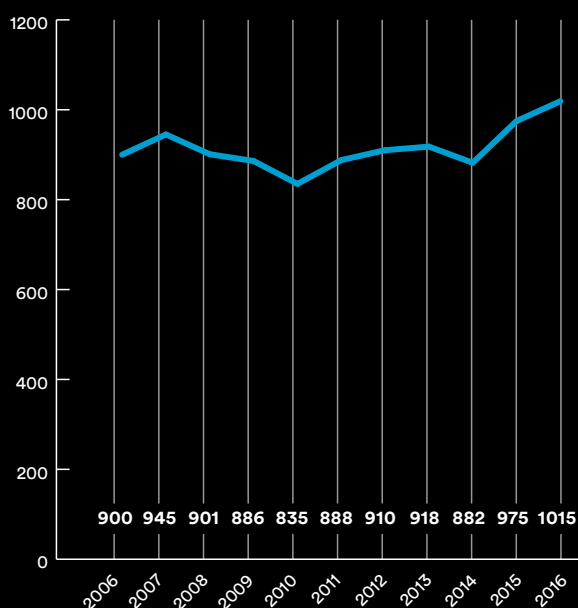
Road trauma statistics

YEAR ENDING DECEMBER 2016

LIVES LOST 2006-2016



SERIOUS INJURIES 2006-2016*



*People who were in hospital for more than 14 days

151

LIVES LOST
IN COUNTRY
VICTORIA, UP
FROM 137 IN 2015

140

LIVES LOST IN
METROPOLITAN
MELBOURNE, UP
FROM 115 IN 2015

82

FEMALE DEATHS,
UP FROM 73 IN 2015

209

MALE DEATHS,
UP FROM 179 IN 2015

50

ROAD USERS AGED
70+ KILLED, UP
FROM 46 IN 2015

56

MOTORCYCLIST
LIVES LOST
IN VICTORIA UP
FROM 30 IN 2015



40

PEDESTRIAN
LIVES LOST
COMPARED
TO 33 IN 2015



8

CYCLIST DEATHS,
COMPARED WITH
10 IN 2015



/ Making our roads safer

A \$1 billion investment in making Victorian roads safer for all users is a cornerstone of the Towards Zero Strategy. In 2016/17 the TAC, working with road safety partners, invested \$119 million in 194 projects.

This record level of investment includes the installation of hundreds of kilometres of flexible barriers on the state's most dangerous roads. These barriers have been shown to reduce run-off-road and head-on-crashes on high-speed roads by up to 85 percent.

Public education campaigns

MEET GRAHAM

'Meet Graham' represented a significant departure from traditional TAC campaigns with its unique science-meets-art approach. It has created a whole new road safety discussion centred around vulnerability.

Designed by renowned sculptor Patricia Piccinini in consultation with leading trauma surgeon Mr Christian Kenfield and Monash University Accident Research Centre road safety researcher Dr David Logan, Graham represents what the human body would need to look like to survive a road crash.

This global phenomenon has been viewed by thousands of people in libraries and museums across Victoria, attracted enormous international interest, with more than 10 million online hits and has collected more than 80 separate awards, both here and overseas.

DRIVER THINK RIDER. RIDER THINK DRIVER

Amid a worrying increase in accidents involving motorcyclists, the TAC introduced a new campaign to encourage riders and drivers to share responsibility for keeping each other safe. 'Driver think rider. Rider think driver' was designed to reduce collisions between motorcycles and other vehicles by appealing to all road users to play their part.

KNOCKING ON DOORS

Victorians are four times more likely to be killed on country roads and twice as likely to be seriously injured than on metropolitan roads. The 'Knocking on Doors' campaign was targeted specifically at regional areas and focussed on the all-too-common role of country police officers in having to knock on a front door to deliver the grim news of a loved one's death.

MORE DRUG TESTS, MORE PLACES, MORE OFTEN

Drug driving now outstrips drink driving as a cause of fatalities on Victorian roads. With this sobering fact in mind, the TAC initiated a whole new community conversation about how drugs can remain in the system and cause continued impairment long after they have been taken. It coincided with a commitment to increase roadside drug testing from 40,000 a year to 100,000, putting drivers on notice to expect "more drug tests, more places, more often."

RETHINK SPEED

As drivers and riders we can't stop the unexpected from happening on our roads, but we can control the speed we travel at. The provocative 'Rethink Speed' campaign depicts seven different outcomes in an incident between a young boy on a bike and a car approaching at different speeds. Its over-riding message is every speed has a consequence.



Graham

We all make mistakes. Graham helps us understand that the human body is vulnerable. Because we are not built like Graham, our road system needs to be made safer, to provide greater protection when mistakes are made.

Graham represented a bold departure from the TAC's traditional road safety campaigns and captured the imagination of the world with more than 10 million internet hits and upwards of 80 significant communication industry awards.

Partnerships

The TAC believes social investment contributes to the achievement of its strategic priorities and helps to build a stronger Victorian community in which to live and work.

The TAC's social investment is directed through the themes of Towards Zero, Lives Back on Track and Geelong Liveability and Our People. The scope of investment includes partnerships, grants, projects and events.

At the foundation of every TAC partnership is a belief in shared responsibility, that is, we are all part of the solution of achieving zero deaths and serious injuries on Victoria's roads.

Partnerships are underpinned by a multi-faceted and enduring relationship, that goes beyond branding opportunities.

TOWARDS ZERO PARTNERSHIPS

Within Towards Zero, there are four important areas of focus, these include Regional Victoria, Unprotected Road Users, Shared Responsibility and Young People.

Every Towards Zero partnership helps to achieve the goal of reducing road deaths to fewer than 200 and reducing serious injuries by 15%.

	TOTAL
AFL Victoria - TAC Cups (boys and girls)	\$475,000
Melbourne Victory	\$350,000
Australian Grand Prix Corporation - Moto GP	\$221,140
Geelong Football Club	\$215,000
Country Racing Victoria	\$175,000
Melbourne Comedy Festival	\$150,000
Golf Victoria - Victorian Open	\$150,000
Falls Festival	\$70,000
Melbourne Renegades	\$60,000
Cadel Evans Great Ocean Road Race	\$60,000

The Winemakers of Rutherglen	\$51,600
Pop Up Cinema	\$50,000
City of Melbourne - Christmas festival	\$50,000
Towards Zero Race Melbourne	\$50,000
Lost Lands	\$50,000

LIVES BACK ON TRACK

The TAC has selected partnerships that maximise independence and improve the lives of people with road trauma injuries.

	TOTAL
Barwon Health Sunrise Centre (one-off)	\$1,000,000
Road Trauma Support Services Victoria	\$450,000
Independence Australia - Spin Chat	\$50,000

GEELONG LIVEABILITY AND OUR PEOPLE

The aim of TAC's Geelong Liveability and Our People projects and events is to enhance the Geelong Region as a better place to live and work, for our employees and others who live in the Barwon region.

	TOTAL
Give Where You Live	\$60,000
IPAA	\$44,000
Barwon Sports Academy	\$35,000
Barwon Health Foundation	\$35,000
Cotton On Foundation	\$20,000
Back to Back Theatre	\$15,000
Karingal	\$15,000



/ The Sunrise Centre

At the heart of every TAC partnership is a belief in shared responsibility.

The Sunrise Centre, located within Simonds Stadium, has been built as part of a \$70 million state government investment into the facility. It will provide world-class rehabilitation services to TAC clients and others living with a disability or recovering from an injury or illness in the Geelong and South West region. The TAC has provided \$1 million to ensure it is fitted out with the latest equipment and technology to help patients regain their independence.

Our partnership with Barwon Health and the Geelong Football Club on this project provides an example of what can be achieved by working towards shared goals and community outcomes.

The TAC's 47,000 clients are all on a very personal journey towards putting their lives back on track. For some, it is short-term, for others, forever.

Our TAC 2020 mission is to be the world's leading social insurer. To achieve this we are committed to tailoring our support to better meet individual needs.

Significant change over the past 12 months, including the introduction of three new divisions – Rapid Recovery, Supported Recovery and Independence - have laid the foundations for a TAC that is more people focused and will deliver better life outcomes.

Armed with new research, technology and purpose-built living and rehabilitation facilities the TAC will give Victorians the best support possible.

Finding a better way

Less red tape, faster payments and improved life outcomes - through the introduction of world-class technologies and innovative new ways of providing support, the TAC is making life a lot easier for clients.

18,066

NEW CLAIMS WERE ACCEPTED

554,979

CLIENT PHONE CALLS WERE ANSWERED

3,382

TAC CLIENTS RETURNED TO WORK 13% UP ON 2015/16

3 month

IMPROVEMENT IN THE TIME TAKEN TO RESOLVE COMMON LAW CASES

84%

TAC STAFF ENGAGEMENT REMAINED ABOVE GLOBAL STANDARDS

7.73/10

OUR HIGHEST-EVER CLIENT SATISFACTION RATING ACHIEVED

Supporting injured Victorians

These are a few of the projects that are helping to restore independence and increase access to care:

RESIDENTIAL INDEPENDENCE PTY LTD (RIPL)

The TAC's wholly-owned RIPL project continues to grow, with four housing developments completed to date and a further three set to commence construction in the coming year.

This unique program responds to a shortage of independent housing options for some of TAC's most seriously injured clients. The purpose-built accommodation allows people with disabilities, such as spinal cord injury or acquired brain injury, to live independently in housing that meets their specific needs with access to support. As a testament to RIPL's success, a further \$10 million in funding has been allocated over the next four years, bringing the total investment to \$40 million. This additional funding will see RIPL commence the design and development of a further three properties.

AMBULANCE VICTORIA TRAUMA SYSTEM PARTNERSHIP

A new partnership between the TAC and Ambulance Victoria will make life easier for the some 15,000 who require an ambulance after a transport accident each year.

The agreement means costs are automatically covered without patients having to lodge a claim. It is a first step towards data sharing (with client approval) across all agencies within the trauma system. This new exchange of information will result in easier, more immediate access to TAC benefits.

MYTAC

The TAC's myTAC app and web portal offers clients more choice about how they interact with us and represents a significant step towards the TAC's mission to be the world's leading social insurer. It allows clients to quickly upload documents, search for nearby health providers and ask questions via direct messaging. As a result, reimbursements, which previously took up to a week, are now being processed within 24 hours.

MAJOR TRAUMA RECOVERY COORDINATORS

The TAC is funding two new positions at the Alfred Hospital Trauma Service. This two-year trial is aimed at delivering improved outcomes for patients through more timely and appropriate engagement. It will ensure patients are better informed of their discharge options and have the rehabilitation support needed to get their lives back on track.

GIVING OUR CLIENTS A VOICE

The newly-established TAC Disability Reference Group further demonstrates a commitment to quality of care for our most vulnerable clients and a zero tolerance for abuse in the disability sector. Representation is made up of two TAC clients, five disability care providers and a Carers Victoria member.

THE SUNRISE CENTRE

The TAC is the major funding partner of Barwon Health's Sunrise Centre, housed within Simonds Stadium. The state-of-the-art facility will provide world-class services to people in the Geelong and South West region who are recovering from injury or living with a disability or illness. Specialised health clinicians will use the latest equipment and recovery treatments. The facility will also house a concussion clinic, providing expert advice to sporting groups and the wider community.

The Sunrise Centre will also offer opportunities for collaborative research in partnership with the TAC and Deakin University, along with other regional organisations such as NDIA and WorkSafe Victoria.

SMART HOME TECHNOLOGY

In partnership with Deakin University, the TAC has commenced trials of a new smart home technology platform to assist clients to live independently. The artificial intelligence system, Sofihub, will use non-invasive sensors installed in selected client's homes to increase their safety within their home and provide reminders of daily tasks they may have forgotten like taking medication.

THE LONGITUDINAL HEAD INJURY OUTCOMES STUDY

The TAC has committed an additional \$1 million to this important study, which involves more than 3,000 clients and aims to identify difficulties experienced by patients during rehabilitation.

This brings our total contribution to \$4.747m since 1995.

This extra funding will assist with research into the psychological and cognitive consequences of a brain injury, such as the potential development of dementia.

Most importantly, these results will help the TAC better understand the needs of severely injured clients to deliver better interventions and outcomes.

RESPONSE TO BOURKE STREET MALL

The Bourke Street Mall tragedy on Friday January 20 was unprecedented for the TAC in terms of its location and the complex nature of the event. It impacted many Victorians and will do so for many years to come.

The TAC mobilised quickly to support and reassure those directly affected, with staff immediately dispatched to major hospitals. Partnering with WorkSafe, Victims of Crime and other government agencies the TAC played a leading role in coordinating support, including:

- Ambulance and hospital care
- Rehabilitation services, including physio and psychologists
- Counselling for individuals, families and couples
- Additional medical services, including surgery, pathology and GP visits
- Travel expenses to and from medical appointments
- Loss of wages
- Funerals and lump sum payment to dependants

For many of those impacted by this tragedy, the road to recovery will be a long one. The TAC is committed to ensuring these people have the support they need.

TAC CLIENT EXPERIENCE SURVEY

Better experience of the TAC is a key driver of better outcomes for our clients. The TAC client experience survey has recorded its highest ever satisfaction score of 7.73. This is well above last year's outcome (7.54) and surpasses our target of 7.64.

All TAC divisions recorded scores above the minimum range, clearly demonstrating a determination within our business to deliver the best possible experience of our services.

The TAC has also recorded a client outcomes score of 7.20. This is 0.02 above the previous year's result and is the highest score achieved since we began tracking life back on track results in 2012.

Both of these scores are among our most important performance measures. They were achieved during a period of unprecedented change within the business and provide a transparent appraisal of how well our clients think we are doing.

Other highlights of the results include:

- Half of all clients surveyed rated their satisfaction with the TAC as a 9 or 10
- Our customer service centre scored a record-high satisfaction result of 8.2 – with 46 percent of clients giving their experience a perfect 10/10 rating.

At its heart, TAC 2020 is a people strategy aimed at providing world-leading care for people hurt on Victorian roads.

As part of our determination to better tailor support for client needs, the TAC established:

**3 BROAD
CLIENT
DIVISIONS**

1% Independence

The one percent of clients that sustain serious and life changing injuries as a result of a road accident will have a life-long journey with the TAC. We are determined to deliver the best contemporary disability practice by a social insurance scheme.

By working closer with our clients and health and disability partners we are providing the individually tailored supports needed to restore choice, dignity and independence.

**19% Supported
Recovery**

For a significant number of Victorians, recovery from a road accident is not straight forward. Their injuries are often more complex, with mental health problems, persistent pain and a lack of understanding of the health system among some of the difficulties they encounter.

There can be no one-size-fits-all approach to their rehabilitation. Our Supported Recovery model of care is built around supports to match individual needs across areas of participation, choice, wellbeing and restoration.

**80% Rapid
Recovery**

Our largest group of clients require less intervention from the TAC. Through the introduction of new technology and by strengthening partnerships within the health sector we are streamlining processes so they can quickly get their lives back on track.

Resolving disputes and complaints

The TAC makes hundreds of decisions that affect clients each week. Sometimes a client does not accept or understand a decision made by the TAC, and in these cases, a client may choose to have the decision:

- Informally reviewed by the TAC;
- Reviewed under the No Fault Dispute Resolution Protocols; or
- Reviewed by the Victorian Civil and Administrative Tribunal (VCAT) – known as a merit review.

INFORMAL REVIEWS

There were 289 requests for an informal review and 39 Notice of Intent (NOI) to dispute a TAC decision lodged by clients in 2016/17. This compares with 283 and 33 respectively the previous year. Around 82 percent of informal reviews were finalised within four months, with 48 percent of these maintaining the TAC's original decision.

NO FAULT DISPUTE RESOLUTION PROTOCOLS

No Fault Dispute Resolution Protocols (The Protocols) were implemented in 2005 in collaboration with legal stakeholders, to provide an alternative dispute resolution process to the formal disputation process at VCAT. This was done with a view to reducing the time and cost to resolve disputes about TAC decisions.

The TAC continues to work with the legal community to negotiate improvements in the dispute process and better outcomes for clients.

In 2016/17 the total number of dispute applications lodged pursuant to the No Fault Dispute Resolution Protocols was 761 compared to 932 in 2015/16 and 1,066 applications in 2014/15.

The effectiveness of The Protocols in promoting improved understanding and dialogue with stakeholders can be largely attributed to the ongoing reduction in dispute applications.

The TAC 2020 strategy has allowed us to shift to more outcomes focused decisions, which have contributed to a reduction in disputes.

MERIT REVIEWS

A total of 208 merit review applications were lodged at VCAT in 2016/17, compared to 311 in the previous year.

In September 2014, section s77(1A) of the *Transport Accident Act 1986* was amended. The legislation now allows an applicant three months to lodge an application for merit review with VCAT. For applicants who have not participated in the dispute resolution process under The Protocols, a merit review application must be lodged within 12 months of the date of the TAC decision.

MODEL LITIGANT

The TAC is committed to the Victorian Government's model litigant guidelines. The Guidelines require the TAC to act fairly and consistently, to avoid litigation, pay legitimate claims promptly and to minimise legal costs. The Guidelines require fairness and the utmost propriety. There were no Model Litigant complaints lodged in 2016/17. This compares with three the previous year.

COMPLAINTS

The TAC takes service complaints very seriously and has a formal complaints office to manage these issues, including matters of inquiry from the Chief Executive Officer and the Victorian Ombudsman. In 2016/17 the TAC received 261 formal complaints. This is down on the 2015/16 figure of 320 and 327 complaints in 2014/15.



/ Kevin

Kevin is among a growing list of clients now enjoying living independently in purpose-built homes, made possible by the TAC's \$40 million investment in our unique and wholly-owned Residential Independence Initiative (RIPL).

"I like doing my own gardening. I talk to most of the neighbours. I can walk down to the shops."

Managing the scheme

The TAC's objective is to maintain scheme viability through sound financial management, prudent investment and effective risk management.

OPERATING RESULTS

The TAC recorded a total comprehensive result of \$1.34 billion in 2016/17 which was driven by favourable external factors due to rising bond yields and a higher than expected investment return.

The TAC achieved an investment return of 11.8 per cent, compared to 3.0 percent in 2015/16. Over the 10 year period to June 2017, the TAC investment fund returned 6.1 percent per annum (after fees), compared to a benchmark return of 6.07 percent per annum, relative to the estimated rolling 10-year investment objective return of 7.5 per cent (CPI plus 5 percent).

The TAC's funding ratio at 30 June 2017 was 96.4 percent, compared to 81.3 percent at 30 June 2016.

The TAC's total assets as at June 2017 have increased to \$14.48 billion (\$13.67 billion as at June 2016), whilst total liabilities decreased to \$14.46 billion (\$14.92 billion as at 30 June 2016). As at 30 June 2017, the TAC is reporting a positive net asset position.

PERFORMANCE FROM INSURANCE OPERATIONS

For 2016/17, the TAC's performance from insurance operations (PFIO) was \$142 million. The favourable result was achieved through continued strong claims management, efficient business operations and effective marketing and road safety programs.

DIVIDEND

Under the *Transport Accident Act 1986*, the TAC may pay an annual dividend to the Victorian Government. The dividend is determined each year by the Treasurer in consultation with the TAC and the Minister responsible for the TAC, having regard to funding levels and other factors.

In accordance with section 29A of the *Transport Accident Act 1986*, the TAC paid a \$29.5 million repayment of capital to the Victorian State Government on 28 June 2017. This transaction has been recorded as an expense in accordance with FRD 119A Transfers through *Contributed Capital*.

In accordance with section 29B of the *Transport Accident Act 1986*, the TAC is required to pay to the Victorian State Government a dividend as determined by the Treasurer. The TAC paid a \$79.5 million dividend to the Victorian State Government on 28 June 2017.

TRANSPORT ACCIDENT CHARGE

Consistent with the *Transport Accident Act 1986*, transport accident charge levels for motorists increased in line with CPI (1.9 percent) on 1 July 2016. The TAC also covers people injured in train and tram accidents with charges paid by the railway and tramway managers to fund these claims. Transport accident charge levels for both railways and tramways are set following a review of claims experience by independent actuaries PricewaterhouseCoopers (PwC).

Reducing fraud

The TAC's ability to identify suspicious behaviour, fraud and claim anomalies continues to improve through more advanced analytical and intelligence reporting techniques.

The TAC has a strong capability to proactively identify, prevent and investigate potential fraud and other inappropriate payments in a timely manner.

The following enforcement actions were taken during 2016/17;

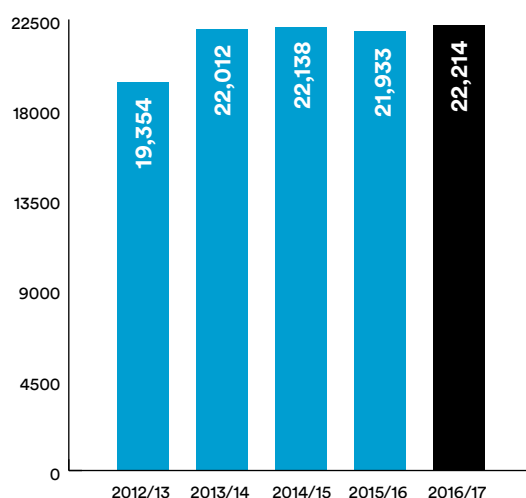
- There were 11 prosecutions finalised through the Magistrates Court
- In eight cases, a conviction was recorded and a total of \$220,410 in restitution was awarded to the TAC
- Six matters are currently before the courts where TAC is alleging fraud against the scheme totalling \$339,117
- 74 warning letters for breaches of the Act relating to fraud and providing false information to the TAC were sent to clients, medical and service providers incorporating demands for reimbursement of \$40,270.

The TAC has also continued its focus on ensuring payments made to medical and health practitioners and service providers were appropriate. Reviews were completed on more than 16,996 payments made to 284 providers across a wide range of different disciplines. The TAC was reimbursed more than \$101,000 in payments made to providers that they were not entitled to.

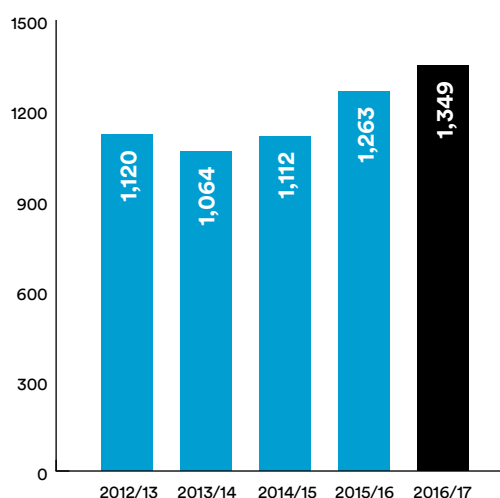
Key performance measures

SUPPORTING INJURED VICTORIANS

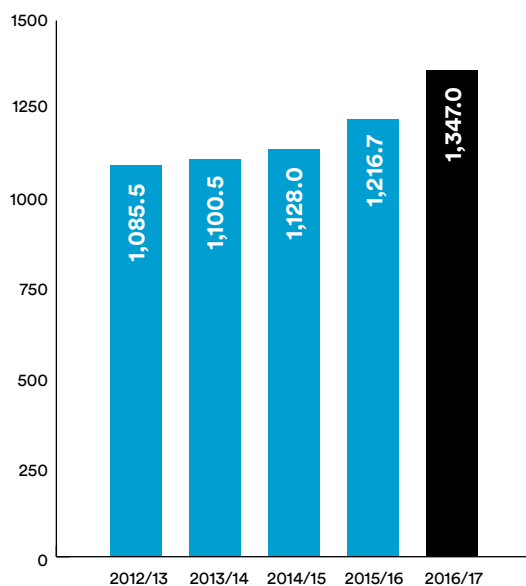
TOTAL CLAIM LODGEMENTS



VICTORIAN COMMON LAW RESOLUTIONS

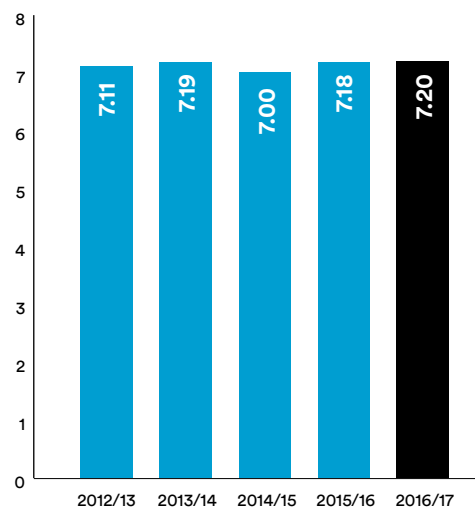


TOTAL BENEFITS PAID (\$ MILLION)



CLIENT SATISFACTION

CLIENT OUTCOMES SCORE*



*Life back on track 1-10



/ Lisa

“In many ways the accident has completely changed my outlook and in a strange way, I’m grateful for it because it gave me so much perspective, just literally lying there on the road, not being sure if, when the paramedic asked me to wiggle my toes, if I’d be able to. I feel immeasurably grateful for the medical system in Australia, I feel immeasurably grateful to the TAC for taking care of me.”

Financial report

FOR THE FINANCIAL YEAR
ENDED 30 JUNE 2017





**STATEMENT BY CHAIR,
CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER**

We certify that the financial report of the Transport Accident Commission has been prepared in accordance with Standing Direction 5.2 of 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 notes to and forming part of the financial statements, present fairly the financial transactions for the year ended 30 June 2017 and the financial position of the Transport Accident Commission as at that date.

We are not aware of any circumstances which would render any particulars included in the financial report misleading or inaccurate.

We authorise the financial report for issue on 31 August 2017.



Penny Armytage
Chair



Joe Calafiore
Chief Executive Officer



Tony Dudley
Chief Financial Officer

Independent Auditor's Report

To the Board of the Transport Accident Commission

Opinion	<p>I have audited the financial report of the Transport Accident Commission (the authority) which comprises the:</p> <ul style="list-style-type: none"> • balance sheet as at 30 June 2017 • comprehensive operating statement for the year then ended • statement of changes in equity for the year then ended • cash flow statement for the year then ended • notes to the financial statements, including a summary of significant accounting policies • statement by chair, chief executive officer and chief financial officer. <p>In my opinion the financial report presents fairly, in all material respects, the financial position of the authority as at 30 June 2017 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>
Basis for Opinion	<p>I have conducted my audit in accordance with the <i>Audit Act 1994</i> which incorporates the Australian Auditing Standards. My responsibilities under the Act are further described 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 authority 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 Australia. 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>
Board's responsibilities for the financial report	<p>The Board of the authority 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 Board determine 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 Board is responsible for assessing the authority's ability to continue as a going concern, and using the going concern basis of accounting unless it is inappropriate to do so.</p>

Auditor's responsibilities for the audit of the financial report

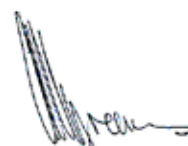
As required by the *Audit Act 1994*, my responsibility is to express an opinion on the financial report based on the audit. My objectives for the audit are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the authority's internal control
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board
- conclude on the appropriateness of the Board'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 authority'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 authority to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

I communicate with the Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

MELBOURNE
4 September 2017



Andrew Greaves
Auditor-General

How this report is structured

The Transport Accident Commission (TAC) has pleasure in presenting its audited general purpose financial statements for the financial year ended 30 June 2017 to provide users with the information about the TAC's stewardship of resource entrusted to it.

It is presented in the following structure:

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FINANCIAL STATEMENTS

COMPREHENSIVE OPERATING STATEMENT

For the financial year ended 30 June 2017

	NOTE	2017 \$000	2016 \$000
Premium revenue		1,728,886	1,663,307
Premium collection fees		(42,306)	(40,786)
Net premium revenue	3.1	1,686,580	1,622,521
Gross claims incurred		(775,792)	(2,946,631)
Claims recoveries revenue		12	20,259
Net claims incurred	2.2.2	(775,780)	(2,926,372)
Administration costs	5.1	(164,967)	(156,692)
Marketing and road safety	2.1.1	(78,465)	(66,916)
Safe system road infrastructure	2.1.2	(118,891)	(53,113)
Health compensation and disability research	2.2.1	(6,224)	(7,392)
Underwriting expenses		(368,547)	(284,113)
Underwriting profit / (loss)		542,253	(1,587,964)
Investment income		1,447,967	375,992
Investment expense		(43,479)	(37,653)
Net Investment Income	4.1	1,404,488	338,339
Repayment of capital	7.3	(29,500)	(78,000)
Profit / (loss) before income tax		1,917,241	(1,327,625)
Income tax benefit / (expense)	7.1	(572,918)	394,885
Net result for the year		1,344,323	(932,740)
Other comprehensive income		-	-
Other comprehensive income for the year		-	-
Total comprehensive result for the year		1,344,323	(932,740)

The above comprehensive operating statement should be read in conjunction with the accompanying notes to the financial statements.

FINANCIAL STATEMENTS

BALANCE SHEET

As at 30 June 2017

	NOTE	2017 \$'000	2016 \$'000
Current assets			
Cash and cash equivalents	4.3	34,447	39,923
Claims receivable	2.2.3	70,929	67,543
Premiums receivable		15,773	16,034
Other receivables		3,387	2,271
Investments	4.2	1,952,015	1,958,638
Deferred acquisition costs	3.2	21,511	20,354
Other assets		8,153	2,837
Total current assets		2,106,215	2,107,600
Non-current assets			
Claims receivable	2.2.3	545,394	572,503
Other receivable		21	41
Investments	4.2	11,381,490	9,974,863
Controlled entity	9.5	25,200	25,200
Plant and equipment		12,416	13,199
Intangibles	6.1	43,887	41,359
Deferred tax assets	7.2	363,890	936,808
Total non-current assets		12,372,298	11,563,973
Total assets		14,478,513	13,671,573
Current liabilities			
Outstanding claims	2.2.3	1,251,386	1,180,079
Unearned premiums	3.3	874,638	828,888
Advance premiums		33,864	32,838
Derivative liabilities	4.2	50,305	68,218
Payables		93,535	65,095
Employee provisions		21,143	18,320
Lease liabilities		921	878
Total current liabilities		2,325,792	2,194,316
Non-current liabilities			
Outstanding claims	2.2.3	12,133,969	12,721,136
Derivative liabilities	4.2	91	1,869
Employee provisions		3,304	3,841
Lease liabilities		1,154	1,031
Total non-current liabilities		12,138,518	12,727,877
Total liabilities		14,464,310	14,922,193
Net assets / (liabilities)		14,203	(1,250,620)
Equity			
Reserves		21,484	22,999
Accumulated surplus / (deficit)		(7,281)	(1,273,619)
Total equity		14,203	(1,250,620)

The above balance sheet should be read in conjunction with the accompanying notes to the financial statements.

STATEMENT OF CHANGES IN EQUITY

For the financial year ended 30 June 2017

	MOTORCYCLE ROAD SAFETY RESERVE \$000	ACCUMULATED SURPLUS / (DEFICIT) \$000	TOTAL \$000
At 1 July 2015	18,589	(204,869)	(186,280)
Total comprehensive result			
Net result for the year	-	(932,740)	(932,740)
Other comprehensive income	-	-	-
Total comprehensive result for the year	-	(932,740)	(932,740)
Transactions with owners, recorded directly in equity			
Transfer from accumulated surplus to Motorcycle Road Safety Reserve	7,172	(7,172)	-
Transfer from Motorcycle Road Safety Reserve to accumulated surplus	(2,762)	2,762	-
Final dividend paid for 2014/15 year	-	(115,900)	(115,900)
Interim dividend paid for 2015/16 year	-	(15,700)	(15,700)
Total transactions with owners	4,410	(136,010)	(131,600)
At 30 June 2016	22,999	(1,273,619)	(1,250,620)
Total comprehensive result			
Net result for the year	-	1,344,323	1,344,323
Other comprehensive income	-	-	-
Total comprehensive result for the year	-	1,344,323	1,344,323
Transactions with owners, recorded directly in equity			
Transfer from accumulated surplus to Motorcycle Road Safety Reserve	7,522	(7,522)	-
Transfer from Motorcycle Road Safety Reserve to accumulated surplus	(9,037)	9,037	-
Dividend paid during year	-	(79,500)	(79,500)
Total transactions with owners	(1,515)	(77,985)	(79,500)
At 30 June 2017	21,484	(7,281)	14,203

The above statement of changes in equity should be read in conjunction with the accompanying notes to the financial statements.

FINANCIAL STATEMENTS

CASH FLOW STATEMENT

For the financial year ended 30 June 2017

	NOTE	2017 \$000	2016 \$000
Cash flows from operating activities			
Premiums received		1,951,925	1,858,441
Dividends received		364,891	451,763
Interest received		50,115	68,350
Claims paid		(1,363,864)	(1,229,889)
Claims recoveries received		16,814	13,195
Payments to suppliers and employees		(245,393)	(230,121)
Payments for marketing and road safety projects		(84,735)	(69,799)
Payments for trauma projects and safer road infrastructure expenditure		(114,975)	(66,670)
Goods and services tax paid		(65,736)	(71,382)
Net cash inflow from operating activities	4.3(b)	509,042	723,888
Cash flows from investing activities			
Purchase of investments		(3,923,777)	(4,066,860)
Sale of investments		3,603,872	3,692,874
Funds provided to controlled entity		-	(3,200)
Purchase of plant and equipment		(1,971)	(2,270)
Proceeds from sale of plant and equipment		646	673
Expenditure on intangibles		(17,459)	(12,407)
Net cash outflow from investing activities		(338,689)	(391,190)
Cash flows from financing activities			
Dividend paid	7.4	(79,500)	(131,600)
Repayment of capital	7.3	(29,500)	(78,000)
Net cash outflow from financing activities		(109,000)	(209,600)
Net increase in cash and cash equivalents		61,353	123,098
Cash and cash equivalents at the beginning of the year		1,482,009	1,360,016
Effects of exchange rate changes on cash held in foreign currencies		(22,368)	(1,105)
Cash and cash equivalents at end of the year	4.3	1,520,994	1,482,009

The above cash flow statement should be read in conjunction with the accompanying notes to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. ABOUT THIS REPORT

The TAC is a Government-owned enterprise, established under the *Transport Accident Act 1986* to reduce the social and financial cost of transport accident injuries to the Victorian community.

Its principal address is:

Transport Accident Commission
60 Brougham St
Geelong VIC 3220

For the purposes of this financial report prepared under Australian Accounting Standards, policy refers to the cover provided under the *Transport Accident Act 1986*.

The financial report has been prepared on a going concern basis.

BASIS OF PREPARATION

This financial report has been prepared on an accruals basis, and is based on historical costs, except for outstanding claims liabilities, recovery receivables, employee leave liabilities which are included at present value and investments, plant and equipment which are included at fair value. Cost is based on the fair values of the consideration given in exchange for assets.

The functional and presentation currency of the TAC is the Australian dollar. Amounts have been rounded to the nearest thousand dollars unless otherwise stated.

In the application of Australian Accounting Standards, management is required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of Australian Accounting Standards that have significant effects on the financial report and estimates with a significant risk of material adjustments in the next year are disclosed in notes 2.2.3, 2.2.4, 7.2 and 8.3 in the financial report.

The TAC has adopted a new financial report format for the year end 30 June 2017. This has resulted in the restatement of some comparatives for 2016 to align with the classification adopted by the new financial report format.

COMPLIANCE INFORMATION

The financial report is a general purpose financial report which has been prepared in accordance with the *Financial Management Act 1994* and applicable Australian Accounting Standards (AAS) which include Interpretations, issued by the Australian Accounting Standards Board (AASB).

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.

The Minister for Finance has determined that the TAC is a "for-profit" entity for the purpose of preparing the financial statements.

The financial report was authorised for issue by the Directors on 31 August 2017.

NOTES TO THE FINANCIAL STATEMENTS

2. TOWARDS ZERO AND CLIENTS' LIVES BACK ON TRACK

Introduction to this section

The TAC has two strategic outcomes: Towards Zero and Clients' Lives Back on Track.

The TAC is dedicated to eliminating road deaths and serious injuries. The fundamental principle of Towards Zero is that people's lives are paramount. The TAC is building a system where Victorians are protected from death or serious injury if a mistake is made on the road.

The TAC is dedicated to assisting Victorians to recover and rehabilitate from road accidents, paying for treatment and support services for people injured in transport accidents.

This section provides details of the expenditure incurred by TAC in these important initiatives.

Structure

- 2.1 Towards Zero
 - 2.1.1 Marketing and road safety
 - 2.1.2 Safe system road infrastructure
- 2.2 Clients' Lives Back on Track
 - 2.2.1 Health, compensation and disability research
 - 2.2.2 Net claims incurred
 - 2.2.3 Claims
 - 2.2.4 Actuarial assumptions and methods
 - 2.2.5 Insurance contracts – risk management policies and procedures

2.1 TOWARDS ZERO

This strategy aims to achieve the most ambitious reduction in road trauma in Victoria's history to reduce road deaths by 20% and serious injuries by 15% by 2020. It is TAC's vision to have zero deaths and serious injuries on Victorian roads. The expenditure incurred on this important strategy is outlined below.

2.1.1 MARKETING AND ROAD SAFETY

	2017 \$000	2016 \$000
Marketing and road safety	78,465	66,916

To achieve its goals and vision the TAC incurs costs throughout the financial year on various public education campaigns, community engagement and road safety initiatives to educate road users on key elements of the Towards Zero and the safe system approach. The safe system approach encompasses safe roads and roadsides, safe speeds, safe vehicles, and safe road use by all people using the road. Road safety is a shared responsibility and everyone has a role in keeping themselves and others safe.

2.1.2 SAFE SYSTEM ROAD INFRASTRUCTURE

	2017 \$000	2016 \$000
Safe system road infrastructure	118,891	53,113

The TAC continues to invest in road safety infrastructure, incurring expenditure towards safety infrastructure improvements on the road network across metropolitan, rural and regional roads, improving cycling and pedestrian infrastructure and supporting safer intersections and traffic calming treatments.

2.2 CLIENTS' LIVES BACK ON TRACK

The TAC is dedicated to assist Victorians to recover and rehabilitate from road accidents and get their lives back on track as quickly as possible. The TAC covers transport accidents directly caused by the driving of a car, motorcycle, bus, train or tram, funding medical treatment for transport accident-related injuries for as long as it is necessary. The claims expenditure incurred in connection with helping Victorians to get their 'lives back on track', as well as expenditure incurred on trauma projects is set out below.

2.2.1 HEALTH, COMPENSATION AND DISABILITY RESEARCH

	2017 \$000	2016 \$000
Health, compensation and disability research	6,224	7,392

The TAC incurs costs throughout the financial year on various projects which focus on facilitating research and best practices in the areas of injury prevention, rehabilitation and compensation practice and improving outcomes in those areas.

2.2.2 NET CLAIMS INCURRED

	2017			2016		
	CURRENT YEAR \$000	PRIOR YEARS \$000	TOTAL \$000	CURRENT YEAR \$000	PRIOR YEARS \$000	TOTAL \$000
Gross claims incurred						
Undiscounted	3,165,310	(3,853,995)	(688,685)	3,000,166	(1,185,152)	1,815,014
Discount movement	(1,381,440)	2,845,917	1,464,477	(1,329,962)	2,461,579	1,131,617
	1,783,870	(1,008,078)	775,792	1,670,204	1,276,427	2,946,631
Claims recoveries						
Undiscounted	(13,976)	30,228	16,252	(14,588)	(1,859)	(16,447)
Discount movement	2,842	(19,106)	(16,264)	2,608	(6,420)	(3,812)
	(11,134)	11,122	(12)	(11,980)	(8,279)	(20,259)
Net claims incurred	1,772,736	(996,956)	775,780	1,658,224	1,268,148	2,926,372

Current year claims relate to risks borne in the current financial year. Prior year claims relate to a reassessment of the claims assumptions (e.g. changes in economic assumptions and claims experience) made in all previous financial years and include the effects of discounting caused by the natural reduction in discount, as the claims move one year closer to settlement. Recoveries on claims paid and outstanding claims are recognised as revenue.

The net claims incurred of \$776 million (2016: \$2,926 million) is impacted by both internal and external (financial impact on changes in inflation assumptions, discount rates and risk margins) factors as noted below:

	2017 \$M	2016 \$M
Claims incurred – internal	2,065	1,658
Claims incurred – external	(1,289)	1,268
Total claims incurred	776	2,926

Refer to section 2.2.4 for discussion around the actuarial assumptions and methods.

NOTES TO THE FINANCIAL STATEMENTS

2.2 CLIENTS' LIVES BACK ON TRACK (CONTINUED)

2.2.3 CLAIMS

Claims Receivable

	2017 \$000	2016 \$000
Current		
Claims GST receivable	60,370	56,545
Claims recoveries	10,559	10,998
Total current	70,929	67,543
Non-current		
Claims GST receivable	498,422	509,168
Claims recoveries	46,972	63,335
Total non-current	545,394	572,503
Total claims receivable	616,323	640,046

Claims GST receivable amounts represent the GST credits which the TAC is entitled to claim on future claims payments. Claims recoveries receivable are assessed in a manner similar to the measurement of outstanding claims liability. A provision for impairment is recognised when there is objective evidence that the claims receivable is not recoverable.

Outstanding claims liability

	2017 \$000	2016 \$000
Expected future claims payments (undiscounted)	26,097,140	27,831,736
Discount to present value	(14,827,745)	(16,124,872)
	11,269,395	11,706,864
Claims handling expenses	955,139	988,790
	12,224,534	12,695,654
Risk margin	1,160,821	1,205,561
Outstanding claims liability	13,385,355	13,901,215

	2017 \$000	2016 \$000
Current	1,251,386	1,180,079
Non-current	12,133,969	12,721,136
Outstanding claims liability	13,385,355	13,901,215

Outstanding claims liability as at 30 June 2017 has been determined by the Directors after appropriate consideration of the actuarial advice provided by an independent actuarial firm, PricewaterhouseCoopers Consulting (Australia) Pty Ltd.

Reconciliation of movement in discounted outstanding claims liability

	2017			2016		
	GROSS \$000	RECOVERIES \$000	NET \$000	GROSS \$000	RECOVERIES \$000	NET \$000
Outstanding claims brought forward	13,901,215	(640,046)	13,261,169	12,033,784	(553,847)	11,479,937
Effect of changes in economic assumptions	(1,217,762)	2,283	(1,215,479)	1,241,902	(4,098)	1,237,804
Effect of past inflation rate different to assumptions	15,529	(362)	15,167	(40,404)	474	(39,930)
Effect of changes in other assumptions	(33,749)	10,884	(22,865)	(158,742)	(2,639)	(161,381)
Increase in claims incurred/recoveries in current accident year	1,783,870	(11,134)	1,772,736	1,670,204	(11,980)	1,658,224
Release of risk margin and claims handling expenses	(209,921)	-	(209,921)	(203,131)	-	(203,131)
Cost of prior year claims moving one year closer to payment	437,825	(1,683)	436,142	436,802	(2,016)	434,786
Included claims recognised in the comprehensive operating statement	775,792	(12)	775,780	2,946,631	(20,259)	2,926,372
Claims payments and recoveries during the year	(1,284,731)	16,814	(1,267,917)	(1,158,335)	13,195	(1,145,140)
Increase in provision for GST credits	(6,921)	6,921	-	79,135	(79,135)	-
Outstanding claims carried forward	13,385,355	(616,323)	12,769,032	13,901,215	(640,046)	13,261,169

NOTES TO THE FINANCIAL STATEMENTS

2.2 CLIENTS' LIVES BACK ON TRACK (CONTINUED)

2.2.3 CLAIMS (CONTINUED)

Claims development table

The table shows the development of undiscounted outstanding claims relative to the ultimate expected claims for the ten most recent accident years.

ACCIDENT YEAR	2008 \$000	2009 \$000	2010 \$000	2011 \$000	2012 \$000	2013 \$000	2014 \$000	2015 \$000	2016 \$000	2017 \$000	TOTAL \$000
Estimate of ultimate claims costs:											
At end of accident year:	2,103,279	1,902,683	1,868,977	2,095,677	2,190,740	2,375,635	2,770,542	2,582,261	2,725,521	2,889,012	
One year later	1,818,182	1,870,243	1,822,545	2,122,859	2,089,306	2,643,268	2,368,520	2,577,731	2,522,724		
Two years later	1,787,095	1,980,985	2,048,727	2,179,206	1,973,791	2,410,547	2,245,457	2,385,833			
Three years later	1,789,816	2,091,361	1,972,760	2,280,844	2,046,791	2,314,780	2,069,435				
Four years later	1,761,781	1,917,496	2,196,216	2,281,185	1,996,622	2,075,528					
Five years later	1,821,568	2,106,249	2,402,436	2,234,721	1,842,027						
Six years later	1,902,933	2,077,367	2,229,752	2,072,408							
Seven years later	1,909,672	2,026,409	1,976,489								
Eight years later	1,834,636	1,862,648									
Nine years later	1,728,799										
Current estimate of cumulative claims costs	1,728,799	1,862,648	1,976,489	2,072,408	1,842,027	2,075,528	2,069,435	2,385,833	2,522,724	2,889,012	21,424,903
Cumulative payments	(758,902)	(791,923)	(735,224)	(759,688)	(752,771)	(695,182)	(579,546)	(469,857)	(358,350)	(212,696)	(6,114,139)
Outstanding claims – undiscounted	969,897	1,070,725	1,241,265	1,312,720	1,089,256	1,380,346	1,489,889	1,915,976	2,164,374	2,676,316	15,310,764
Discount										(8,620,793)	
2007 and prior claims										5,123,922	
Claims handling expenses										955,139	
Recoveries and GST credits										616,323	
Outstanding claims per balance sheet											13,385,355

2.2.4 ACTUARIAL ASSUMPTIONS AND METHODS

The TAC operates the Victorian transport accident compensation scheme which is long tail in nature, meaning that claims are typically settled more than one year after being reported.

Significant estimates and judgements are made by the TAC valuation actuary in respect of certain key asset and liability amounts disclosed in the financial statements. The key areas of significant estimates and judgements and the methodologies used to determine key assumptions related to claims are set out below.

Outstanding claims liability

The outstanding claims liability is measured on the basis of actuarially estimated costs of future claims payments, which include goods and services tax, the anticipated effects of inflation and other factors. The expected future payments include those in relation to claims reported but not yet paid, claims incurred but not yet reported and the anticipated direct and indirect costs of settling those claims. The expected future payments are discounted to present value at balance date using a risk free rate.

A risk margin is applied to the outstanding claims liability to reflect the inherent uncertainty in the central estimate of the outstanding claims liability. The risk margin increases the probability that the claims liability is adequately provided for to a 75% (2016: 75%) probability of sufficiency.

The estimation of outstanding claims liabilities is based largely on the assumption that past developments are an appropriate predictor of the future and involves a variety of actuarial techniques that analyse experience, trends and other relevant factors. The process commences with the actuarial projection of the future claims payments and claims handling costs incurred to reporting date. Each benefit type is usually examined separately.

Actuarial techniques used to analyse and project the various benefit types, include:

- Payments per claim incurred (PPCI)
- Payments per active claim (PPAC)
- Payments per claim settled (PPCS)
- Annuity based individual claim models (ICM)

Projected future claims payments and associated claims handling costs are discounted to a present value as required using appropriate risk free discount rates (i.e. rates set with reference to Commonwealth Government Securities). A projection of future claims payments are undertaken separately of both gross claims payments and recoveries.

This projection is made without bias toward over or under estimation. As such, the resulting estimate is considered to be a net central estimate of outstanding claims liabilities that has an approximately equal chance of proving adequate or inadequate. Where possible and appropriate, multiple actuarial methods will be applied to project future claims payments. This assists in providing a greater understanding of the trends inherent in the past data. The projections obtained from various methods also assist in setting the range of possible outcomes. The most appropriate method, or even a combination of methods, is selected taking into account the characteristics of each benefit type and the extent of the development of each past accident period.

Large claims impacting each relevant benefit type are generally assessed separately, being measured on a case by case basis or projected separately in order to allow for the possible distortive effect of the development and incidence of these large claims.

The final provision is then obtained by examining the results from the above methods and using judgement to combine them in varying proportions according to injury period.

The following assumptions have been made in determining the outstanding claims liabilities.

NOTES TO THE FINANCIAL STATEMENTS

2.2 CLIENTS' LIVES BACK ON TRACK (CONTINUED)

2.2.4 ACTUARIAL ASSUMPTIONS AND METHODS (CONTINUED)

	30 JUNE 2017	30 JUNE 2016
Average claim frequency (claims per 1000 registered vehicles)	3.70	3.66
Average claim size	\$86,395	\$79,306
Average attendant care	\$16,560	\$14,903
Average common law size	\$26,926	\$24,665
Average all other payment size	\$42,909	\$39,738
Expense rate	8.5%	8.5%
Weighted average discount rate (0 to 20 years)	3.12%	2.49%
Long term discount rate (21+ years)	4.71%	5.50%
Weighted average AWE inflation rate (0 to 20 years)	3.38%	3.48%
Long term AWE inflation rate (21+ years)	3.36%	3.75%
Weighted average CPI inflation rate (0 to 20 years)	2.09%	2.50%
Long term CPI inflation rate (21+ years)	2.12%	2.50%
Average weighted term to settlement from balance date	15.4 years	16.3 years
Risk Margin	10.0%	10.0%

Process used to determine assumptions

A description of the processes used to determine these assumptions is provided below:

Average claim frequency	Claim frequency for the current accident year is estimated by projecting the number of claims incurred based on claims already reported and past patterns of claims reporting, and dividing this by the number of vehicle registrations. The claim frequency is not used explicitly in the valuation models but provides a high level indicator of claim experience.
Average claims size	<p>The average claim size is in respect of the current underwriting year and takes into account the expected payments for each payment type (e.g. attendant care, weekly, medical, impairment benefits, common law, other), as well as the proportion of total injured motorists which receive each benefit. The figures shown in the above table are in nominal values excluding the impact of inflation.</p> <p>The average claim size is further broken down into two key components; the costs of attendant care and common law compensation (including legal costs) per no fault claim. This takes into account the number of injured motorists expected to access the particular compensation as well as the amount of compensation expected to be paid. For completeness, the average size of all other compensation is also shown.</p>
Expense rate	Claims handling expenses have been estimated by reference to past and projected claims handling costs across a number of different claims types. The overall allowance represents 8.5% (2016:8.5%).
Discount rate	Discount rates adopted are "risk-free" rates, set by reference to traded Commonwealth Government securities. For years 31 onwards there are few risk free securities on issue with term to maturity beyond this point. Therefore, the long term discount rates are set with reference to historic observed discount rates, as well as the real rate of return above inflation.
Inflation	Economic inflation assumptions are set by reference to current bank and other economic forecasters.
Average weighted term to settlement	The average weighted term to settlement is calculated separately by benefit type based on historic settlement patterns. It is an outworking of the models rather than an explicit assumption and represents the average inflated and discounted term of payments in the outstanding liability from the balance date to payment.
Risk margin	A risk margin is applied to the outstanding claims liability to reflect the inherent uncertainty in the central estimate of the outstanding claims liability. The risk margin increases the probability that the claims liability is adequately provided up to a 75% probability of sufficiency. The risk margin applied at balance date was 10.0% (2016: 10.0%).

Sensitivity analysis – insurance contracts

The TAC's valuation actuary conducts sensitivity analyses to quantify the exposure to risk of changes in the key underlying variables. The valuations included in the reported results are calculated using certain assumptions about these variables as disclosed above. The movement in any key variable will impact the performance and equity of the TAC. The tables below describe how a change in each assumption will affect the scheme liabilities and show how changes in these assumptions impact on profit and equity.

VARIABLE	IMPACT OF MOVEMENT IN VARIABLE
Average attendant care size	The average attendant care size per no fault claim will vary with the number of injured motorists receiving attendant care and the amount of that compensation. The amount depends not only on the amount of care paid per year but also on the age at which motorists are injured, as many will require care for the rest of their lives. Increases or decreases in any of these components will result in a corresponding impact on claims expense. The +/- x% movement shown in the impact table below represents a x% increase or decrease in all future estimated attendant care payments included in the outstanding claims liability.
Average common law size	The average common law size per no fault claim will vary with the number of injured motorists receiving common law compensation and the amount of that compensation (including legal costs). Increases or decreases in any of these components will result in a corresponding impact on claims expense. The +/- x% movement shown in the impact table below represents a x% increase or decrease in all future estimated common law payments included in the outstanding claims liability.
Expense rate	An estimate of the internal costs of handling claims is included in the outstanding claims liability. An increase or decrease in the expense rate assumption would have a corresponding impact on claims expense.
Discount rate	An increase or decrease in the assumed discount rate will have an opposing impact on total claims expense.
Inflation and superimposed inflation rates	Economic inflation assumptions in the short term are set by reference to current economic forecasts. Inflation assumptions for the medium and longer term are set by blending from the short term assumptions to an assumed long term assumption, with blending based on the shape of the discount rates.

Impact of changes in key variables

VARIABLE	MOVEMENT	2017 NET RESULT \$000	2016 NET RESULT \$000	2017 EQUITY \$000	2016 EQUITY \$000
Recognised amounts per the financial statements		1,344,323	(932,740)	14,203	(1,250,620)
Average attendant care size	+10%	964,270	(1,356,673)	(365,850)	(1,674,553)
	-10%	1,724,376	(508,807)	394,256	(826,687)
Average common law size	+10%	1,183,603	(1,080,681)	(146,517)	(1,398,561)
	-10%	1,505,043	(784,799)	174,923	(1,102,679)
Expense rate	+1%	1,257,991	(1,022,311)	(72,129)	(1,340,191)
	-1%	1,430,655	(843,169)	100,535	(1,161,049)
Weighted average discount rate (0-20 years)	+0.5%	1,798,454	(430,889)	468,334	(748,769)
	-0.5%	850,494	(1,479,593)	(479,626)	(1,797,473)
Long term discount rate (21+ years)	+0.5%	1,525,181	(733,869)	195,061	(1,051,749)
	-0.5%	1,140,270	(1,156,671)	(189,850)	(1,474,551)
Weighted average inflation rate – AWE and CPI (0-20 years)	+0.5%	847,419	(1,476,367)	(482,701)	(1,794,247)
	-0.5%	1,805,814	(428,468)	475,694	(746,348)
Long term inflation rate – AWE and CPI (21+ years)	+0.5%	1,133,916	(1,164,650)	(196,204)	(1,482,530)
	-0.5%	1,532,204	(725,311)	202,084	(1,043,191)

NOTES TO THE FINANCIAL STATEMENTS

2.2 CLIENTS' LIVES BACK ON TRACK (CONTINUED)

2.2.5 INSURANCE CONTRACTS – RISK MANAGEMENT POLICIES AND PROCEDURES

The financial condition and operation of the TAC is affected by a number of key risks including insurance risk, financial risk and operational risk.

The TAC's policies and procedures in respect of managing insurance risks are set out below.

Risks arising from insurance operation and policies for mitigating those risks

The TAC's performance from insurance operations are affected by the inherent nature of insurance risks and market factors external to the TAC.

The TAC's risk management strategy covers all aspects of the TAC's operations including any reinsurance risk retention limits. It also includes processes and controls in respect of the management of both financial and non-financial risks likely to be faced by the organisation.

Key aspects of the processes established to mitigate risks include:

- the maintenance and use of sophisticated management information systems, which provide reliable and up to date data on the risks to which the business is exposed at any point in time;
- actuarial models incorporating past experience, statistical methods, and information derived from the management information systems to monitor claims patterns;
- catastrophic accidents are modelled and the TAC's exposures are, if elected by the TAC's Board, protected by arranging reinsurance to limit the losses arising from an individual event. The retention and limits are approved by the TAC's Board;
- where specific reinsurance coverage is elected, only reinsurers with credit ratings equal to, or in excess of, a minimum level determined by management are accepted ; and
- the investment allocation strategy, established by the Victorian Funds Management Corporation (VFMC) in consultation with the TAC, is derived by the matching of assets to the underlying claims liabilities to optimise the returns within the risk management parameters.

Terms and conditions

The terms and conditions of the transport accident compensation scheme administered by the TAC are established under the *Transport Accident Act 1986*. The period of indemnity is generally 12 months.

Where coverage is elected, reinsurance contracts are negotiated and entered into annually to protect the TAC against large losses.

Concentration of insurance risk

The TAC operates the Victorian transport accident compensation scheme. The TAC's exposure to concentration of insurance risks is motor vehicles, trains and trams in metropolitan Melbourne.

Interest rate risk

Assets or liabilities arising from insurance or, where applicable, reinsurance contracts entered into by the TAC are directly exposed to interest rate risk.

Credit risk

The TAC has no significant concentrations of credit risk.

3. COLLECTION OF PREMIUM REVENUE

Introduction to this section

The funds the TAC needs to perform its key strategy are attained from payments made by Victorian motorists when they register their vehicles with VicRoads. The expenditure incurred by the TAC in the implementation of these strategies is disclosed and the funds that enable the delivery of the initiatives are outlined below.

This section is structured as follows:

- 3.1 Net Premium revenue
- 3.2 Deferred acquisition costs
- 3.3 Unearned premiums

3.1 NET PREMIUM REVENUE

	2017 \$000	2016 \$000
Premium revenue	1,728,886	1,663,307
Premium collection fees	(42,306)	(40,786)
Net premium revenue	1,686,580	1,622,521

Premium revenue refers to the transport accident charge for motor vehicles and premium charge for trains and trams, and is recognised from the attachment date over the period of the policy. The pattern of recognition over the policy period is based on time, which is considered to approximate closely with the pattern of risks underwritten. Premium revenue is net of refunds and excludes stamp duty and goods and services tax (GST).

3.2 DEFERRED ACQUISITION COSTS

	2017 \$000	2016 \$000
Balance at 1 July	20,354	19,835
Acquisition costs incurred in the year	43,463	41,305
Amount expensed to comprehensive operating statement	(42,306)	(40,786)
Deferred acquisition costs	21,511	20,354

Acquisition costs represent fees incurred for the collection of transport accident charges for motor vehicles. Acquisition costs are deferred and recognised as assets where they can be reliably measured and where it is probable that they will give rise to a future benefit. Deferred acquisition costs are measured at the lower of cost and recoverable amount and are expensed to correspond to the earning pattern of the premium revenue.

3.3 UNEARNED PREMIUMS

	2017 \$000	2016 \$000
Balance at 1 July	828,888	804,266
Deferral of premium written in the year	874,638	828,888
Earning of premium written in previous year	(828,888)	(804,266)
Unearned Premiums	874,638	828,888

Unearned premiums represent the proportion of premiums received or receivable not earned and relate to periods of insurance subsequent to balance date. They are computed on the basis that the risk attaches to all policies from the middle of the month in which they are written.

NOTES TO THE FINANCIAL STATEMENTS

3. COLLECTION OF PREMIUM REVENUE (CONTINUED)

Unexpired risk liability

At each reporting date the TAC performs a liability adequacy test to assess whether the unearned premium liability is sufficient to cover all expected future cash flows relating to future claims against current insurance contracts.

The unearned premium liability is deemed to be deficient when the expected future cash claims plus the additional risk margin (refer to 2.2.4) exceeds the unearned premium liability less related intangible assets and deferred acquisition costs.

The entire deficiency is recognised immediately in the comprehensive operating statement. The deficiency is recognised first by writing down any related intangible assets and then related deferred acquisition costs, with any excess being recorded in the balance sheet as an unexpired risk liability. No deficiency resulted in the year ended 30 June 2017 (2016: No deficiency).

4. INVESTMENT PORTFOLIO

Introduction to this section

This section includes the investments that are held by the TAC that are used to supplement the premiums earned to fund its functions.

This section contains the disclosures:

- 4.1 Net investment income
- 4.2 Investments (including derivative liabilities)
- 4.3 Cash and cash equivalents

4.1 NET INVESTMENT INCOME

	2017 \$000	2016 \$000
Dividends	363,512	452,637
Interest	43,270	67,730
Changes in fair values of investments through the comprehensive operating statement	1,041,185	(144,375)
Investment income	1,447,967	375,992
Investment expense	(43,479)	(37,653)
Net investment income	1,404,488	338,339

Dividend income is recognised when the TAC's right to receive payment has been established. Dividend income through trust distributions is recognised when the market prices are quoted ex-distribution for listed trusts, while unlisted trust distributions are recognised when the trustee declares a distribution. Interest income is recognised on an accrual basis.

Changes in fair values of investments is the difference between the fair value of the investments at 30 June 2016 or the cost of acquisition (for investments purchased during the year), and sales proceeds or their fair value at 30 June 2017.

Investment expenses are fees paid to Victorian Funds Management Corporation (VFMC) under the Client Funds Management Service Agreement and other professional fees incurred by the TAC in relation to the management of the investment portfolio.

The net return on the investment portfolio for the year was 11.82% (2016: 2.97%).

4. INVESTMENT PORTFOLIO (CONTINUED)

4.2 INVESTMENTS (INCLUDING DERIVATIVE LIABILITIES)

The TAC's investment activity is undertaken pursuant to the *Transport Accident Act 1986*, the *Borrowing and Investment Powers Act 1987* and the Treasurer's Prudential Statement. It is the Victorian Government's policy that all the investment assets of the TAC be managed by the VFMC.

Under the Centralised Model implemented by the Victorian Government in July 2006, the TAC is responsible for setting its investment objectives whilst the VFMC has responsibility to develop appropriate investment strategies that target the TAC's investment objectives. The investment strategy that is determined by the VFMC for the TAC is documented in a detailed Investment Risk Management Plan (IRMP) which is approved by the Treasurer. The IRMP is prepared by the VFMC and addresses issues concerning strategy, portfolio construction, benchmarks and risk management.

The prudential supervision responsibility of the investments rests with the Department of Treasury and Finance (DTF). The VFMC Board is required to certify to the DTF on an annual basis and on a semi-annual basis to the TAC, that the TAC's investment portfolio has been managed in accordance with the accepted IRMP and with the TAC's investment objectives. The TAC is responsible for the review of the contractual and service level agreements and for periodically reviewing and discussing with VFMC its investment performance against its investment objectives.

The investment portfolio consists of a range of assets to match TAC's liability characteristics and equities to provide for long term growth and other assets that provide diversification benefits across the general portfolio.

ASSET CATEGORY	2017 \$000	2016 \$000
Cash investments	176,688	391,943
Australian equities	1,792,810	1,477,956
International equities	5,043,943	4,216,561
Private equity	68,890	358,344
Inflation linked bonds	1,596,437	1,488,498
Infrastructure	845,052	660,545
Property	1,018,704	796,701
Diversified fixed income	1,374,188	1,237,865
Non traditional strategies	1,366,397	1,235,001
Total	13,283,109	11,863,414
Cash and cash equivalents	1,486,547	1,442,086
Other investments	11,796,562	10,421,328
Total	13,283,109	11,863,414

The TAC has uncalled capital commitments within its investments totalling \$1,131 million as at 30 June 2017 (2016: \$1,240 million), which have not been recognised on the balance sheet.

	2017 \$000	2016 \$000
Current		
Investments	1,952,015	1,958,638
Derivative liabilities	(50,305)	(68,218)
Non-current		
Investments	11,381,490	9,974,863
Derivative liabilities	(91)	(1,869)
Total	13,283,109	11,863,414

NOTES TO THE FINANCIAL STATEMENTS

4. INVESTMENT PORTFOLIO (CONTINUED)

4.2 INVESTMENTS (INCLUDING DERIVATIVE LIABILITIES) (CONTINUED)

Assets backing insurance liabilities

The TAC's investment portfolio is managed by the VFMC through internal management and external fund managers and a Master Custodian. The Master Custodian holds the investments and conducts settlements pursuant to instructions from internal management and fund managers.

The TAC has determined that all assets, except for plant and equipment and intangibles, are held to back insurance liabilities. Investments are designated at fair value through the comprehensive operating statement on the basis that the investments are managed as a portfolio based on their fair values, and have their performance evaluated in accordance with documented risk management and investment strategies. Initial recognition is at cost in the balance sheet and subsequent measurement is at fair value with any resultant changes in fair value recognised in the comprehensive operating statement.

Details of fair value for the different types of investment assets are listed below:

- cash assets, deposits held at call with banks and investments in money market instruments are carried at face value which approximate to their fair value;
- investments in discounted money market instruments are valued at their quoted mid price at the balance sheet date, as with fine trading spreads in this market, there is an ability to transact at mid price;
- shares, fixed interest securities, options and units in trusts listed on stock exchanges or traded in an open market are initially recognised at cost (which is equal to fair value) and the subsequent fair value is taken as the quoted bid price of the instruments at the balance sheet date;
- futures contracts listed on recognised exchanges are valued using the quoted settlement price; and
- units in unlisted trusts are recorded at fair value as determined by the fund manager or valuation by other skilled independent third parties. In determining fair value, the manager or third parties use observable market transactions of the units and underlying assets where available and applicable; some of the underlying assets of the trusts are valued using valuation models that include inputs which are not based on observable market data.

Refer to note 8.3 for discussion on valuation judgements in relation to the fair value of investments.

All purchases and sales of investments that require delivery of the asset within the time frame established by regulation or market convention ('regular way' transactions) are recognised at trade date, being the date on which the commitments are made to buy or sell the asset. In cases where the period between trade and settlement exceeds this time frame, the transaction is recognised at settlement date.

Investments held at balance sheet date that are denominated in foreign currencies are retranslated to Australian dollars at rates of exchange ruling at the balance sheet date. Exchange differences are recognised in the comprehensive operating statement in the period in which they arise. Investments are derecognised when the rights to receive future cash flows from the assets have expired, or have been transferred, and the TAC has transferred substantially all the risks and rewards of ownership.

Investments that are due to mature, expire or be realised within twelve months of balance date are classified as current investments in the balance sheet. While this classification policy may result in a reported working capital deficit, the TAC holds high quality liquid assets in its investment portfolio which are readily convertible to cash assets. In addition, the TAC is normally cash flow positive with premium and investment income exceeding claims and administrative cost payments.

Derivative financial instruments

VFMC and fund managers use derivative financial instruments such as foreign exchange contracts, futures, swaps and options to more effectively manage the risks associated with investing in large institutional portfolios. Derivatives are originally recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date with any gain or loss recognised in the comprehensive operating statement.

The fair value of forward exchange contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles. The fair value of interest rate swap contracts is determined by reference to market values for similar instruments.

4.3 CASH AND CASH EQUIVALENTS

(a) Reconciliation of cash and cash equivalents

For the purpose of the cash flow statement, cash includes cash on hand and at banks and cash equivalent assets. Cash equivalent assets are highly liquid investments with short periods to maturity, which are readily convertible to cash at the option of the TAC. Cash at the end of the financial year, as shown in the cash flow statement, is reconciled to the related items in the balance sheet as follows.

The cash and cash equivalents comparatives for 2016 have been restated to align with the classification adopted by the new investment master custodian in 2017. Cash and cash equivalents have been stated at fair value in lieu of historical cost and exclude liabilities associated with collateral repayment obligations. Margin account balances with futures brokers have been excluded due to the restrictions that exist on these items.

Refer to section 9.8 for impact of the restatement on the Cash Flow Statement for the year ended 30 June 2016.

	2017 \$000	2016 \$000
Cash and cash equivalents (bank)	34,447	39,923
Cash equivalents (investments)	1,486,547	1,442,086
Total	1,520,994	1,482,009

(b) Reconciliation of net cash flows from operating activities to net results

	2017 \$000	2016 \$000
Net result for the year	1,344,323	(932,740)
Depreciation and amortisation	17,023	17,543
Impairment of plant, equipment and intangibles	-	733
Finance costs	(281)	545
Changes in fair values of investments through the comprehensive operating statement	(1,041,185)	144,375
Loss / (profit) on sale of plant and equipment	16	(37)
Repayment of capital	29,500	78,000
Changes in assets and liabilities		
Increase/ (decrease) in outstanding claims	(515,860)	1,867,431
Increase/ (decrease) in unearned premiums	45,750	24,622
Decrease/ (increase) in receivables and other assets	24,639	(84,581)
Increase/ (decrease) in creditors and provisions	32,199	2,882
Decrease/ (increase) in net deferred tax balances	572,918	(394,885)
Net cash inflow / (outflow) from operating activities	509,042	723,888

NOTES TO THE FINANCIAL STATEMENTS

5. COST OF OPERATIONS

Introduction to this section

This section provides details of costs incurred by TAC to support its day-to-day operating activities.

This section contains the following disclosures:

- 5.1 Administration costs
- 5.2 Superannuation

5.1 ADMINISTRATION COSTS

	2017 \$000	2016 \$000
Staff and related	107,594	100,995
Information technology	14,871	15,432
Occupancy and utilities	9,013	8,697
Other operating	16,466	14,025
Depreciation and amortisation	17,023	17,543
Total	164,967	156,692
Total administration costs include the following:		
Impairment of plant, equipment and intangibles	-	733
Operating lease rentals	7,436	7,304
Auditor-General's fees	216	225
Interest on finance lease	28	26
Unwind of discount on employee provision	(281)	545

5.2 SUPERANNUATION

Superannuation is provided for employees via the following superannuation funds:

	2017 \$000	2016 \$000
Emergency Services Superannuation Scheme –Revised and New Scheme	287	314
Victorian Superannuation Fund – VicSuper Scheme	4,952	4,692
Private Sector complying funds	3,277	2,682
Total	8,516	7,688

The Emergency Services Superannuation Scheme are defined benefit superannuation plans.

Superannuation amounts include employer contributions for members of both defined benefit and defined contribution superannuation plans that are paid or payable during the reporting period.

The TAC does not recognise any defined benefit liabilities in respect of the Revised and New Scheme under the Emergency Services Superannuation Scheme, because it has no legal or constructive obligation to pay future benefits relating to its employees. The Department of Treasury and Finance administers and discloses the State's defined benefit liabilities in its financial report.

Employees have the option of contributing exclusively to private sector complying funds or contributing to the Victorian Superannuation Fund or both. The basis of superannuation contributions is based on the relevant rules of each plan. At 30 June 2017, contributions outstanding were \$nil (2016: \$nil).

NOTES TO THE FINANCIAL STATEMENTS

6. OTHER ASSETS AND LIABILITIES

Introduction to this section

This section includes other assets and liabilities that are employed by TAC to support its day-to-day operating activities.

This section contains the following disclosures:

- 6.1 Intangibles
- 6.2 Commitments and contingencies

6.1 INTANGIBLES

	2017 \$000	2016 \$000
Computer Software		
At cost	158,094	140,635
Less: Accumulated amortisation	(114,207)	(99,276)
Balance at 30 June	43,887	41,359
Movements in carrying amounts		
Balance at 1 July	41,359	45,003
Additions	17,459	12,407
Write down of intangibles	-	(733)
Current year amortisation	(14,931)	(15,318)
Balance at fair value at 30 June	43,887	41,359

Intangible assets represent identifiable non-monetary assets without physical substance which include both purchased intangible assets and internally generated intangible assets.

Intangible assets are initially recognised at cost. Subsequently, intangible assets with finite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses.

Costs associated with the acquisition or development of intangible assets are capitalised and amortised on a straight line basis over the expected useful life of the intangible asset. The amortisation period and the amortisation method for intangible assets are reviewed annually. An assessment is also made annually to determine whether there are indicators that the intangible assets concerned are impaired. If so, the assets concerned are tested as to whether their carrying value exceeds their recoverable amount.

Depreciation and amortisation begins when the asset is available for use. The useful lives range from 3 to 10 years (2016: 3 to 10 years).

6.2 COMMITMENTS AND CONTINGENCIES

Commitments include operating and capital expenditure commitments arising from non-cancellable contractual sources and are disclosed at their nominal value inclusive of GST.

Contingent assets and contingent liabilities are not recognised in the balance sheet, but are disclosed if quantifiable and are measured at nominal value inclusive of GST. There are no material contingencies in the year ended 30 June 2017 (2016:nil).

Administrative Expenditure

	2017 \$000	2016 \$000
Estimated administrative expenditure contracted at balance date, but not provided for:		
-not later than one year	355,536	142,787
-later than one year but not later than five years	824,058	502,087
-later than five years	76,682	244,483
	1,256,276	889,357

Included in the administrative expenditure is a total amount of approximately \$1.159 million (nominal) of commitments by the TAC to provide funding for major road safety infrastructure programs in Victoria (2016: \$849 million (nominal)). The programs are a significant part of Victoria's Road Safety Strategy and Action Plan and are aimed at reducing the incidence of serious casualty crashes and road trauma and are expected to result in lower TAC claims costs.

Operating Leases

	2017 \$000	2016 \$000
Minimum lease payments:		
-not later than one year	8,111	7,837
-later than one year but not later than five years	35,386	34,189
-later than five years	68,923	78,231
	112,420	120,257

Operating leases relate to TAC premises. The TAC does not have an option to purchase the leased asset at the expiry of the lease period.

NOTES TO THE FINANCIAL STATEMENTS

7. TAXATION AND SHAREHOLDER TRANSACTIONS

Introduction to this section

The TAC is required to pay income tax equivalent under the National Tax Equivalent Regime.

This section contains the following disclosures:

- 7.1 Income tax
- 7.2 Deferred tax
- 7.3 Repayment of capital
- 7.4 Dividends paid through equity

7.1 INCOME TAX

In accordance with section 88 (3D) of the *State Owned Enterprises Act 1992*, the TAC is required to pay income tax equivalent under the National Tax Equivalent Regime (NTER). The income tax expense or benefit comprises current and deferred tax.

	2017 \$000	2016 \$000
Income tax recognised in comprehensive operating statement		
Income tax expense/ (benefit) comprises:		
Current tax expense/ (benefit)	394,342	(325,565)
Deferred tax adjustment	175,110	(66,531)
Adjustment in respect of prior years	3,466	(2,789)
Total expense / (benefit)	572,918	(394,885)
Deferred tax adjustment comprises:		
(Increase)/Decrease in deferred tax assets	15,127	(35,778)
Increase/(Decrease) in deferred tax liabilities	159,983	(30,753)
	175,110	(66,531)
Reconciliation between net result before tax and income tax expense / (benefit)		
Net profit/(loss) before tax	1,917,241	(1,327,625)
Tax at the statutory rate of 30% (2016 – 30%)	575,172	(398,287)
Imputation gross-up on dividends received	9,121	7,394
Franking credits and withholding tax on dividends received	(30,404)	(24,616)
Sundry items	19,029	20,624
Income tax expense / (benefit)	572,918	(394,885)

7.2 DEFERRED TAX

	2017 \$000	2016 \$000
Deferred tax balances		
Deferred tax assets comprise:		
Carry forward tax losses	247,589	650,284
Claims handling expense included in outstanding claims	315,196	326,301
Sundry items	9,911	9,046
	572,696	985,631
Deferred tax liabilities comprise:		
Unrealised gain on investments	208,317	47,555
Sundry items	489	1,268
	208,806	48,823
Net deferred tax assets	363,890	936,808

Deferred tax is recognised for all taxable temporary differences and is calculated based on the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates that are expected to apply when the assets and liabilities are realised or settled, based on tax rates that have been enacted or substantially enacted by reporting date.

Deferred tax assets are recognised only to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities which affect neither taxable income nor accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax assets and liabilities are offset as the TAC settles its current tax assets and liabilities on a net basis.

7.3 REPAYMENT OF CAPITAL

In accordance with section 29A of the *Transport Accident Act 1986*, the TAC paid a \$29.5 million repayment of capital (2016: \$78 million) to the Victorian State Government on 28 June 2017 as determined by the Treasurer after consultation with the TAC and the responsible Minister.

The transaction has been recorded as an expense in accordance with FRD 119A *Transfers through Contributed Capital*.

7.4 DIVIDENDS PAID THROUGH EQUITY

In accordance with section 29B of the *Transport Accident Act 1986*, the TAC is required to pay to the Victorian State Government, a dividend as determined by the Treasurer.

An obligation to pay a dividend only arises after a formal determination is made by the Treasurer following consultation between the TAC, the Minister and the Treasurer.

The TAC paid a \$79.5 million dividend (2016: \$131.6 million) to the Victorian State Government on 28 June 2017, as determined by the Treasurer.

NOTES TO THE FINANCIAL STATEMENTS

8. FINANCIAL INSTRUMENTS

Introduction to this section

This section provides information on the sources of finance utilised by the TAC during its operations, including disclosures of balances that are financial instruments and discussion on valuation judgements.

This section contains the following disclosures:

- 8.1 Financial risk management
- 8.2 Offsetting financial assets and financial liabilities
- 8.3 Fair value – Financial assets and liabilities

8.1 FINANCIAL RISK MANAGEMENT

The TAC's financial assets and liabilities are exposed to a variety of financial risks including market risk (consisting of interest rate, foreign currency and equity price risk), credit risk and liquidity risk.

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. VFMC manages market risk by seeking input from the TAC's actuaries to ensure the investment mix is appropriate to service future liabilities and that projected outcomes are in line with the TAC's overall investment objectives and remain within the risk parameters approved by the Treasurer.

Interest rate risk

Interest rate risk is the risk that the TAC is impacted by significant changes in interest rates. VFMC manages interest rate risk through an asset allocation strategy for the TAC's investment portfolio, which acts as an economic hedge against the insurance liabilities of the TAC. To the extent that these assets and liabilities can be matched, no gain or loss is recognised. VFMC uses derivatives to manage the interest rate risk on interest rate sensitive assets. Interest rate swap contracts and forward rate agreements are used to mitigate interest rate risks.

The interest rate risk comparatives for 2016 have been restated to align with the classification and methodology adopted by the new investment master custodian in 2017.

A summary of TAC's interest-bearing financial instruments is as follows:

	2017			2016		
	VARIABLE RATE \$000	FIXED RATE \$000	TOTAL \$000	VARIABLE RATE \$000	FIXED RATE \$000	TOTAL \$000
Financial assets						
Cash and cash equivalent	34,447	-	34,447	39,923	-	39,923
Investments:						
-derivative assets	-	-	-	161	1,011	1,172
-other investments	1,260,263	174,219	1,434,482	1,406,735	629,393	2,036,128
	1,294,710	174,219	1,468,929	1,446,819	630,404	2,077,223
Financial liabilities						
Derivative liabilities	-	675	675	1,199	392	1,591
Other liabilities	-	2,075	2,075	-	1,909	1,909
	-	2,750	2,750	1,199	2,301	3,500
Total	1,294,710	171,469	1,466,179	1,445,620	628,103	2,073,723

Interest rate sensitivity

A 0.5% movement in interest rates (or discount rates) is used by the TAC's actuaries to present the sensitivities of the actuarial claims liabilities to management to allow them to monitor interest rate risk on liabilities. A sensitivity table is not disclosed, as the impact of a 0.5% movement in interest rates with all other variables held constant on the TAC's net profit and equity is not material.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The TAC is exposed to foreign exchange risk through its investments which are denominated in foreign currency, and anticipated future transactions.

VFMC limits foreign exchange risk through the use of forward currency contracts where it agrees to sell specified amounts of foreign currencies in the future at a predetermined exchange rate. The proportion of foreign exchange risk which is hedged is reviewed regularly to ensure that the net exposure is maintained at a level which is consistent with the overall investment objectives.

The foreign exchange risk disclosures have been prepared on the basis of the TAC's direct investment and not on a look-through basis for investments held indirectly through unit trusts. Consequently the disclosure of currency risk in the note may not represent the true currency risk profile of the TAC where the unit trust has significant investments in other trusts which also have exposure to the currency markets.

The TAC's exposure is mainly via the major currencies such as United States dollar, Japanese yen, the Euro and British pound.

Foreign currency sensitivity

The following table details the TAC's sensitivity to a 10% increase or decrease in the Australian Dollar against the relevant foreign currencies with all other variables held constant.

	2017 \$000	2016 \$000
Impact on profit and equity of a 10% increase in foreign exchange rates:		
-Before impact of foreign exchange derivatives	(107,808)	(98,363)
-Impact of foreign exchange derivatives	199,532	182,471
-After impact of foreign exchange derivatives	91,724	84,108
Impact on profit and equity of a 10% decrease in foreign exchange rates:		
-Before impact of foreign exchange derivatives	131,765	120,222
-Impact of foreign exchange derivatives	(243,873)	(223,020)
-After impact of foreign exchange derivatives	(112,108)	(102,798)

The foreign currency sensitivity comparatives for 2016 have been restated to align with the classification and methodology adopted by the new investment master custodian in 2017.

Equity price risk

The TAC is exposed to equity price risk arising from equity investments (both within Australian markets and overseas, refer to note 4.2). Equity investments are held for strategic rather than trading purposes. VFMC limits price risk through diversification of the equity investment portfolio.

Equity price sensitivity

At reporting date, if listed/unlisted equity prices had been 10% higher or lower and all other variables were held constant, the TAC's net profit and equity would increase or decrease by \$780.1 million (2016: 654.2 million)

The equity price sensitivity comparatives for 2016 have been restated to align with the classification and methodology adopted by the new investment master custodian in 2017.

NOTES TO THE FINANCIAL STATEMENTS

8. FINANCIAL INSTRUMENTS (CONTINUED)

8.1 FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit risk

Credit risk refers to the risk that an issuer or counterparty will default on its contractual obligations resulting in financial loss to the TAC. VFMC manages counterparty credit risk by conducting due diligence on counterparties and will only deal with counterparties of high quality with substantial balance sheets. Agreements also contain provisions for the agreement to be reviewed or rescinded upon the occurrence of specified events relating to counterparty credit and liquidity.

Assessment processes also ensure that well-defined documentation underpins each transaction, that clear rules exist for completing single transactions with a particular counterparty, and that appropriate credit limits exist to accommodate the transaction. Exposure is measured on a multi-tiered basis according to the individual transaction, counterparty total, credit rating total, etc. and is monitored by personnel separated from the dealing function. When conducting over-the-counter derivative transactions, bilateral legal contracts must be signed with the counterparty prior to execution of the transaction.

The establishment of appropriate policies and multi-tiered limits ensures that TAC maintains a diversified portfolio without any significant concentration of credit risk on an industry, regional or country basis. The TAC's maximum exposure to credit risk at balance date in relation to each class of financial asset is the carrying amount of those assets as indicated in the balance sheet.

Concentrations of credit risk

VFMC manages credit risk by diversifying the exposure amount with particular issuers and counterparties. The TAC does not have any significant concentration of credit risk on an industry, regional or country basis. The investment strategy for the TAC is to ensure a diversified portfolio. The table below provides information regarding credit risk exposure of the TAC by classifying assets according to VFMC's credit ratings of counterparties.

	INVESTMENT GRADE \$000	NON-INVESTMENT GRADE \$000	TOTAL \$000
2017			
Financial assets at fair value through comprehensive operating statement			
Cash and cash equivalents	34,447	-	34,447
Cash equivalents (investments)	1,486,547	-	1,486,547
Debt securities	174,219	-	174,219
Derivative assets	-	318,475	318,475
Other receivables	-	3,408	3,408
Total	1,695,213	321,883	2,017,096
2016			
Financial assets at fair value through comprehensive operating statement			
Cash and cash equivalents	39,923	-	39,923
Cash equivalents (investments)	1,442,086	-	1,442,086
Debt securities	664,105	43,417	707,522
Derivative assets	-	246,291	246,291
Other receivables	-	2,312	2,312
Total	2,146,114	292,020	2,438,134

VFMC classifies all assets with Standard and Poor's credit ratings of AAA to BBB as investment grade.

Non-investment grade assets include assets that fall outside the range of AAA to BBB- Standard and Poor's credit ratings as well as non-rated assets that are within the risk parameters outlined in the Investment Risk Management Plan.

The concentration of credit risk comparatives for 2016 have been restated to align with the classification and methodology adopted by the new investment master custodian in 2017.

Liquidity risk

Liquidity risk arises from the TAC being unable to meet financial obligations as they fall due. VFMC manages liquidity risks through holding high quality liquid assets in its total investment portfolio, which are readily convertible to cash assets. The TAC is normally cash flow positive with premium and investment income exceeding claims and administrative cost payments.

The following table summarises the maturity profile of the TAC's financial liabilities. The table is based on the undiscounted cash flows of financial liabilities and on the earliest date on which the TAC can be required to pay.

	LESS THAN 3 MONTHS \$000	4-12 MONTHS \$000	1-5 YEARS \$000	5+ YEARS \$000	TOTAL \$000
2017					
Financial liabilities					
Payables	93,535	-	-	-	93,535
Finance lease liabilities	276	645	1,154	-	2,075
Derivative liabilities	45,677	4,627	92	-	50,396
Total	139,488	5,272	1,246	-	146,006
2016					
Financial liabilities					
Payables	65,095	-	-	-	65,095
Finance lease liabilities	220	658	1,031	-	1,909
Derivative liabilities	54,161	14,057	1,869	-	70,087
Total	119,476	14,715	2,900	-	137,091

Creditors and accruals are normally settled within 30 days and are carried at nominal value which approximates fair value.

The table above includes only the liquidity analysis in relation to contractual (as opposed to statutory) financial liabilities. While the liability for outstanding claims is the most significant liability for which payments will need to be made in the future, these do not meet the definition of a financial liability.

8.2 OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The following table identifies financial assets and liabilities which have been offset in the balance sheet in accordance with AASB 132 *Financial Instruments: Presentation* and those which have not been offset in the balance sheet but are subject to enforceable master netting agreements (or similar arrangements) with trading counterparties.

Financial assets and financial liabilities subject to offsetting arrangements:

		RELATED AMOUNT NOT SET OFF IN BALANCE SHEET		
	GROSS AND NET AMOUNT INCLUDED IN BALANCE SHEET \$000	RELATED AMOUNT SUBJECT TO MASTER NETTING AGREEMENTS \$000	COLLATERALISED OBLIGATION \$000	NET AMOUNT \$000
2017				
Derivative assets	318,475	(43,320)	(220,218)	54,937
Derivative liabilities	(50,396)	43,320	839	(6,237)
Total	268,079	-	(219,379)	48,700
2016				
Derivative assets	246,291	(64,235)	(152,117)	29,939
Derivative liabilities	(70,087)	64,235	350	(5,502)
Total	176,204	-	(151,767)	24,437

The offsetting financial assets and financial liabilities comparatives for 2016 have been re-stated to align with the classification and methodology adopted by the new investment master custodian in 2017.

NOTES TO THE FINANCIAL STATEMENTS

8. FINANCIAL INSTRUMENTS (CONTINUED)

8.3 FAIR VALUE – FINANCIAL ASSETS AND LIABILITIES

The TAC determines the policies and procedures for fair value measurements in accordance with the requirements of AASB 13 *Fair Value Measurement* and the relevant Financial Reporting Directions.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

For the purpose of fair value disclosures, the TAC has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above. In addition, the TAC determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation at the end of each reporting period.

The following tables illustrate the level in the fair value hierarchy in which fair value measurements are categorised for financial assets.

FAIR VALUE MEASUREMENT AT THE END OF THE REPORTING PERIOD USING:

30 JUNE 2017	LEVEL 1 \$000	LEVEL 2 \$000	LEVEL 3 \$000	TOTAL \$000
Cash and cash equivalents	34,447	-	-	34,447
Investments:				
Cash investments	112,267	64,421	-	176,688
Australian equities	33,908	1,758,902	-	1,792,810
International equities	1,079,354	3,964,589	-	5,043,943
Private equity	279	644	67,967	68,890
Inflation linked bonds	-	1,596,437	-	1,596,437
Infrastructure	-	6,309	838,743	845,052
Property	30,157	237	988,310	1,018,704
Diversified fixed income	(30,795)	1,301,824	103,159	1,374,188
Non traditional strategies	552,199	191,271	622,927	1,366,397
Other receivables	3,408	-	-	3,408
Payables	(93,535)	-	-	(93,535)
Other liabilities	(2,075)	-	-	(2,075)
Net financial assets	1,719,614	8,884,634	2,621,106	13,225,354

FAIR VALUE MEASUREMENT AT THE END OF THE REPORTING PERIOD USING:

30 JUNE 2016	LEVEL 1 \$000	LEVEL 2 \$000	LEVEL 3 \$000	TOTAL \$000
Cash and cash equivalents	39,923	-	-	39,923
Investments:				
Cash investments	285,131	106,812	-	391,943
Australian equities	81,975	1,395,981	-	1,477,956
International equities	843,719	3,372,842	-	4,216,561
Private equity	72,425	213,242	72,677	358,344
Inflation linked bonds	85	1,488,413	-	1,488,498
Infrastructure	-	3,268	657,277	660,545
Property	6,355	246	790,100	796,701
Diversified fixed income	(58,232)	1,226,810	69,287	1,237,865
Non traditional strategies	559,532	123,716	551,753	1,235,001
Other receivables	2,312	-	-	2,312
Payables	(65,095)	-	-	(65,095)
Other liabilities	(1,909)	-	-	(1,909)
Net financial assets	1,766,221	7,931,330	2,141,094	11,838,645

Transfers between categories

Amounts of \$0.4 million and \$7.1 million were transferred from level 3 to level 2 and level 2 to level 1 respectively during the year ended 30 June 2017 (2016:nil).

Reconciliation of Level 3 fair value measurements of financial assets

	LEVEL 3 \$000
Balance at beginning of the year	2,141,094
Gain/(loss) recognised in the comprehensive operating statement	104,545
Sales	(193,227)
Purchases	569,056
Transfer out of Level 3	(362)
Closing Balance	2,621,106
Total gains for the period included in profit or loss for assets held at the end of the period	8,386

NOTES TO THE FINANCIAL STATEMENTS

8. FINANCIAL INSTRUMENTS (CONTINUED)

8.3 FAIR VALUE – FINANCIAL ASSETS AND LIABILITIES

Fair value determination

The fair value of the financial assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

Key Assumptions and inputs to estimation uncertainty

The disclosures below provide details of the inputs and assumptions used in the current valuation models.

A majority of the investments with estimation uncertainty are held via third party pooled investment vehicles, and as such the TAC is not privy to the detailed assumptions or valuation techniques used to value the underlying investment assets. The TAC is reliant on third parties for these valuations and the quantitative information regarding significant unobservable inputs used in the fair value measurement cannot be assessed.

An example of the key inputs and assumptions typically considered is shown below.

INVESTMENT ASSET	VALUATION TECHNIQUE	KEY INPUTS AND ASSUMPTIONS
<i>Infrastructure Investments</i>	Discounted cash flows	<ul style="list-style-type: none"> • risk free discount rates • risk premium • asset utilisation rates • capital expenditure and operating cost forecasts • other estimated future cash flows dependent on the longer term general economic forecasts • forecast performance of applicable underlying assets
<i>Private Equity Investments</i>	Multiples of earnings, discounted cash flow, market equivalents and other market accepted methodologies	<ul style="list-style-type: none"> • identification of appropriate comparables • estimated future profits • risk free rate, risk premium
<i>Property Investments</i>	Discounted cash flow, capitalisation and direct comparison methodologies	<ul style="list-style-type: none"> • estimated future cash flows • future economic and regulatory conditions
<i>Diversified Fixed Income Investments and Non-Traditional Strategies Investments</i>	<p>Diversified fixed income investments – third party pricing servicers, which source prices from brokers and market makers</p> <p>Non-traditional strategies investments – prices quoted on an exchange or traded in a dealer market</p> <p>Less liquid securities – discounted cash flow, amortised cost, direct comparison and others</p>	<ul style="list-style-type: none"> • appropriate credit spread and other risk premium • future risk free rate • estimated future cash flows • identification of appropriate comparable assets • future economic and regulatory conditions • life expectancy estimates and mortality probabilities

9. OTHER DISCLOSURES

Introduction to this section

This section includes additional material disclosures required by accounting standards or otherwise, for the understanding of this financial report.

This section contains the following disclosures:

- 9.1 Responsible person
- 9.2 Remuneration of executive officers
- 9.3 Related parties
- 9.4 Motorcycle Road Safety Reserve
- 9.5 Controlled entity
- 9.6 Events after reporting date
- 9.7 Application of standards not yet effective
- 9.8 Correction of prior year classification

9.1 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 responsible persons who held office during the financial year are as follows:

Responsible Ministers:

Honourable Robin Scott MP, Minister for Finance

Honourable Luke Donnellan MP, Minister for Roads and Road Safety

Directors:

Ms Penny Armytage (appointed 1 July 2017, Chair)

Ms Deborah Hallmark (end of term 2 July 2016)

Mr David Heath (appointed 14 February 2017)

Ms Louisa Hudson (appointed 9 August 2016. Acting Chair 28 February 2017 to 30 June 2017)

Dr Tien Kieu

Mr Paul Kirk

Ms Julia Mason (appointed 9 August 2016)

Dr Robert Nethercote (end of term 8 October 2016)

Ms Sue O'Connor

Ms Sonia Petering (end of term 2 July 2016)

Mr Colin Radford

Dr Samantha Smith (appointed 14 February 2017)

Mr John Walter (Chair, end of term 28 February 2017)

Chief Executive Officer:

Mr Joe Calafiore

Remuneration

	2017 \$000	2016 \$000
Total remuneration received or receivable by responsible persons ¹	963	1,258

¹The compensation detailed above excludes the salaries and benefits of the Portfolio Ministers. The Minister's remuneration and allowances are set by the Parliamentary Salaries and Superannuation Act 1968 and are reported within the Department of Parliamentary Services' Financial Report.

NOTES TO THE FINANCIAL STATEMENTS

9. OTHER DISCLOSURES (CONTINUED)

9.1 RESPONSIBLE PERSONS (CONTINUED)

The number of responsible persons of the TAC whose remuneration falls within the following bands was:

Income Band	2017	2016
\$0 – \$9,999	3	-
\$10,000 – \$19,999	1	-
\$20,000 – \$29,999	2	-
\$40,000 – \$49,999	-	2
\$50,000 – \$59,999	4	5
\$70,000 – \$79,999	1	-
\$90,000 – \$99,999	1	-
\$130,000 – \$139,999	-	1
\$310,000 – \$319,999	-	1
\$420,000 – \$429,999	-	1
\$500,000 – \$509,999	1	-

9.2 REMUNERATION OF EXECUTIVE OFFICERS

Remuneration of executives

The number of executive officers, excluding the Chief Executive Officer, and their total remuneration during the reporting period are shown in the table below. Total annualised employee equivalents provides a measure of full time equivalent executive officers over the reporting period.

The number of executives officers may vary from year to year due to the timing of appointments, resignations, and the composition of the executive officers.

The total number of executive officers includes persons who meet the definition of Key Management Personnel (KMP) of the entity under AASB 124 *Related Party Disclosures* and are also reported within the related parties note disclosure (note 9.3).

The remuneration of executives is as follows:

	2017 ¹ \$000
Short-term employee benefits	1,987
Post-employment benefits	128
Other long-term employee benefits	42
Termination benefits	-
Total remuneration	2,157
Total number of executives	8.0
Total annualised employee equivalent²	7.5

¹ No comparatives have been reported because this is the first year implementation of FRD 21C *Disclosures of responsible persons and executive officers in the financial report* and remuneration in the prior year was determined in line with the basis and definition under FRD 21B.

² Annualised employee equivalent is based on the time fraction worked over the reporting period.

9.3 RELATED PARTIES

The TAC is a wholly owned and controlled entity of the State of Victoria.

Key management personnel of TAC are those listed as responsible persons and members of the executive leadership team.

Related parties of the TAC include:

- all key management personnel and their close family members;
- all cabinet ministers and their close family members; and
- all departments and public sector entities that are controlled and consolidated into the whole of state consolidated financial statements.

All related party transactions have been entered into on an arm's length basis.

The remuneration of key management personnel is as follows:

	2017 ¹ \$000
Short-term employee benefits	2,893
Post-employment benefits	188
Other long-term employee benefits	53
Termination benefits	-
Total remuneration	3,134

¹ No comparatives have been reported because this is the first year implementation of FRD 21C *Disclosures of responsible persons and executive officers in the financial report* and remuneration in the prior year was determined in line with the basis and definition under FRD 21B.

Significant transactions with government related entities

Dr Samantha Smith is a current Director of the Victorian Workcover Authority (WorkSafe) while Mr Paul Kirk and Mr John Walter were previously Directors of WorkSafe during the financial year. WorkSafe is entitled to recover from the TAC under the *Workplace Injury Rehabilitation and Compensation Act 2013*, all compensation payable under the WorkCover scheme for injury in a transport accident during the course of work. The TAC also makes payments for the annual Workplace Injury Insurance premium to WorkSafe.

The TAC and WorkSafe reimbursed each other for the cost of external services acquired jointly, and internal services provided to each other, in relation to collaborative initiatives between the TAC and WorkSafe. In addition, the TAC received payments from WorkSafe for the management of WorkSafe claims of injured workers with catastrophic injuries.

The aggregate amounts in respect of the above transactions with responsible person-related entity were:

	2017 \$000	2016 \$000
Claim compensation paid	(79,500)	(77,600)
Cost reimbursement received and receivable	5,357	6,404
Cost reimbursement paid and payable	(7,538)	(9,302)
Management of catastrophic claims	1,861	1,730

Mr Colin Radford is the Chief Executive Officer of the Victorian Managed Insurance Authority (VMIA). He does not receive remuneration from the TAC. VMIA provides insurance (including Directors and Officers Liability) and risk services to the TAC on normal commercial terms and conditions. During 2016/17, the total amount charged by the VMIA (excluding GST) amounted to \$142.0 thousand (2016: \$167.6 thousand).

Mr Bruce Crossett is a Director of the Institute for Safety, Compensation and Recovery Research (ISCRR). ISCRR facilitates research and best practice in the areas of injury prevention, rehabilitation and compensation practice. During 2016/17, the total amount paid to the ISCRR (excluding GST) amounted to \$5.0 million.

Conflicts of interest are overcome where warranted, by Directors declaring their interests and abstaining from voting at the TAC's Board meetings.

NOTES TO THE FINANCIAL STATEMENTS

9. OTHER DISCLOSURES (CONTINUED)

9.3 RELATED PARTIES (CONTINUED)

Transaction with key management personnel and other related parties

The spouse of Mr John Walter is a Board member of the VFMC. It is the Victorian Government's policy that all the investment assets of the TAC be managed by the VFMC to which TAC agrees to pay a base and performance fee as endorsed by DTF for all VFMC mandated clients. For the period 1 July 2016 through 28 February 2017, at which time Mr Walter concluded his tenure as Chair of the TAC, the total investment fees incurred to VFMC amounted to \$23.6 million (2016: \$37.7 million).

Other transactions

Other related transactions requiring disclosure under the Directions of the Minister for Finance have been considered and there are no matters to report.

9.4 MOTORCYCLE ROAD SAFETY RESERVE

The TAC premiums for certain motorcycle classes include an additional levy collected annually to fund special projects to improve motorcycle road safety in Victoria. These monies are set aside in the Motorcycle Road Safety Reserve specifically set up for this program. The program expenditure is developed by the Victorian Motorcycle Advisory Council (made up of representatives from the State's main road safety agencies, the RACV and motorcyclist interest groups) and administered by VicRoads which seeks reimbursement for expenditure from the TAC.

9.5 CONTROLLED ENTITY

Residential Independence Pty Ltd (RIPL) as trustee for the Residential Independence Trust (RIT) is a controlled entity of the TAC which is wholly owned by the TAC. The RIT was established on 1 February 2011. The RIPL was incorporated in Victoria, Australia on 21 December 2010 and its principal activity is to establish a portfolio of residential property configured so that the accommodation is suitable for TAC's seriously injured clients.

The result of RIT is not consolidated in the financial statements as the impact of consolidation is not considered as material. The valuation included in the financial statements is the cost of the units held as at 30 June 2017 by the TAC which are 25,200,000 ordinary units issued at \$1 each, fully paid.

At 30 June 2017, the total assets of the RIT for which RIPL acts in the capacity of the trustee are \$24.978 million (2016: \$23.061 million) and total liabilities are \$0.062 million (2016: \$0.064 million).

The total result of the RIT for which RIPL acts in the capacity of the trustee for the financial year ended 30 June 2017 is a total comprehensive result for the year of \$1.919 million (2016: loss of \$0.945 million) which comprises of income of \$0.532 million (2016: \$0.352 million) and other comprehensive income of \$2.440 million (2016: \$nil million) and total expense of \$1.053 million (2016: \$1.297 million).

9.6 EVENTS AFTER REPORTING DATE

There has not been any matter or circumstance occurring subsequent to balance sheet date that has significantly affected, or may significantly affect, the operations of the TAC, the results of those operations or the state of affairs of the TAC.

9.7 APPLICATION OF STANDARDS NOT YET EFFECTIVE

The AASB has issued the following amendments to Australian Accounting Standards which are applicable to the TAC. These amendments are not effective for the annual reporting period ended 30 June 2017 and have not been applied in preparing the TAC's financial report.

The nature of the application of these standards could impact the classification and measurement of financial assets. The extent of any impact has not yet been determined. The TAC will apply these standards for the annual reporting periods beginning on or after the operative dates set out below.

	TITLE	OPERATIVE DATE
AASB 9	Financial Instruments	1 January 2018
AASB 2014-1	Amendments to Australian Accounting Standards	1 January 2018
AASB 2014-7	Amendments to Australian Accounting Standards arising from AASB 9	1 January 2018
AASB 2015	Revenue from Contracts with Customers	1 January 2018
AASB 16	Leases	1 January 2019

9.8 CORRECTION OF PRIOR YEAR CLASSIFICATION

The cash and cash equivalents comparatives for 2016 have been restated to align with the classification adopted by the new investment master custodian in 2017. Cash and cash equivalents have been stated at fair value in lieu of historical cost and exclude liabilities associated with collateral repayment obligations. Margin account balances with futures brokers have also been excluded due to the restrictions that exist on these items. The change has resulted in cash and cash equivalents at the beginning of the year for both the 2015 and 2016 financial years increasing by \$81.735 million and \$81.585 million respectively.

In addition, during the financial year the TAC discovered that for the financial year ended 30 June 2016 an amount of \$37.367 million had incorrectly been classified as a transfer from VFMC as opposed to sale of investments. The classification error has been corrected by restating each of the financial statement line items affected for prior periods.

The following table summarises the impact on the TAC's Cash Flow Statement.

	AS PREVIOUSLY REPORTED \$000	ADJUSTMENTS \$000	AS RESTATED \$000
Net cash inflow from operating activities	723,888	-	723,888
Cash flows from investing activities			
Purchase of investments	(4,066,710)	(150)	(4,066,860)
Sales of investments	3,655,507	37,367	3,692,874
Funds received from VFMC	37,367	(37,367)	-
Others	(17,204)	-	(17,204)
Net cash outflow from investing activities	(391,040)	(150)	(391,190)
Net cash outflow from financing activities	(209,600)	-	(209,600)
Net increase in cash and cash equivalents	123,248	(150)	123,098
Cash and cash equivalents at the beginning of the year	1,278,281	81,735	1,360,016
Effects of exchange rate changes on cash held in foreign currencies	(1,105)	-	(1,105)
Cash and cash equivalents at the end of the year	1,400,424	81,585	1,482,009

Corporate governance



CORPORATE GOVERNANCE

This statement covers the main corporate governance practices that ensure the TAC is managed to achieve its mission, meet commitments to stakeholders and operate commercially.

BOARD OF MANAGEMENT

Chair: Penny Armytage

Appointed 1 July 2017

David Heath

Appointed February 2017

Louisa Hudson

Appointed August 2016

Acting Chair from 1 March 2017 to 30 June 2017

Dr Tien Kieu

Appointed September 2015

Paul Kirk

Appointed October 2014

Julia Mason

Appointed August 2016

Sue O'Connor

Appointed October 2014

Colin Radford

Appointed September 2015

Dr Samantha Smith

Appointed February 2017

RECENT DEPARTURES

John Walter

Appointed to Board October 2013

Appointed as Chair March 2014

End of term 28 February 2017

Dr. Robert Nethercote

Appointed 2013

End of term 8 October 2016

Sonia Petering

Appointed 2007

End of term 2 July 2016

Deborah Hallmark

Appointed 2010

End of term 2 July 2016

The Chair and the Board are nominated by the Minister for Finance and the Minister for Roads and Road Safety and appointed by the Governor in Council. There are presently nine non-executive directors, including the Chair.

The Board has established clearly defined accountabilities and delegations for the Chief Executive Officer. Policies and procedures cover all aspects of the TAC's activities and are reviewed regularly to ensure that the TAC achieves its objectives regarding:

- Compliance with applicable laws and regulations
- Reliability of financial reporting
- Safeguarding of assets
- Effectiveness and efficiency of operations.

DIRECTORS' ACCESS TO INDEPENDENT PROFESSIONAL ADVICE

Directors are entitled to seek independent professional advice in connection with their duties at the TAC's expense, unless determined otherwise by the Board.

CONFLICT OF INTEREST

If a director has a direct or indirect financial interest in a matter being considered by the Board and the interest could conflict with the proper performance of the director's duties in relation to the consideration of the matter, the director, as soon as practicable after the relevant facts come to the director's knowledge, must disclose the nature of the interest at a meeting of the Board. If the Board considers the conflict to be material, the director will leave the meeting for the duration of the relevant agenda item and consequently will not participate in the discussion or resolution of the matter. The director's absence from the meeting for the relevant agenda item is recorded in the minutes of the meeting.

BOARD COMMITTEES

Risk Committee

Members at 30 June 2017: Paul Kirk (Chair), Louisa Hudson, Sue O'Connor, Colin Radford and Dr Samantha Smith all of whom are independent persons for the purpose of the Standing Directions of the Minister for Finance under the *Financial Management Act 1994* (Vic).

The purpose of the Risk Committee is to assist the Board to fulfil its oversight responsibilities relating to:

- the implementation, operation and adequacy of the risk management and internal control framework that the TAC uses to identify and manage key business, financial, fraud and regulatory risks
- the TAC's compliance with relevant laws, regulations, standards and codes including the Prudential Insurance Standard for Victorian Government Insurance Agencies, Prudential Standard: the Victorian Funds Management Corporation and the Centralised Investment Model, the Victorian Government Risk Management Framework and Insurance Attestation.

Audit Committee

Members at 30 June 2017: Paul Kirk (Chair), David Heath, Dr Tien Kieu, Julia Mason and Sue O'Connor all of whom are independent persons for the purpose of the Standing Directions of the Minister for Finance under the *Financial Management Act 1994* (Vic).

The purpose of the Audit Committee is to assist the Board to fulfil its oversight responsibilities relating to:

- the integrity, effectiveness and quality of the TAC's financial reporting and disclosures
- the effectiveness of the TAC's risk management framework
- the independence, work plan and effectiveness of the TAC's External Auditor
- the External Auditor's annual audit of the TAC's financial statements
- the qualifications, engagement, fees, scope of work and effectiveness of the TAC's Internal Audit function
- the TAC's compliance with relevant laws, regulations, standards and codes including the Prudential Insurance Standard for Victorian Government Insurance Agencies, the *Financial Management Act 1994* (Vic) and the Standing Directions of the Minister for Finance under the *Financial Management Act 1994* (Vic).

Remuneration Committee

Members at 30 June 2017: Louisa Hudson (Chair), David Heath, Dr Tien Kieu, Paul Kirk, Julia Mason, Sue O'Connor, Colin Radford and Dr Samantha Smith all of whom are independent persons for the purpose of the Standing Directions of the Minister for Finance under the *Financial Management Act 1994* (Vic).

The Remuneration Committee's primary roles and responsibilities are:

- to establish and maintain a Remuneration Policy which meets the strategic goals of the TAC and make recommendations to the TAC Board on the Remuneration Policy
- to oversee the application of the Remuneration Policy for senior executives, ensuring that it is consistent with the Government Sector Executive Remuneration Panel guidelines and policies
- to approve the remuneration increase budget and the incentive remuneration budget for the TAC
- to make annual recommendations to the TAC Board on the remuneration of the Chief Executive Officer, direct reports of the Chief Executive Officer and other employees whose activities may, in the Remuneration Committee's opinion, affect the financial soundness of the TAC
- to make annual recommendations to the TAC Board on the remuneration of the categories of employees covered by the Remuneration Policy, other than those employees for whom recommendations are provided pursuant to the previous requirement above
- to ensure that the Remuneration Committee complies with the requirements of 'Prudential Standard CPS 510 Governance' and any other relevant laws, regulations, standards and codes
- to ensure that appropriate and required disclosure is made of director and executive remuneration in accordance with regulatory requirements and good governance practices.

Board Workshop Advisory Committee

Members at 30 June 2017: David Heath, Louisa Hudson, Dr Tien Kieu, Paul Kirk, Julia Mason, Sue O'Connor, Colin Radford and Dr Samantha Smith all of whom are independent persons for the purpose of the Standing Directions of the Minister for Finance under the *Financial Management Act 1994* (Vic).

This forum provides Board members with the opportunity to interact and engage with relevant stakeholders and provide background information to assist directors in the discharge of their responsibilities.

Prudential Standards

The Board is required to submit annual confirmations or attestations of compliance with the Prudential Insurance Standards for Victorian Government Insurance Agencies and the Prudential Standard: Victorian Funds Management Corporation and the Centralised Investment Model.

These standards impose obligations regarding governance, strategic planning, liability reserving, capital management, pricing, reinsurance, actuarial review, breach reporting, risk management, outsourcing, fit and proper requirements and the setting of appropriate investment objectives for TAC funds.

Certifications or attestations have been issued by the Board for the year ending 30 June 2017.

RISK MANAGEMENT

The TAC has in place a risk management framework to ensure effective identification, assessment and management of risks. That framework details the roles of the Board and its committees, management and the internal auditor. The Board is responsible for setting the risk priorities on which the framework is focused.

The Risk Committee oversees the framework and is responsible for ensuring the effectiveness of the design and implementation of control strategies and operational practices.

Compliance with the Victorian Government Risk Management Framework

Ministerial Standing Direction 3.7.1 of the *Financial Management Act 1994* requires public sector agencies to provide an annual attestation of compliance with the risk management process requirements set out in the Victorian Government Risk Management Framework.

The Risk Committee of the Transport Accident Commission has considered the Statement by the Chief Executive Officer on compliance with the Victorian Government Risk Management Framework, the Executive Leadership Team and the Chief Risk Officer internal attestation process and independent assessments from Internal Audit.

On this basis, I certify that the Transport Accident Commission has complied with the Ministerial Standing Direction 3.7.1 – *Risk Management Framework* and Processes. The Transport Accident Commission Risk Committee has verified this.



Penny Armytage
Chair

Transport Accident Commission
31 August 2017

Compliance



COMPLIANCE

This section includes the disclosures required by the *Financial Management Act 1994* and the *Transport Accident Act 1986* (the Act).

INCORPORATION AND MINISTERIAL RESPONSIBILITY

The TAC is a body corporate established under section 10 of the Act (No. 111 of 1986, reprint No. 14 dated 14 December 2016). The Act sets out the objectives, functions and powers of the TAC.

As set out under the *Administrative Arrangements Order (No.219)* 2014 the Minister for Finance is responsible for administering the Act, except:

- Sections 11–14 (in so far as they relate to road safety)
- Sections 15, 18, 25 and 29.

As set out under the *Administrative Arrangements Order (No.219)* 2014 the Minister for Roads and Road Safety is responsible for administering sections 15–18, 25 and 29 of the Act.

MINISTERIAL DIRECTIONS

There was one ministerial direction given by the Minister for Finance in the period 1 July 2016 to 30 June 2017.

The Minister for Finance gave a ministerial direction on 2 March 2017 under section 14 of the *Transport Accident Act 1986*. The Minister directed the TAC exercise all power necessary to enable the TAC to pay eligible claimants, including from funds allocated to those claimants and passed to the TAC for that purpose by the Bourke Street Fund (BSF) and to enter into any agreements necessary to enable the TAC to provide and administer the payment of benefits from the BSF.

THE TAC'S OBJECTIVES, FUNCTIONS, POWERS AND ACCOUNTABILITY

Sections 11, 12, 13 and 14 of the Act set out the objectives, functions, powers and accountability of the TAC.

Objectives of the Commission (section 11)

- To manage the transport accident compensation scheme as effectively, efficiently and economically as possible
- To ensure that appropriate compensation is delivered in the most socially and economically appropriate manner and as expeditiously as possible
- To ensure that the transport accident scheme emphasises accident prevention and effective rehabilitation
- To develop such internal management structures and procedures that will enable it to perform its functions and exercise its powers effectively, efficiently and economically

- To manage claims under the *Accident Compensation Act 1985* or the *Workplace Injury Rehabilitation and Compensation Act 2013* as an authorised agent of the Victorian WorkCover Authority as effectively, efficiently and economically as possible
- If appointed as an agent of a self-insurer under section 329 of the *Workplace Injury Rehabilitation and Compensation Act 2013*, to carry out the functions and powers of a self-insurer as effectively, efficiently and economically as possible.

Functions of the Commission (section 12)

- To administer the Transport Accident Fund
- To receive and assess, and accept or reject, claims for compensation
- To defend proceedings relating to claims for compensation
- To pay compensation to persons entitled to compensation
- To determine transport accident charges
- To collect and recover transport accident charges
- To provide advice in relation to the transport accident scheme
- To provide funds for the program referred to in subsection (3) designed to secure the early and effective medical and vocational rehabilitation of persons injured as a result of transport accidents and for other rehabilitation programs for persons injured in transport accidents
- To collect and assess data and statistics in relation to transport accidents
- To provide advice to the Minister in relation to matters specifically referred to the Commission by the Minister and generally in relation to the administration of this Act and the compensation scheme under this Act
- To commercially exploit knowledge and expertise in compensation schemes and scheme administration
- To act as an authorised agent under section 501 of the *Workplace Injury Rehabilitation and Compensation Act 2013*
- If appointed, to act as an agent of a self-insurer under section 392(2) of the *Workplace Injury Rehabilitation and Compensation Act 2013*
- To carry out such other functions conferred on the Commission by this or any other Act
- To promote the prevention of transport accidents and safety in use of transport
- To design and promote, so far as possible, a program designed to secure the early and effective medical and vocational rehabilitation of people injured as a result of transport accidents to whom or on behalf of whom the Commission is or may become liable to make any payment under the Act.

Powers of the Commission (section 13)

- To do all things that are necessary or convenient to be done for, or in connection with, the performance of its functions and to enable it to achieve its objectives
- To enter into agreements or arrangements and settle or compromise differences or disputes with other persons
- To apply for, obtain and hold intellectual property rights (including patents, copyrights, trade marks and registered designs)
- To enter into agreements or arrangements for the commercial exploitation within or outside Victoria of intellectual property rights and ancillary services on any terms or conditions as to royalties, lump sum payments or otherwise as the Commission may see fit
- To enter into agreements or arrangements within or outside Victoria for the provision by the Commission of administration, management or information systems or services
- To do all things necessary or convenient to be done in connection with acting as an authorised agent of the Victorian WorkCover Authority under section 501 of the *Workplace Injury Rehabilitation and Compensation Act 2013* and as an agent of a self-insurer under section 392(2) of that Act.

Accountability of the Commission (section 14)

The Commission must perform its functions and exercise its powers subject to the general direction and control of the Minister and in accordance with any specific written directions given by the Minister in relation to a matter or class of matters specified in the directions.

If the Commission is given a written direction, the Commission may cause the direction to be published in the Government Gazette and must publish the direction in its next annual report.

LEGISLATION

The following legislative changes have occurred in the period from 1 July 2016 to 30 June 2017:

On 13 December 2016, the *Compensation Legislation Amendment Act 2016* (No. 73/2016) (the Amendment Act) received Royal Assent.

The Amendment Act made the following changes to the *Transport Accident Act 1986*:

- An amendment to section 53(1)(b) of the Act in order to ensure that there is consistency with the Federal retirement age in the *Social Security Act 1991*.
- The insertion of new sections 60(2EA) and 60(2EB) into the Act to provide a payment of up to \$5,000 (indexed annually) to immediate family members to cover travel and accommodation expenses incurred within Australia to attend the funeral of a TAC client. To be eligible for this payment, an immediate family member must reside more than 100 kilometres from the location of the funeral service.
- An amendment to section 46A of the Act in order to provide for the operation of a Spinal Impairment Guides Modification Document (SIGMD). The SIGMD is to apply alongside the *American Medical Association Guides to the Evaluation of Permanent Impairment (Fourth Edition)* (AMA Guides) in respect of an assessment of impairment under section 3.3 of the AMA Guides. In the event of any inconsistency between the application of the AMA Guides and the SIGMD, the SIGMD will prevail to the extent of the inconsistency. The SIGMD was published in the Victorian Government Gazette on 6 October 2016 (Special Gazette, No. S 305).

All amendments are intended to apply from the date of Royal Assent of the Amendment Act (13 December 2016), other than the amendment to section 53(1)(b), which has a commencement date of 1 July 2017.

SUBORDINATE LEGISLATION

Regulations

The Regulations made during 2016/17 were:

The *Transport Accident Regulations 2017* (S.R No. 40/2017) came into operation on 11 June 2017. These Regulations specify certain injuries for the purposes of the definition of a severe injury in the Act, and to prescribe the forms to be used for the purposes of the Act.

Orders in Council

One Order in Council was made during 2016/17:

The Transport Accident Charges Order (No. 1) 2017 was published in the Government Gazette on 18 May 2017 (No. G20 on 18 May 2017). The purpose of this order was to fix the transport accident charges to apply during the 2017/18 financial year. The order increased the transport accident charges for vehicles in all classes in line with Consumer Price Index (CPI) increases, from 1 July 2017.

Ministerial Orders

One Ministerial Order was made during 2016/17:

On 2 March 2017, the *Transport Accident (Corresponding Laws) Order (No. 1) 2017* was made and published in the Government Gazette (No. G9 2 March 2017). This Order was made pursuant to section 39(4) of the Act.

Under section 39(3) of the Act, the TAC is not liable to pay compensation (other than section 60 benefits) to a person who is injured in a transport accident if the person is convicted of culpable or dangerous driving causing death under sections 318(1) and 319(1) of the *Crimes Act 1958* (Vic). As a result of this Order, section 39(3) of the Act will now also apply to claimants convicted of a similar interstate offence to culpable or dangerous driving causing death.

This Order applies to all transport accidents on or after 2 March 2017.

The Protected Disclosure Act 2012

The TAC encourages the reporting of known or suspected incidences of improper conduct or detrimental actions. Procedures have been established to facilitate disclosures of improper conduct by the TAC and its employees and to ensure that any matters disclosed are properly investigated and dealt with. The procedures provide for the protection from reprisals of persons making disclosures. Included in the procedures are the disclosure mechanisms, confidentiality provisions and the roles and responsibilities of the designated protected disclosure coordinator, the protected disclosure officers, investigators and welfare managers.

Since the *Protected Disclosure Act 2012* came into operation, there have been no known disclosures made to the Independent Broad-based Anti-corruption Commission under section 21(2) of that Act.

NATIONAL COMPETITION POLICY

Review of Legislative Restrictions

In accordance with its National Competition Policy commitments, the Government commissioned a review of Victoria's transport accident compensation legislation in September 2000. The review identified three main restrictions on competition: the compulsory nature of scheme, the TAC as a legislated monopoly and centralised premium setting. To address centralised premium setting, the Assistant Treasurer now has discretion to request the Essential Services Commission to provide an independent review of the TAC's proposed premium each year.

Competitive Neutrality

Under Competitive Neutrality policy, the TAC is listed as a significant business enterprise. In accordance with this policy, the TAC pays the full suite of Commonwealth and State taxes or tax equivalents. The TAC is not a net borrower in its own right and therefore is not subject to the Financial Accommodation Levy.

VICTORIAN INDUSTRY PARTICIPATION POLICY

Local jobs first Victorian Industry Participation Policy (VIPP)

During 2016/17, the TAC commenced one panel of five contracts with an average of 90 percent estimated to be of local content and four contracts with an average of 90 percent estimated to be of local content to which VIPP Plans were not required as the procurement activity was local by nature. During 2016/17, the TAC completed one contract with a 100 percent local content achieved.

INFORMATION AND COMMUNICATION TECHNOLOGY (ICT) EXPENDITURE

Details of Information and Communication Technology (ICT) expenditure

For the 2016/17 reporting period, TAC had a total ICT expenditure of:

\$ MILLION				
BAU ICT Expenditure	Non-BAU ICT Expenditure	Operational Expenditure	Capital Expenditure	
Total	Total = A+B	A	B	
38.1	15.3	2.1	13.2	

ICT expenditure refers to the TAC's costs in providing business-enabling ICT services. It comprises Business As Usual (BAU) ICT expenditure and Non-Business As Usual (Non-BAU) ICT expenditure. Non-BAU ICT expenditure relates to extending or enhancing the TAC's current ICT capabilities. BAU ICT expenditure is all remaining ICT expenditure (including depreciation and amortisation) which primarily relates to ongoing activities to operate and maintain the current ICT capability.

CONSULTANTS

CONSULTANCIES (>\$10,000)	DESCRIPTION OF WORK	TOTAL APPROVED PROJECT FEE \$000	2016/17 EXPENDITURE \$000	FUTURE EXPENDITURE \$000
Strativity Group	Customer centricity immersion and recommendations	38	38	-
ADDIIS Group	Benchmarking TAC as world leading social insurer (phase 2)	74	74	-
PwC	Behavioural insights initiative for the TAC	86	86	-
KPMG	TAC 2020 Health – Future state of the health sector	169	169	-

During 2016/17, there were four consultants engaged where the cost of each individual engagement was in excess of \$10,000. There were no other consultants engaged during the year where the total cost was less than \$10,000 per individual engagement.

Total approved project fees and expenditure for 2016/17 exclude GST.

BUILDING ACT 1993

The TAC's policy with respect to new building works, and alterations to existing buildings, is to comply with the *Building Act 1993* as though the TAC were not exempt from compliance as a public authority (this is provided for in section 217 (3) of the *Building Act 1993*).

Some premises occupied by the TAC may have been constructed or altered under exemptions for public bodies which applied at the time.

The TAC is unaware of any material non-compliance with the current building standards for buildings of their nature and age.

ENVIRONMENTAL PERFORMANCE

The TAC continues operating under a Green Office policy, which focusses on protecting the environment and supporting sustainable outcomes. In 2016/17 we remained committed to introducing environmentally sustainable initiatives aimed at reducing waste and improve resource efficiency.

CHARTER OF HUMAN RIGHTS AND RESPONSIBILITIES COMPLIANCE

All claims policies and work practices are audited for compliance with the Charter of Human Rights and Responsibilities to help claims staff make decisions that are consistent with the provisions of the *Transport Accident Act 1986* (TA Act) and the Charter.

MISCELLANEOUS DISCLOSURE

To the extent applicable, the information required under Financial Reporting Direction 22 issued by the Minister for Finance under Section 8 of the *Financial Management Act 1994* has been prepared and is available on request.

ADVERTISING AND COMMUNICATIONS DISCLOSURE

Transparency in advertising and communications guidelines introduced in July 2012 make it mandatory for State Government organisations to disclose expenditure for campaigns with a total media buy of more than \$100,000.

The TAC works closely with its road safety partners – Victoria Police, VicRoads and the Department of Justice and regulation, Department of Health and Human Services and Transport for Victoria – to develop public education campaigns to increase awareness of specific road safety issues, to improve behaviour and ultimately to reduce the incidence of road trauma.

Significant research and planning underpins the development of these campaigns to ensure they are evidence-based and relevant.



/ Kajol

“When you have an accident like I had, your choices get taken away quite quickly... I had to learn to do everything as I was basically rendered a child... I think with me living independently, it’s just granted me freedom that no one else could imagine. I feel like I’ve accomplished that I can look after myself, which is a big help for myself but also my parents’ peace of mind”

TABLE OF ADVERTISING CAMPAIGNS AND SPEND

NAME OF CAMPAIGN	CAMPAIGN SUMMARY	START/ END DATE	ADVERTISING (MEDIA) EXPENDITURE 2016/17 (EX. GST)	CREATIVE AND CAMPAIGN DEVELOPMENT EXPENDITURE 2016/17 (EX. GST)	RESEARCH AND EVALUATION EXPENDITURE 2016/17 (EX. GST)
"In an emergency, AEB brakes if you don't"	This campaign demonstrates how "Auto Emergency Braking" vehicle technology works and highlights the potential to reduce collisions and trauma. TV, radio and online advertising directed car buyers to HowSafeIsYourCar.com.au to find cars with AEB in their price range when choosing their next new vehicle.	18/7/16 - 14/8/16	\$249,994	\$198,142	\$44,333
"Drinking. Driving. They're better apart."	This campaign encourages the target audience (males aged 18 - 39 years) not to drive at all if drinking. TAC research on social behaviours indicates that the Victorian community already believes that driving with an illegal BAC is one of the most unacceptable actions. The timing aligned with the AFL Finals where key events saw increased consumption of alcohol.	12/9/16 - 16/10/16	\$503,105	\$103,060	\$44,333
"Driver think rider. Rider think driver."	Motorcyclists are over-represented in road trauma. Riders account for only 4% of road users, yet 17% of all deaths on our roads. This campaign speaks to drivers about how to help keep riders safe on our roads. Motorcycles don't have the protection that cars offer and so riders must take extra precautions on the road - by wearing protective gear, making themselves visible and riding within their limits.	21/10/16 - 20/11/16	\$799,954	\$828,767	\$135,413
"Knocking on doors" / "Police out in force" (selected regional communities)	This tactical campaign targeted communities in regions where police enforcement of speed on back roads was increased. Largely a social media campaign, video featuring Police was modified for each regional community and distributed via Victoria Police social media. Radio, press, online advertising, outdoor billboards and event partnerships supported the social media.	5/11/16 - 23/12/16	\$512,972	\$385,366	\$44,333
"Every speed has a consequence. Rethink speed."	This campaign showed several crash scenarios each at different speeds. It starts to build awareness that it is the impact speed of a vehicle when it crashes that determines the severity of damage to our bodies. The campaign targets those aged 18-35 years, because younger people are more likely to admit to speeding, whilst also indicating that they are more accepting of lower speed limits.	21/11/16 - 15/12/16	\$899,920	\$922,737	\$121,223
"The Party's over"	A multifaceted campaign to support increased Police enforcement activity over the Christmas and New Year holidays, targeting drink driving, speeding, drug driving, unlicensed drivers and unregistered vehicles. The campaign featured Victoria Police Assistant Commissioner for Road Policing, Doug Fryer.	12/12/16 - 8/1/17	\$598,442	\$166,320	\$44,333

NAME OF CAMPAIGN	CAMPAIGN SUMMARY	START/ END DATE	ADVERTISING (MEDIA) EXPENDITURE 2016/17 (EX. GST)	CREATIVE AND CAMPAIGN DEVELOPMENT EXPENDITURE 2016/17 (EX. GST)	RESEARCH AND EVALUATION EXPENDITURE 2016/17 (EX. GST)
"You can't fight sleep."	A seasonal campaign reminding all drivers and riders about the issues of 'drowsy driving' by educating the community on the science of sleep and the body's inability to fight the need for sleep. This campaign complemented activity with SES and Driver Reviver sites over the Easter break. The Driver Reviver sites incentivised drivers to break their journey and take a 15 minute powernap.	4/4/17 - 19/4/17	\$599,924	\$166,442	\$44,333
"More drug tests, more places, more often."	This launch campaign warns drivers that Police are continually increasing the number of drugs tests that are conducted each year to increase detection of drivers with drugs such as amphetamines and cannabis in their systems.	20/4/17 - 19/4/17	\$699,320	\$573,756	\$130,808
"What kind of driver are you raising?"	A campaign focussing on positive parental role modelling and the influence this has on a child's driving style in their first years of driving. The long term goal is to reduce road trauma for young drivers during their first months of solo driving, when their risk of road trauma is at its highest.	27/5/17 - 25/6/17	\$599,562	\$113,108	\$44,333
Large Format Outdoor Billboards	The TAC's extensive outdoor network provides important 'point of sale' messaging to road users at the time it is most relevant to them. The portfolio covers regional Victoria and metropolitan Melbourne. New sites with digital capability have been added to TAC's portfolio to enable more efficient changeover of messaging.	June - July	\$4,499,915	(Costs included in campaign production spend)	\$0
Regional Media - Press and Radio	With over half of the lives lost on our roads occurring on regional and rural roads, it is important that we continue to engage with these local communities on the road safety issues that affect them, through local radio and press channels.	June - July	Costs included in campaign spend	Costs included in campaign spend	\$0

SERVICE OF DOCUMENTS

Section 130 of the *Transport Accident Act 1986* sets out the method of service of documents on the TAC, by personally serving an authorised officer at the TAC's Geelong office. People wishing to effect service should attend the TAC's Customer Service Centre, 60 Brougham Street, Geelong, and ask for an authorised officer to accept service.

Alternatively, an authorised officer of the TAC will give a written acknowledgment of service of process directed as follows:

Head of Claims
Transport Accident Commission
PO Box 742
GEELONG VIC 3220
Ausdoc: DX 216079 Geelong

Please note that this is a voluntary process and that proof of posting is not proof of service. If an acknowledgment letter is not received within 10 days after sending process by mail, personal service should be attempted under section 130.

ACCESS TO INFORMATION

Freedom of Information

The TAC is an agency subject to the *Freedom of Information Act 1982* and is therefore not subject to the direct access provisions in the *Privacy & Data Protection Act 2014* or the *Health Records Act 2001*.

Documents that are created and maintained for claims administration and for general administrative, financial and investment functions are primarily electronic. A small minority of documents are stored using paper, or for aged TAC claims, on microfiche.

In the 2016/17 financial year, the TAC received 1220 Freedom of Information (FOI) requests for access to documents compared with 1281 in 2015/16, and 1202 in 2014/15. All but 10 requests related to clients and their representatives seeking personal documents from their TAC claim file. There were no requests for amendment of personal records.

An FOI request must be submitted to the TAC in writing, detailing the documents sought, as well as enclosing the statutory application fee of \$27.90, in the form of a cheque payable to "Transport Accident Commission". The statutory application fee of \$28.40 will become the new required fee from 1 July 2017 to 30 June 2018 in accordance with the *Monetary Units Act 2004*. The TAC also has a dedicated FOI bank account where applicants can pay the application fee and any FOI charges incurred for TAC processing and providing copies of documents. The application fee and access charges will be waived for applicants demonstrating hardship (irrespective of the kind of information sought). There is no application fee for a request for amendment to personal records.

As of 1 September 2017, many aspects of the FOI scheme will change, most notably, all Victorian government agencies will now have 30 days to process an FOI request, rather than 45.

Further information about FOI is available from the TAC's website: www.foi.tac.vic.gov.au and the Victorian Government FOI Commissioner's website www.foicommissioner.vic.gov.au.

Contact details for the TAC's FOI section are as follows:

Freedom of Information Officer
Transport Accident Commission
PO Box 742
GEELONG VIC 3001

Phone: 1300 654 329
Fax: (03) 9656 9360
Email: foi@tac.vic.gov.au

Medical Reports for Common Law Purposes

To facilitate clients in receiving legal advice, the TAC will, on request or as part of its agreed protocols, provide copies of medical reports commissioned by the TAC, independently of its normal FOI access arrangements.

Requests for access to medical reports should be directed to the relevant TAC claims officer or, where the reports relate to impairment assessments, to the relevant impairment officer. There is no fee for access to documents under this policy.

Subpoenas

All subpoenas should be addressed to 'The Authorised Person' and must be personally served on an authorised officer at the TAC's offices at 60 Brougham Street, Geelong. The TAC prefers to have a minimum of 14 days notice prior to the return date of the subpoena.

PUBLICATIONS

The TAC produces and makes available the following publications:

DESCRIPTION	MODE OF ACCESS
<i>About the TAC</i>	Internet
<i>Supporting you after a transport accident</i>	Copy/Internet
<i>Working for the TAC</i>	Internet
<i>After Your Transport Accident</i>	DVD
<i>Annual Transport Accident charges including GST and duty</i>	Internet
<i>At home with the family</i>	Copy/Internet
<i>Choosing an Attendant Care Agency</i>	Internet
<i>Choosing a supported accommodation service (information sheet)</i>	Copy/Internet
<i>Support leisure options (information sheet)</i>	Copy/Internet
<i>Community Road Safety Grants newsletter</i>	Internet
<i>Community services (information sheet)</i>	Copy/Internet
<i>Connecting the Dots secondary school resource</i>	Copy/Internet
<i>Daily support (information sheet)</i>	Copy/Internet
<i>Drive Smart Online Program (available to learner drivers)</i>	Internet
<i>Empower</i>	Copy/Internet
<i>GST compliance (information sheet)</i>	Copy/Internet
<i>Treatment and Support Services</i>	Internet
<i>Independence – an overview for providers</i>	Copy/Internet
<i>Information for people with major injuries (Booklets 1 – 4)</i>	Copy/Internet
<i>Information on TAC medical examinations (information sheet)</i>	Copy/Internet
<i>Integration support billing information (information sheet)</i>	Copy/Internet
<i>Kids on the Move primary school resource</i>	Internet
<i>Loss of earnings capacity (information sheet)</i>	Copy/Internet
<i>Occupational physicians – helping you get back to work for clients with spinal cord injuries</i>	Copy/Internet
<i>Pharmacy expenses (information sheet)</i>	Copy/Internet
<i>Post-hospital support (information sheet)</i>	Copy/Internet
<i>Preparing to go home – hospital discharge checklist</i>	Copy/Internet
<i>RAW DVD secondary school resource</i>	Copy/Internet
<i>Returning to work – information for employers</i>	Copy/Internet
<i>Returning to work – information for new employers</i>	Copy/Internet
<i>Returning to work</i>	Copy/Internet
<i>Ride Smart</i>	Internet
<i>Road Safety Statistical Summary</i>	Internet
<i>Safe travel policy</i>	Internet
<i>TAC Annual Reports</i>	Copy/Internet

DESCRIPTION	MODE OF ACCESS
<i>TAC loss of earnings benefits for self-employed people</i>	Copy/Internet
<i>How to invoice the TAC</i>	Internet
<i>TAC client service charter</i>	Copy/Internet
<i>TAC dependency benefits – a guide for funeral directors</i>	Copy/Internet
<i>TAC equipment suppliers billing standards</i>	Internet
<i>TAC Enterprise Agreement 2011-2014</i>	Copy
<i>TAC fee schedules</i>	Internet
<i>TAC home modifications (information sheet)</i>	Copy/Internet
<i>TAC home services</i>	Copy/Internet
<i>TAC hospital charter</i>	Copy/Internet
<i>TAC hospital services billing guidelines</i>	Copy/Internet
<i>TAC information for people with soft tissue injuries</i>	Copy/Internet
<i>TAC impairment benefits</i>	Copy/Internet
<i>TAC impairment examination (information sheet)</i>	Copy/Internet
<i>TAC loss of earnings</i>	Copy/Internet
<i>Invoice guidelines for medical practitioners</i>	Internet
<i>TAC post-acute support services</i>	Internet
<i>TAC prosthetics and orthotics billing standards (information sheet)</i>	Copy/Internet
<i>TAC research charter</i>	Copy/Internet
<i>TAC support when a person dies</i>	Copy/Internet
<i>TAC vehicle modifications</i>	Copy/Internet
<i>Freedom of Information</i>	Internet
<i>The TAC's complaints process</i>	Copy/Internet
<i>Therapy Support (information sheet)</i>	Copy/Internet
<i>Traffic Safety Essentials</i>	Internet
<i>Using modified vehicles – cost exemptions</i>	Copy/Internet
<i>Your Feedback</i>	Copy
<i>Mental Health (general)</i>	Copy/Internet
<i>E-therapy client information sheet</i>	Copy/Internet
<i>Peer support services client information sheet</i>	Copy/Internet
<i>Your Privacy and the TAC</i>	Copy/Internet
<i>Your Voice newsletter</i>	Copy/Internet
<i>4th Edition Impairment Examinations Information Manual</i>	Copy

RESEARCH INFORMATION

Requests for information for research purposes should be directed in the first instance to the Lead Research Partnerships Mr David Attwood (david_attwood@tac.vic.gov.au)

The request must be in writing, setting out:

- the research purposes for which the information will be used
- a definition of the data requested.

ACCESS TO INFORMATION ON THE INTERNET

The TAC's corporate website (www.tac.vic.gov.au) includes information about the TAC, its claim policies, fees and benefit entitlement information for the public, clients, providers and key stakeholder groups. Information about road safety initiatives, statistics, promotions, and advice for drivers is available on the TAC's website (www.tac.vic.gov.au).

The TAC offers the community information about Towards Zero on the Towards Zero website which is managed in partnership with Vic Roads, Department of Justice and Victoria Police.

Access to information for specific campaigns and target audiences can be found at:

Towards Zero website
(www.towardszero.com.au)

Spokes website
(www.spokes.com.au)

Meet Graham
(www.meetgraham.com.au)

How Safe is Your Car website
(www.howsafeisyourcar.com.au)

How Safe is Your First Car website
(www.howsafeisyourfirstcar.com.au)

Safer P Platers website
(www.saferpplaters.com.au)

TAC on youtube
(www.youtube.com.au/tac)

TAC on Twitter
(www.twitter.com/tacvictoria)

TAC on Facebook
(www.facebook.com/transportaccidentcommission)

I Like Vanessa on Facebook
(www.facebook.com/ilikevanessa)

Vanessa Bus website
(www.vanessabus.com.au)

Drive Smart website
(www.drivesmart.vic.gov.au)

Ride Smart website
(www.ridesmartonline.com.au)

Green man grants
(www.greenmangrants.com.au)

APPLICATION OF MERIT AND WORKPLACE EQUITY PRINCIPLES

The TAC strongly believes that all people have the right to work in an environment free of discrimination and harassment. It is the objective of the TAC's Workplace Equity policy to ensure that there shall be no discrimination or harassment relating to race, colour, sex, sexual preference, age, physical or mental disability, marital status, family responsibilities, pregnancy or potential pregnancy, religion, political opinion, national extraction, social origin, trade union association or non-association. The TAC regularly undertakes Equal Employment Opportunity training as part of its obligation and commitment to a workplace free of harassment and discrimination. The TAC's objective is to have a workplace free of these issues. To do this, managers must continually show leadership in order to develop and maintain a culture where these sorts of behaviours are unacceptable.

CARER'S RECOGNITION ACT

The TAC has promoted the care relationship principles and definition of a carer under the *Carer's Recognition Act 2012* through the intranet.

OCCUPATIONAL HEALTH AND SAFETY

This year the TAC made substantial gains in the management of staff work health safety. The TAC Executive are establishing a reinvigorated Health Safety and Wellbeing management system aimed at defining critical controls and clear goals of safety in the business.

Over the past financial year the TAC managed four standard work cover claims, equating to 21 paid claim days. This is a significant reduction on the previous financial year (2015/16) of 325 compensation days paid.

These claims resulted in a premium reduction to \$586,082 for 2016/17.

All staff with noted claims have returned to full duties.

WORKFORCE DATA

	2017	2016	2015	2014	2013
TAC (FTE)	903.5*	836	768	781	884
Average age	40.2	39	40	40	38

*Staffing levels increased to improve the service provided to injured Victorians under the TAC 2020 strategy.

EMPLOYEE OPINION SURVEY

Each year the TAC conducts an Employee Opinion Survey (EOS) to measure employee engagement and staff morale.

This year our sustainable engagement score of 84 percent maintains the excellent 2016 result and demonstrates an energised and enthusiastic workforce with a passion to implement initiatives that deliver on our TAC 2020 Strategy. The result exceeds the average of similar workplaces nationally and globally.

In addition, our traditional engagement score was 95 percent. This is 13 points above the Australian National Norm and 6 points above the Global High Performing Norm.

TAC BOARD OF MANAGEMENT

Minister for Roads and Road Safety

Luke Donnellan MP

Minister for Finance

Robin Scott MP

TAC Board

Penny Armytage (Chair)

David Heath

Louisa Hudson

Dr. Tien Kieu

Paul Kirk

Julia Mason

Sue O'Connor

Colin Radford

Dr. Samantha Smith

Chief Executive Officer

Joe Calafiore

Head of People and Culture

Jane Barker

Head of Community Relations

Amanda Bavin

Head of Independence

Liz Cairns

Head of Rapid Recovery

Bruce Crossett

Head of Business Enablement

Chief Financial Officer

Tony Dudley

Chief Strategy Officer

David Gifford

Head of Supported Recovery

Damian Poel

Head of IT Shared Solutions

Ashley West



/ Kicking goals

The TAC's long-term partnership with AFL Victoria is about creating champions on the field and safe drivers on the roads.

In a year when female footballers truly made their mark on the sport, we launched our new TAC Cup Girls League - complimenting our existing six Towards Zero Youth Girls Academies and providing talented young women with the same opportunities and pathways as their male counterparts.

Disclosure index

The Annual Report of the TAC is prepared in accordance with all relevant Victorian legislations. This index has been prepared to facilitate identification of the TAC's compliance with statutory disclosure requirements.

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* Throughout

