

Metropolitan Fire and Emergency Services Board

# ANNUAL REPORT 2013-14



# MFB ANNUAL REPORT

## 2013-14

### OUR VISION

A safer and more resilient community.

### OUR MISSION

Protection of life, property and the environment.

### OUR GOALS

- Engage our people
- Build a safer community
- Achieve organisational excellence





## LETTER TO THE MINISTER

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The Hon. Kim Wells MP  
Minister for Police and Emergency Services  
Level 16, 121 Exhibition Street  
Melbourne VIC 3000

Dear Minister,

I have much pleasure in submitting the 2013–14 Annual Report of the Metropolitan Fire and Emergency Services Board in accordance with the *Financial Management Act 1994 (Vic)*.

Yours sincerely

**Neil Comrie** AO, APM  
President

Date: 1 September 2014

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Front and back covers: hot fire training at the VEMTC.  
Inside cover: Aerial view of VEMTC.

## PRESIDENT'S FOREWORD



**Neil Comrie** AO, APM  
President

**THE NEW FIRE SERVICES LEVY HAS FOR THE FIRST TIME MADE MFB DIRECTLY ACCOUNTABLE TO THE PUBLIC FOR THE SERVICES WE DELIVER AND THE WAY THESE ARE RESOURCED.**

In years to come when we look back on the summer of 2013–14 we may well view it as the turning point where the philosophy of an all hazards all agency approach to emergency management in Victoria started to take hold.

This year further galvanised MFB and confirmed the challenges it faces. It also reinforced the need to continue to reform the organisation as major changes occurred. The new Fire Services Levy has for the first time made MFB directly accountable to the public for the services we deliver and the way these are resourced. This is a positive change for the sector and the community and will help drive reforms and efficiencies in MFB.

MFB has continued to deliver world class response times and first responder actions. MFB is determined to maintain this level of service delivery, while also increasing its support outside the metropolitan district. I am proud of MFB's achievements over the summer fire season, but at the same time I know MFB must become a more agile and flexible organisation to deal with the changing needs of emergency management in Victoria. Change can be difficult, but it will ensure that the organisation reaches its full potential, ultimately making the Victorian community safer.

To that end MFB is examining many areas of its operations. This includes how we deploy people and appliances, and lateral entry of experienced and qualified staff from other emergency services into the organisation. Flexible working arrangements and fit for work standards are being pursued through negotiations for new enterprise agreements.

MFB's levels of unplanned leave continue to be of concern. The Strategy Planning and Resources Committee of the Board is monitoring the implementation of a plan to address this issue.

MFB is also facing the challenges associated with an ageing workforce and managing the change required to create the next generation of leaders. The Victorian Emergency Management Training Centre at Craigieburn is now complete and it is an exciting development. The centre is a state-of-the-art facility which supports sector aims to provide high-quality training to enhance the safety of our people and the wider community.

MFB will be operating this facility on behalf of the State. The facility will provide training not only for MFB firefighters, but also for thousands of emergency service personnel from the CFA, Victoria Police, Ambulance Victoria, Department of Environment and Primary Industries and the State Emergency Service. It will quickly become a showpiece for specialist skills development and the proving ground for many of the State's future emergency management leaders.

I would like to take this opportunity to welcome MFB's new Chief Executive Officer, Jim Higgins, who brings a wealth of experience in emergency management to the role. I would also like to thank Nick Easy, MFB's previous Chief Executive Officer. Nick made a significant contribution to the organisation during a time of major change and transition.

This year we also farewelled Alf Long who left the Board after three years of service. I thank Alf for his strong input to the governance of the organisation. In addition, the Board welcomed two new members: Stuart Alford and Therese Ryan.

Although MFB faces many challenges, the changes being implemented and our work to date with our partners to improve interoperability stand the organisation in good stead. MFB is on track to deliver even more effective emergency management services to the Victorian community in the future.

A handwritten signature in black ink, appearing to read 'Neil Comrie', written in a cursive style.

**Neil Comrie** AO, APM  
President

## CHIEF EXECUTIVE OFFICER'S REPORT



**Jim Higgins** ASM  
Chief Executive Officer

While new to MFB, I am impressed with the passion and determination of MFB's people. Their performance during a challenging summer fire season is commendable, particularly as it was achieved without a reduction in the quality of services provided within the metropolitan district.

MFB maintained a strong leadership role this year during emergencies, especially in our growing work with the State Control Centre and incident and regional control centres. Once again the organisation delivered more services in regional Victoria, in particular in Morwell and interstate in New South Wales. Our participation in major incidents outside Melbourne reinforce the importance of the emergency services reform agenda and MFB's commitment to evolve to meet those changes.

Under the sector's three-year Reform Action Plan both the types of services and the way they are delivered by MFB is changing dramatically. This includes providing state-wide coverage in areas such as hazardous materials. In addition, Emergency Management Victoria's goals and strategic themes require MFB to meet new service delivery standards. This will be challenging for MFB and our partners, but ultimately it will ensure enhanced and borderless emergency management.

The organisation is increasingly seeking innovative and collaborative solutions to emergency management. MFB delivers specialist urban firefighting, emergency response and rescue services and emergency medical response. Notwithstanding the significant demands generated by a very busy fire season, MFB performed very well in terms of response times and fire containment in 2013–14. This is particularly impressive given the large program of change currently being undertaken by the organisation and the extreme fire conditions over the summer.

In order to fulfil its vision, MFB works to build the community's capacity to respond to fires and recover after fires occur. This involves engagement and prevention activities. MFB also works closely with communities that are particularly vulnerable. MFB is becoming more sophisticated about the design and implementation of its prevention and engagement activities, drawing on research and striving to innovate.

This year MFB delivered the Victorian Emergency Management Training Centre at Craigieburn in partnership with Major Projects Victoria, on time and to budget. This world-class facility was officially opened in June by the Victorian Premier Dr Denis Napthine, alongside Minister for Police and Emergency Services and Minister for Bushfire Response

Kim Wells and Minister for Major Projects David Hodgett.

This \$109 million training facility will give emergency services personnel access to highly-specialised fire and emergency training facilities, enhancing the sector's ability to support a state-wide shift towards to an 'all hazards, all agencies' approach to emergency management.

The 12 training props on site which simulate a range of real life situations, including major fires, road accidents, petrochemical fires, ship board incidents and urban search and rescue. These realistic scenarios are tailored to Melbourne's unique urban landscape, and include lane ways, rail tunnels and tram stops with fire, smoke, sound and physical obstacles.

They will be an invaluable tool in building Victoria's emergency service capacity to respond to fire, hazmat and rescue incidents.

Behind the scenes, MFB has begun major work on information and communication systems to improve our capacity and to support interoperability with other emergency management organisations. MFB's Information Management Strategic Plan is guiding investment in information technology.

In order to support change, MFB embarked on a major program of organisational and leadership development. Based on employee feedback we have established frameworks and processes to create people centered management of change. Negotiations for new operational enterprise agreements continue with MFB focused on achieving a modern enterprise award agreement that will unlock the organisation's potential and continue to provide competitive pay and conditions for our valued employees.

As we progress this cultural change and release our potential, safety will remain the organisation's number one priority. We will continue to develop and improve safety measures to identify and manage risks. We will ensure that as we respond effectively to the challenges of emergency management reform, no compromises are made to staff safety or that of the people we serve and protect.

I would like to thank all our employees for their work throughout the year. It has been an honour to be appointed the Chief Executive Officer of MFB. We have much more work to do and our Board, our employees, and our partners have the knowhow and commitment to achieve our goals so we can better serve the Victorian community.

A handwritten signature in black ink, appearing to read 'Jim Higgins'.

**Jim Higgins** ASM  
Chief Executive Officer

**WE WILL CONTINUE TO DEVELOP AND IMPROVE SAFETY MEASURES TO IDENTIFY AND MANAGE RISKS. WE WILL ENSURE THAT AS WE RESPOND EFFECTIVELY TO THE CHALLENGES OF EMERGENCY MANAGEMENT REFORM NO COMPROMISES ARE MADE TO STAFF SAFETY OR THAT OF THE PEOPLE WE SERVE AND PROTECT.**

## ABOUT US

**MFB'S 2,197 EMPLOYEES HELP SAFEGUARD ALMOST FOUR MILLION MELBOURNE RESIDENTS, WORKERS AND VISITORS ALONG WITH ASSETS AND INFRASTRUCTURE WORTH BILLIONS OF DOLLARS.**

### WHAT WE DO

MFB's 2,197 employees help safeguard almost four million Melbourne residents, workers and visitors along with assets and infrastructure worth billions of dollars. Our day-to-day service covers the metropolitan district, an area of over 1,000 square kilometres. However, our fleet and personnel can be called on to support emergency management anywhere in Victoria.

MFB delivers fire and emergency management services, and drives systemic change to the built environment through reforms to building design, regulations and legislation. MFB also invests in research and develops prevention programs that improve community safety and build resilience. In addition, specialist operational support is provided across Australia and the Asia Pacific region as required.

### OUR VALUES

MFB aims for continuing, measurable improvement in our workplace culture. MFB:

- works in a highly **professional** manner
- strives for a workplace culture of **safety**; identifying and remedying the causes of workplace injuries
- is **responsive** to the needs of our people and our community
- demonstrates **initiative**, innovation and agility as we continuously improve our services.

MFB upholds the Victorian Government Public Sector Values:

- responsiveness
- respect
- integrity
- leadership
- impartiality
- human rights
- accountability.

MFB strike teams working with CFA and DEPI in the Stawell and Halls Gap area.



## OUR WORK

MFB's work covers prevention, preparedness, response and recovery.

### Prevention

MFB aims to eliminate or reduce the incidence or severity of emergencies. We work with the community, partner emergency management agencies, government agencies, peak bodies and the private sector to create the knowledge, behaviours, and regulatory frameworks that will protect life, and minimise injury and damage to assets.

### Preparedness

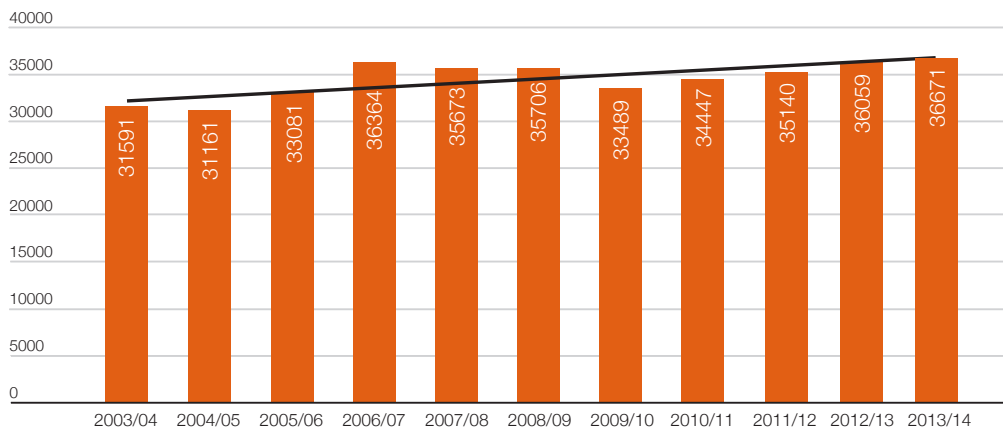
MFB works to ensure that individuals and communities are able to prevent and respond effectively to emergencies. This includes: putting response plans and arrangements in place, conducting assessments of the likelihood and severity of risks, planning for the continued availability of essential services, and identifying ways to mitigate the potential impacts of an emergency.

### Response

When MFB is dispatched to incidents we work to minimise their impact and provide affected individuals and communities with immediate relief and support. We respond to around 36,500 calls a year covering fires, hazardous incidents, automatic alarms, road accidents, medical emergencies, urban search and rescue and marine incidents. See Figures 1 and 2.

### Recovery

MFB supports emergency-affected individuals and communities and aims to restore emotional, social, economic and physical wellbeing. We work with our partners to ensure that the community and its resources are protected and maintained following an incident.

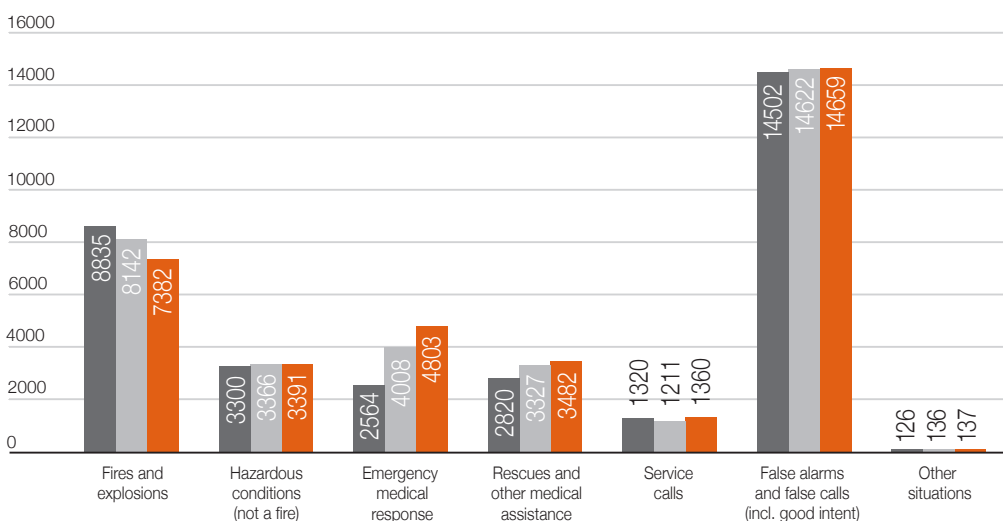


**Figure 1: Number of MFB calls attended**

2003-04 to 2013-14

- Number of calls
- Trend line

AIRS data was affected by industrial bans Sep 05, Jan-Mar 06, Oct 02 (this does not affect the total number of incidents reported but disaggregation is not possible)



**Figure 2: Breakdown of calls attended by type of incident (metropolitan district)**

2003-04 to 2013-14

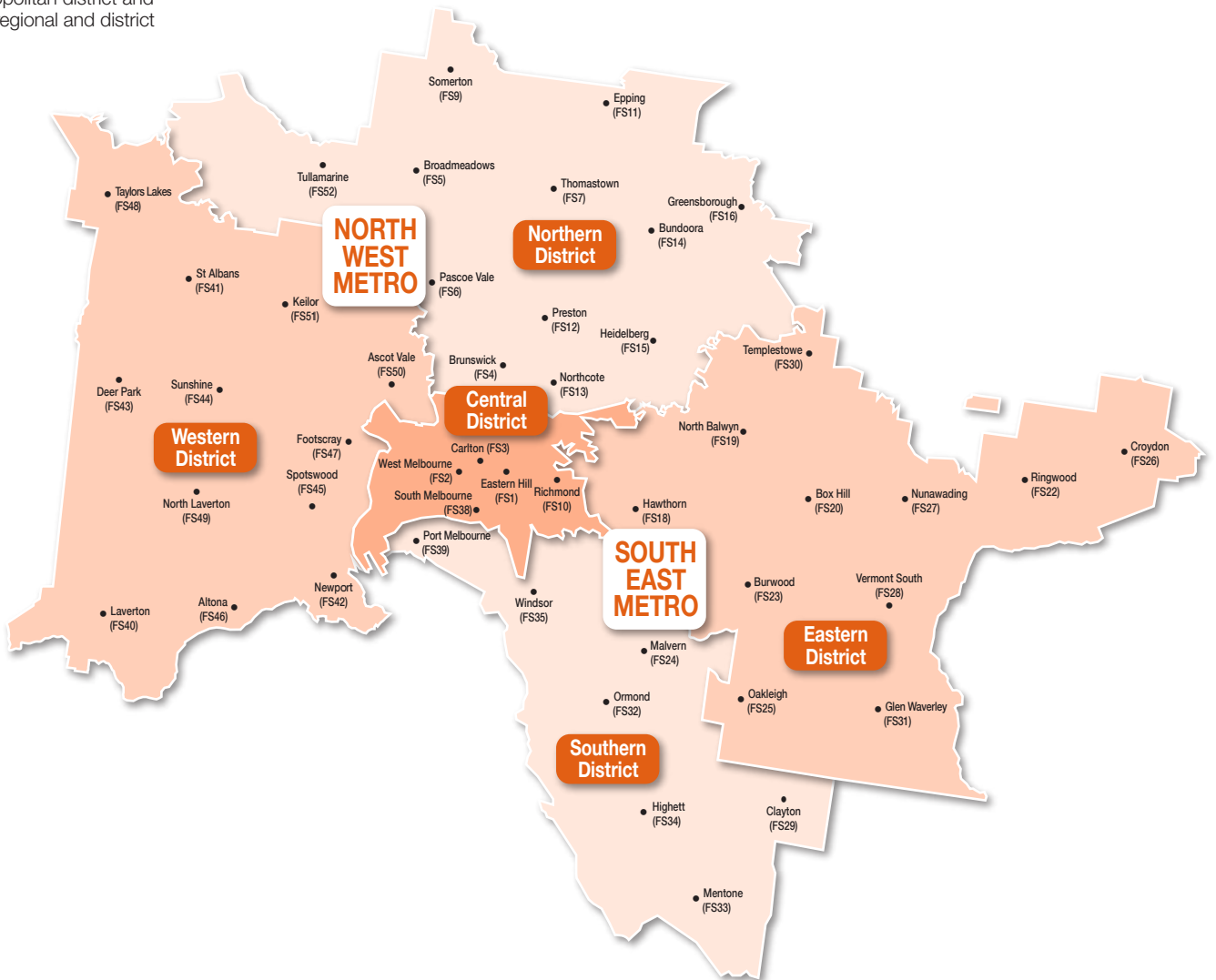
- Average 2003-04 to 2012-13
- 2012-13
- 2013-14

## WHERE WE WORK

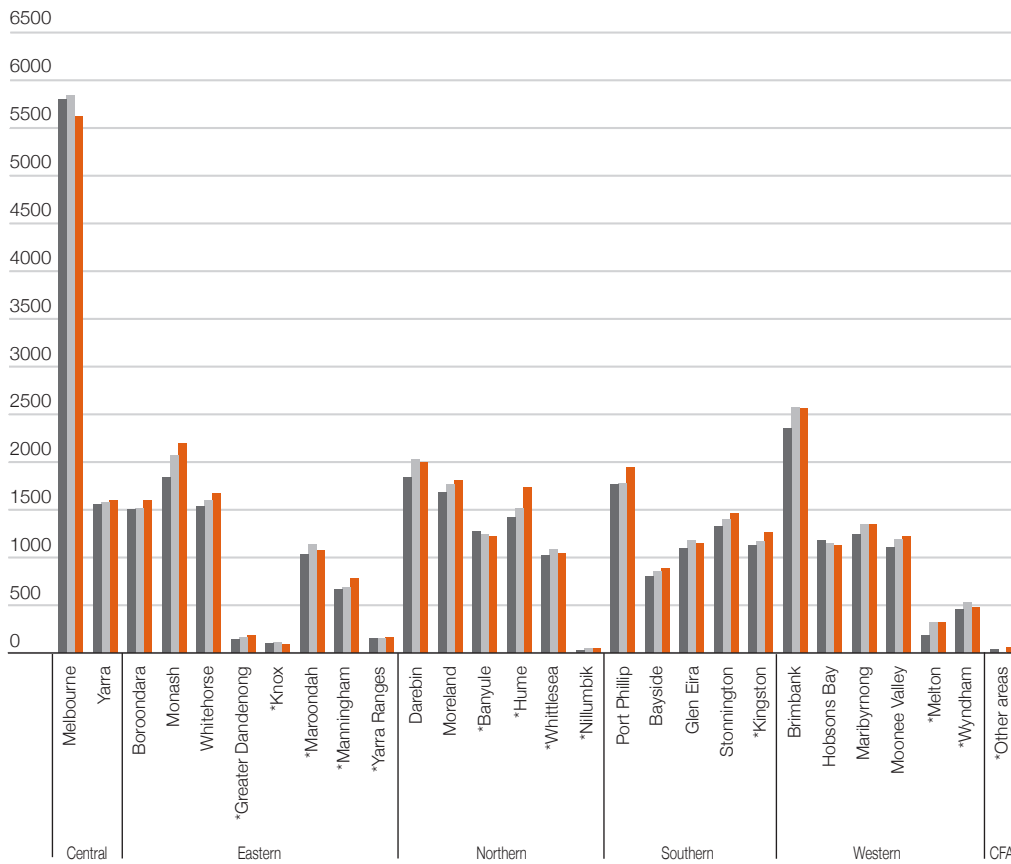
MFB delivers most of its services in the metropolitan district – a two-region, five-district area – and operates 47 stations across 26 local government areas. Our structural arrangements are aligned to state government regional boundaries. This enables us to work cohesively with local, regional and state partners, planning, controlling and coordinating responses to incidents under the state emergency management arrangements. It is also the platform for integrated emergency management planning at the local, municipal, regional and state level.

Our regional model supports MFB's role in the State Control Centre, with regional controllers from all agencies working together on emergencies in their areas of responsibility.

The metropolitan district and the MFB regional and district structure







MFB crews on board Fireboat 1 on Port Phillip Bay.

## THE BOARD

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### **Neil Comrie** AO, APM

President

Appointed President June 2010

Neil brings to MFB significant emergency management experience. A career police officer, Neil joined Victoria Police in 1967 and, after serving initially in uniformed and specialist roles, in 1990 he was appointed Assistant Commissioner, Queensland Police Service. In 1993, Neil was appointed as the eighteenth Chief Commissioner of Victoria Police. He retired in 2001. Neil is currently the Independent Monitor for the implementation of the recommendations of the Victorian Bushfires Royal Commission and he was also appointed as Chair, Review of the 2010–2011 Flood Warning and Response – Victorian Floods Review. He has undertaken various sensitive and significant inquiries and projects on behalf of the Commonwealth and Victorian Governments, and internationally.

### **Ken King**

Deputy President

Appointed July 2008,

appointed Deputy President July 2011

Ken served as a member of the Country Fire Authority Board from 2003 to 2012, and retired recently from a long and very successful career in the Department of Sustainability and Environment (DSE). Ken has held senior positions in land management, forestry and bushfire management, including as the DSE's Regional Manager for northwest Victoria, South Gippsland and the Port Phillip area which covers metropolitan Melbourne. Ken serves on the boards of the Natural Resources Conservation League, the Bjarne K Dahl Trust and the Habitat Melbourne Trust.

### **Jay Bonnington**

Board Member

Appointed July 2006

Jay is a chartered accountant and has worked overseas, with the Transfield Group in Australia, and as CFO/Finance Director of Yallourn Energy Ltd, and NEMMCO. She then moved into financial services and became CEO of a not for profit. She now serves as a professional non-executive company director on a number of boards, including St. John of God Healthcare Group, HESTA Superannuation and Utilities Trust of Australia. In addition, she serves on several community boards, including Deakin University Council, the Lord Mayor's Charitable Foundation, and the Audit Committee of the Salvation Army's Southern Territory.

### **John Lord** AM

Board Member

Appointed July 2011

John has had high profile careers in the Royal Australian Navy, the Commonwealth and state public sectors, and private enterprise. In recent years he has provided strategic planning advice and corporate governance to the commercial sector, specialising in international relations, government business, and the maritime industries. He served with the Royal Australian Navy for over 36 years and retired with the rank of Rear Admiral. He is a former Chief Executive and director of the Marine Board of Victoria where he initiated several state and national maritime programs. He was also a member of the Australian Maritime Group and the National Plan Committee for maritime emergency responses around Australia. John is presently Chairman of Huawei Technologies Australia and the Victorian Veterans Council. He is also member of the Defence Council Victoria, the Ministerial Advisory Committee for Corrections, and a Director of the Defence Bank Foundation Trust.

### **Stuart Alford**

Board Member

Appointed September 2013

Stuart joins MFB following a distinguished career as a chartered accountant having worked for international accounting firm Ernst and Young for 40 years, including 27 years as a partner. He is currently Chair of the Centre of Excellence for Intervention and Prevention Science Limited, a board member of Eastern Health; Eastern Health Foundation, and Kilvington Grammar. Stuart is also an Audit Committee Member of the Victorian Curriculum and Assessment Authority; Chair of the Audit Committee, Australian Accounting Standards Board, and Chair of the Audit Committee, Auditing and Assurance Standards Board. Stuart is a fellow of the Institute of Chartered Accountants in Australia and a member of the Australian Institute of Company Directors.

**Therese Ryan**

Board Member

Appointed August 2013

Therese is an experienced professional and non-executive director, who has worked across a diverse range of industries. She is a non-executive director of Burson Group Limited, Victorian Managed Insurance Authority, VicForests and Yarra Valley Water. She is also an independent member of the audit committee of the City of Melbourne and Chair of the Advisory Committee for the Office of Correctional Services Review. Until recently, she was also Chair of Good Shepherd Youth and Family Services and Fitted for Work and a non-executive director of Good Shepherd Microfinance. In her last senior executive role in General Motors, Therese, was a member of the senior leadership team for its international operations, as well as General Counsel. She lived and worked in China for four years, leading a team delivering projects not only in China but across the globe, including India, Korea, Latin America, Africa, the Middle East and Eastern Europe.

**David Purchase** OAM

Board Member

Appointed July 2011

After graduating with a law degree from Melbourne University, David spent 15 years at the Victorian Employers Federation, and was appointed Deputy Executive Director. In 1986 David was appointed Executive Director of the Life Insurance Federation of Australia, the representative body for life insurance companies. In 1994 he joined Norwich Union Financial Services Limited as Group Company Secretary and in 1995 became General Manager of Lifescreen Australia Pty Ltd (a subsidiary company of the Norwich Group). David joined the Victorian Automobile Chamber of Commerce (VACC) as Executive Director in 1997. He also sits on the boards of MotorTradeCard Pty Ltd, Motor Industry Holdings Limited, Motor Industry House Pty Limited, and is a panel member of the Winston Churchill Memorial Trust Committee.

**Alfred Long**

Board Member (retired from the Board on 13 September 2013)

Appointed 14 September 2010

Throughout an impressive 44-year career with the Commonwealth Bank of Australia, Alf worked in four states. Following a cadetship in his early years he worked in branch management then undertook positions in the corporate banking arena where he was later appointed General Manager. He was appointed State Manager, Queensland and four years later returned to Victoria as General Manager to implement the merger of CBA and The State Bank of Victoria. In 1997 he became head of the Customer Service Division, managing the CBA's extensive distribution network and its 28,000 employees across Australia. Alf retired from the CBA in July 2000. His capacity to draw people together and to resolve complex organisational issues complements the skills on the MFB Board.

## EXECUTIVE LEADERSHIP TEAM

MFB comprises seven directorates and an office supporting the CEO. The Executive Director Emergency Management is usually also Chief Officer. However, the roles were managed by two Deputy Chief Officers from December 2013 to May 2013 while MFB sought to appoint a new Chief Officer.

### Chief Executive Officer

Jim Higgins ASM commenced as CEO on 28 April 2014. He joins MFB from the Victorian Department of Human Services and was previously the Commissioner of the Queensland Ambulance Service, where he worked for 13 years.

### Chief Officer

Peter Rau was appointed Acting Chief Officer in December 2013 and was formally appointed to the role on 29 May 2014. He has over 30 years' experience in fire and emergency management with the CFA and MFB.

### Executive Director Emergency Management

Assistant Chief Fire Officer Adam Dalrymple (Acting)

### Executive Director People and Culture

Danielle Byrnes

### Executive Director Corporate Services

Russell Eddington

### Executive Director Property and Assets

Craig Lloyd

### Executive Director Strategy and Innovation

Neil Hubbard (Acting)

### Executive Director Organisational Learning and Development

Acting Deputy Chief Fire Officer David Bruce

### Regional Director North West Metro Region

Deputy Chief Officer David Youssef

### Regional Director South East Metro Region

Acting Deputy Chief Officer Andrew Zammit

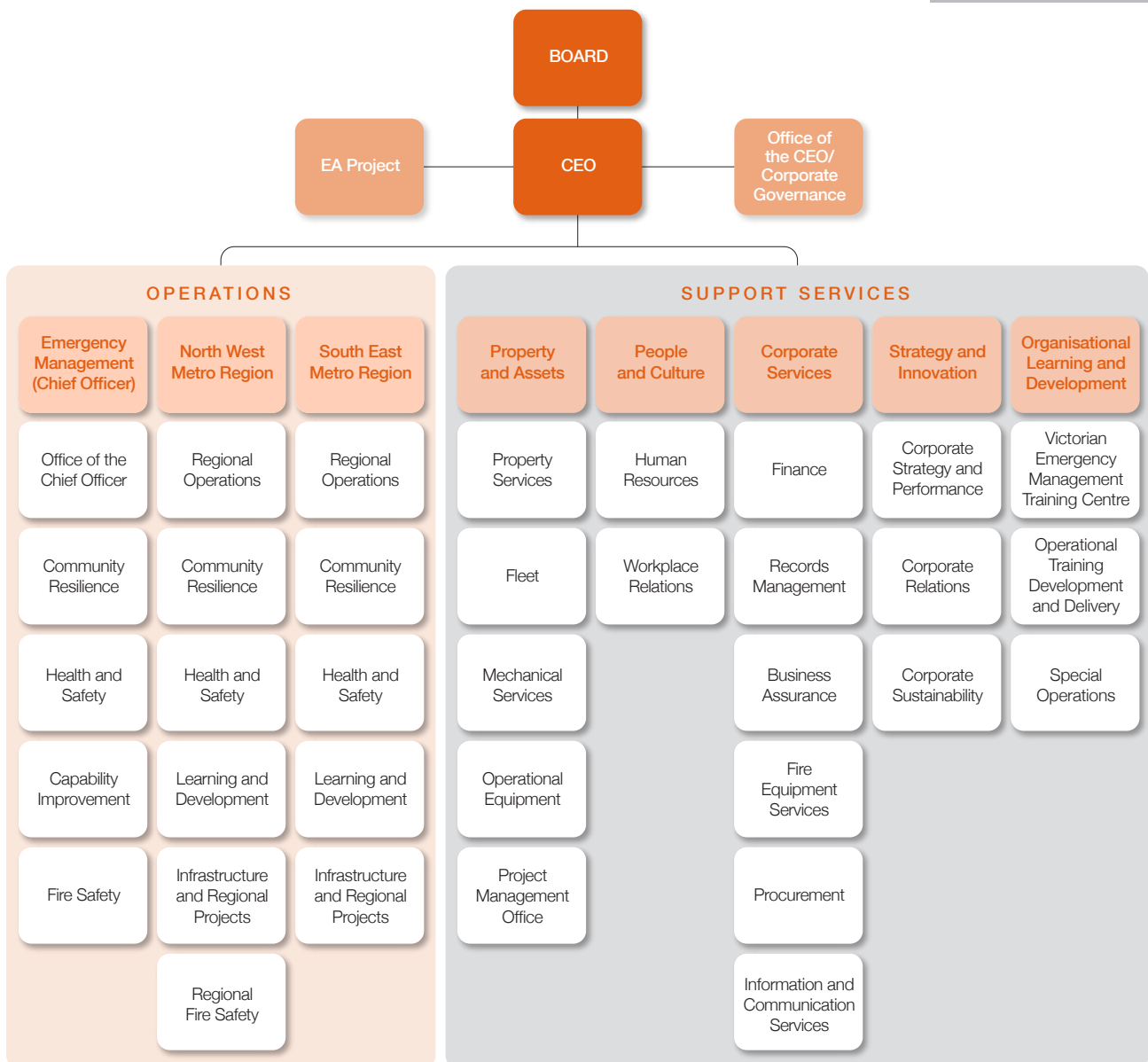
### Lead Executive Operations Enterprise Agreement

Deputy Chief Officer Paul Stacchino

MFB appliances and the Erickson Air Crane in Stawell.



# ORGANISATIONAL STRUCTURE



## OUR PERFORMANCE

The Victorian Government Budget Papers set targets for emergency management organisations and MFB is committed to the achievement of these goals. This forms part of the Department of Justice's contribution to the fire and emergency services output group. Table 1 shows MFB's performance against measures in Budget Paper 3. It should be noted that the counting rules for statewide measures differ from those used to report internally by MFB.

MFB sets additional performance measures to those outlined in Budget Paper 3 in our Strategic and Business Plan 2011–14 (see Table 2). The measures provide MFB metrics for areas of emergency response and corporate performance not included in Budget Paper 3. These metrics reflect other areas where continuous improvement principles apply. Work was undertaken in the last financial year to review MFB's metrics and a new set of KPIs have been developed that align to new sector goals. These will be implemented in the 2014–2015 financial year.

**Table 1: Emergency management capability**

Budget Paper 3 performance measures are statewide measures and are targets that combine CFA and MFB in relation to fire-related KPIs or CFA, MFB and SES in relation to road rescue.

Major outputs and deliverables Performance measures	Unit of measure	2013–14 State target	2013–14 MFB target	2013–14 MFB actual
<b>Quantity</b>				
Permanent operational staff	number	2,732	1,845	1,859
Permanent support staff	number	1,430	356	338
<b>Quality</b>				
Road crash rescue accredited brigades/units	number	130	5	5
Level 3 incident controller trained staff and volunteers	number	129	76	82
All structural fires contained to room or object of origin	per cent	80	90	91
<b>Timeliness</b>				
Emergency response times meeting benchmarks (All structural fires) – Budget Paper 3	per cent	90	90	89
Emergency response times meeting benchmarks (Road accident rescues) – Budget Paper 3	per cent	90	90	89
Emergency response times meeting benchmarks (Emergency medical response) – Budget Paper 3	per cent	90	90	95

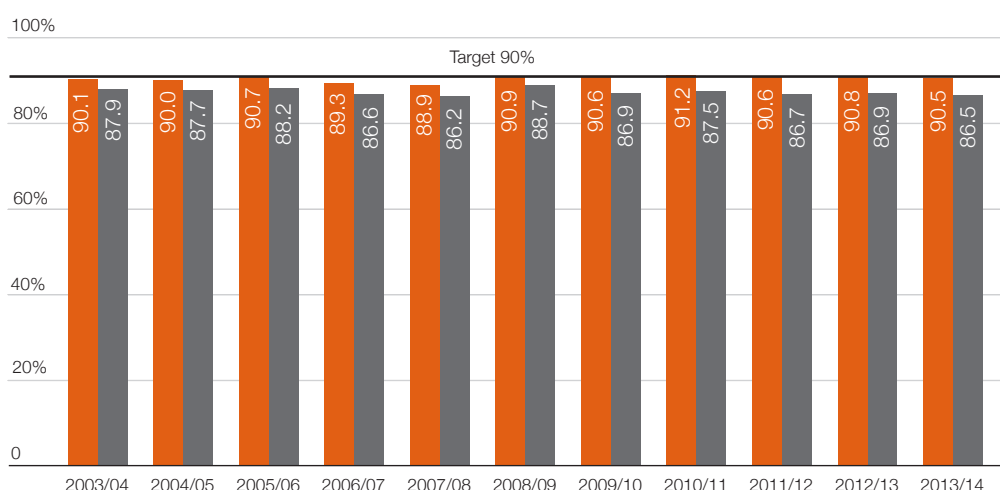
Major outputs/deliverables Performance measures		Unit of measure	2013–14 target	2013–14 outcome	2012–13 outcome
KPI 1	Structure fires contained to room of origin (BP3 definition)	per cent	Both building and structure fires 90	86.5 (building) 90.5 (structure)	86.9 (building)
KPI 2	Emergency response times – structure fires (90th percentile)	minutes	7.7	7.8	7.6
KPI 3	Emergency response times – road accident rescue response (90th percentile) *	minutes	13	14.4	13.4
KPI 4	Emergency response times – emergency medical response (90th percentile)	minutes	9.2	8.3	8.2
KPI 5	Reduce the number of structure fires per year by 5 per cent	number	<3,000	2,951	3,183
KPI 6	Minimise residential structure fires per year with no smoke alarm present	per cent	<12	13.6	12.9
KPI 7	Active level 1 projects classified as 'on track' as at 30 June 2014	per cent	90	74	47
KPI 8	Calls for assistance (000) #	per cent	100% requests met	100% 36,671 calls	100% 36,059 calls
KPI 9	Preventable fire fatalities	number	0	5	4
KPI 10	On-shift staff availability ^	per cent	95	87.2	87.4

**Table 2: MFB performance measures**

\* This is the 90th percentile response time of rescue vehicles. It excludes normal road conditions and calls outside the metropolitan district.

# CFA calls – services provided by MFB into CFA areas as part of our mutual aid agreement.

^ Percentage of rostered staff actually available for duty regardless of the reason for absence (01/07/13 to 16/05/14).



**Figure 4: Containment of structure fires to the room of origin**

2003–04 to 2013–14

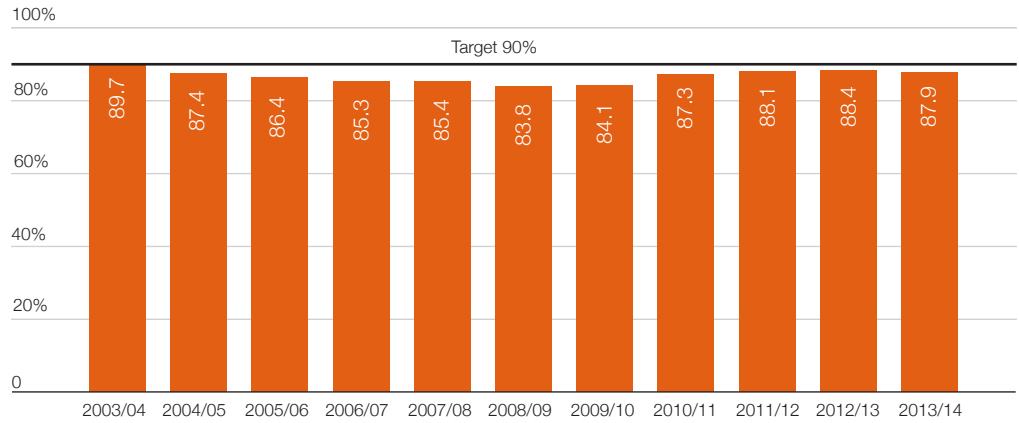
- Contained to room of origin – all building fires<sup>1</sup>
- Contained to room of origin – excluding fires in buildings confined to non-combustible containers<sup>2</sup>

1. MFB performance measure; target is 90 per cent.
2. Budget Paper 3 performance measure determined by Government; target is 80 per cent.

**Figure 5: Emergency response times meeting benchmarks**

2003–04 to 2013–14

Internal response time benchmarks apply to a broader range of responses (all emergency calls) than the Budget Paper 3 benchmarks.



**MFB SERVICE DELIVERY**

In the 2013–14 year MFB attended 36,671 calls in the metropolitan district and a number of major bushfire and grassfire incidents outside the district.

There were five preventable fire-related deaths in 2013–14, compared with four in 2012–13 and the 10-year average of 6.1 preventable fatalities per year (see Figure 6).

The emergency medical response (EMR) program responded to more than 4,803 medical calls and provided medical assistance 3,400 rescues and other medical incidents in 2013–14.

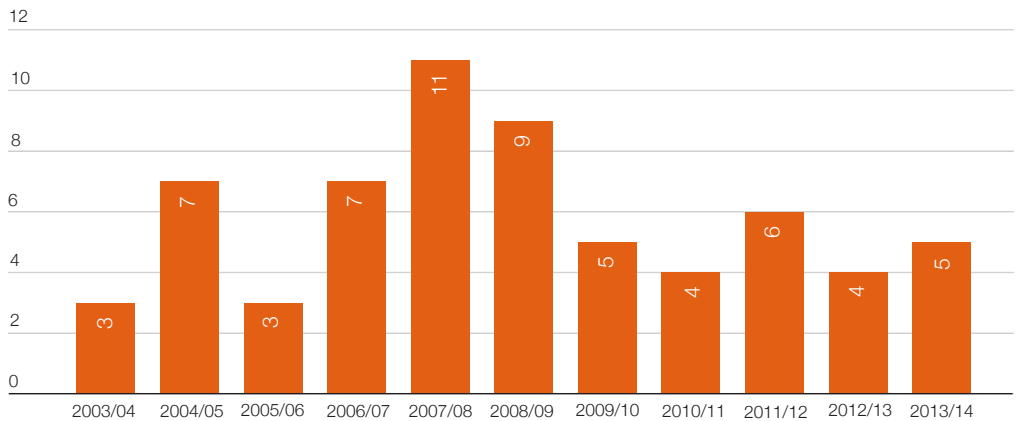
MFB has now performed 163 services with defibrillators. MFB EMR is now included in the State Health Response Plan and MFB’s summer surge capacity helped Ambulance Victoria during the heatwave.

A number of incidents required a large initial MFB response and a prolonged allocation of resources, including clean-up and site monitoring. Figure 7 highlights the type and number of major incidents classed as third alarm and above or equivalent. A first alarm incident normally involves two appliances; a fifth alarm involves specialist appliances and senior command.

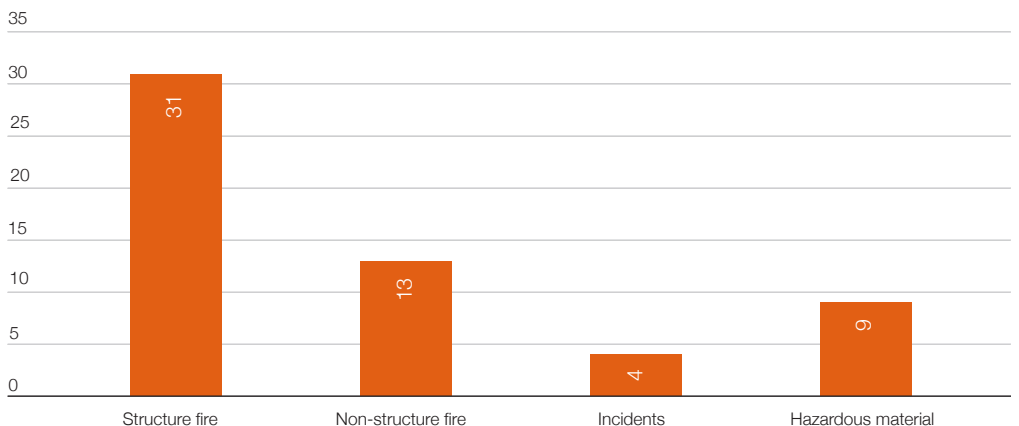
**Figure 6: Preventable fire related fatalities**

2003–04 to 2013–14

\* Preventable fire fatalities are defined as all fatalities, excluding murder, suicides and where the fire was not the cause of death.



**Figure 7: Types of major incidents third alarm and above in the metropolitan district 2013–14**





## A CHALLENGING FIRE SEASON

The 2013–14 summer tested Victoria's emergency management arrangements. Agencies responded to multiple incidents statewide as well as interstate. Contributing resources, such as command staff, firefighters, administrative staff, appliances and equipment, MFB proved to be a borderless organisation. The summer also highlighted that despite differing capabilities and doctrines, we integrated seamlessly with sector colleagues from around Australia.

### NEW SOUTH WALES DEPLOYMENTS

MFB sent its largest deployment in recent times to NSW to backfill stations in metropolitan Sydney, easing the pressure on crews battling the Blue Mountains blaze. Ten pumpers crewed with 40 staff, mechanics and command staff left for Sydney in October 2013.

While other Victorian agencies sent crews to the bushfires, MFB's appliances were stationed throughout Sydney. This allowed deployments of crews made up of two MFB and two Fire and Rescue NSW firefighters. The crews undertook station briefings, interagency drills, turnout area inspections, and tested equipment compatibility. They also assisted with the SABRE program (smoke alarm battery replacement for the elderly).

While MFB had previously sent strike teams interstate this was the first time appliances were deployed. The crews attended more than 60 fire calls. Fire and Rescue NSW Commissioner Greg Mullins visited MFB crews to personally thank them for their service.

### COMMAND ROLES

Over summer MFB senior command staff played a crucial role in state and regional fire management. MFB's Chief Officer was based at the State Control Centre for the summer as one of the Deputy State Controllers, while MFB senior command staff rotated through the role of State Duty Officer. Senior command also rotated through the role of regional controller for the Craigieburn (Hume Freeway complex), Mickleham and Hazelwood fires. This was the first time that MFB staff worked in a truly integrated way with other emergency management personnel at all levels of incident control – from the State Control Centre to the fireground.

### HEATWAVE

In January 2014 there were four consecutive days above 40°C and triple the number of call outs compared to the previous year. To help other Victorian agencies, including the CFA, the Department of Environment and Primary Industries (DEPI), and Ambulance Victoria, MFB commissioned extra appliances and increased the number of response crews. MFB also:

- allocated day workers to operational appliances during the day
- enabled rapid impact assessment and strike teams for deployment in Geelong, Ballarat, Stawell, Mildura and Ouyen
- deployed nine new Mk5 pumper and pumper tanker appliances
- had corporate staff working in the State Control and Incident Control Centres.

**MFB SENT ITS LARGEST DEPLOYMENT IN RECENT TIMES TO NSW TO BACKFILL STATIONS IN METROPOLITAN SYDNEY, EASING THE PRESSURE ON CREWS BATTLING THE BLUE MOUNTAINS BLAZE.**



MFB crews deployed to Sydney in October 2013.

**MORE THAN 385  
FIRE AGENCY  
PERSONNEL  
WERE INVOLVED  
IN THIS INCIDENT,  
ON A DAY WHEN  
351 CALLS WERE  
RESPONDED TO  
ACROSS VARIOUS  
INCIDENTS.**

## **HUME FREEWAY COMPLEX AND REGIONAL DEPLOYMENTS**

On the morning of 17 January 2014 MFB responded to multiple fires along the Hume Freeway. The fires were in both CFA and MFB areas and the incident quickly escalated into a ninth alarm fire involving MFB, the CFA, DEPI and air support. Transfer of control was made to the Gisborne Incident Control Centre under the arrangements put in place by the Fire Services Commissioner.

This was the first time MFB had transferred control of an incident to a remote control centre and one of the first tests of the MFB's application of transfer of control. MFB, CFA and DEPI crews worked together to bring these challenging fires under control and the MFB Control Unit performed a crucial role in establishing a divisional command point to direct resources.

More than 385 fire agency personnel were involved in this incident, on a day when 351 calls were responded to across various incidents. On the same day MFB sent considerable resources to Stawell and Halls Gap where bushfires were threatening both towns.

## **THE WORST FIRE DANGER DAY SINCE 2009**

9 February 2014 was the worst fire danger day Victoria had experienced since Black Saturday. MFB attended many grass and scrub fires

around Melbourne, including major incidents in Greensborough, Fawkner and Keilor that threatened homes and industrial areas. MFB crews also assisted CFA and DEPI crews in combating the Mickleham and Warrandyte fires where homes were destroyed. In total MFB responded to 327 calls.

## **HAZELWOOD MINE FIRE**

In Gippsland on 9 February CFA fire crews were called to the Strzelecki Highway between Morwell and Mirboo North where a fire quickly moved through a timber plantation, before it spread into the Hazelwood mine, starting a major coal fire.

The following day MFB sent an advance senior command team to Hazelwood to help set up an incident management team. The incident was changed from a non-structure fire to a hazmat incident. Over the next six weeks MFB had up to 100 people per day working at the incident in various roles and contributed many appliances to fight the fire.

MFB hazmat and scientific officers worked closely with the Department of Health and EPA to establish carbon monoxide monitoring protocols, firefighter health checks and work instructions. This included regular health monitoring of personnel working at and visiting the mine and strict protocols.

The Hazelwood fire was the longest deployment in MFB's history and the largest joint activity it had participated in.

MFB crews worked 24 hours a day for six weeks with other state emergency services to contain the Hazelwood mine fire in Morwell. *Photo courtesy Keith Pakenham.*



MFB continues to deliver programs and partner with stakeholders to build the community's capacity to respond to and recover from emergency incidents. This includes engagement with groups who are particularly vulnerable using innovative approaches to fire prevention and an increasing focus on research.

### VICTORIAN BUILT ENVIRONMENT RISK ASSESSMENT PROCESS (VBERAP) GUIDELINE

MFB has led the development of the VBERAP Guideline on behalf of the State Fire Management Planning Committee. This project draws knowledge and experience from stakeholders across the emergency management sector. It ensures a consistent and structured approach to emergency risk assessment in the built environment.

As a result communities will be better informed about their risk profile and areas in most need will be targeted for treatments. The guideline was endorsed by the committee in June 2014. In the coming year it will deliver comprehensive support technology and a sustainable delivery model at state, regional and municipal levels throughout Victoria.

### EDUCATION CAMPAIGNS

MFB continued to deliver education programs targeting primary school children, teenagers, the elderly and non-English speakers.

The Seniors Fire Safety program targets active older people. Nearly 4,000 people attended presentations through organisations such as Lions, Rotary, Probus and ethnic and faith based groups. The program won the Aged and Disability category of the Victorian Fire Awareness Awards in December 2013.

More than 2,000 copies of the Home Fire Safety Booklet and Aged and Disability Insert have been supplied to providers of community aged care for their clients. This included copies of both documents in more than a dozen languages. The audio CD version is being distributed for free at Vision Australia shops.

In collaboration with the Transport Accident Commission, VicRoads, the Department of Education and Early Childhood Development, RACV, Victoria Police and CFA, MFB continued the Fit2Drive road safety program in secondary schools.

Based on recommendations from a coronial hearing, the program has been incorporated into the Victorian Government Action Plan 2013–2016. This will more than double the program's reach to about 500 schools and 60,000 students.

The Flames program delivers home fire safety information to newly arrived secondary school students via English language schools and centres. It continues to grow with specially trained operational firefighters delivering presentations at 23 learning centres reaching 1,200 students. The program provides students with important home fire safety information they can share with their families.

### SMOKE ALARMS

MFB formed a statewide Smoke Alarm Buyers Group to support community aged and disability care providers help their clients install smoke alarms. This initiative fulfils a coronial recommendation. A new stand-alone smoke alarm with a built-in 10-year lithium battery was identified as the most appropriate smoke alarm to install. In two phases 98 agencies purchased more than 10,000 smoke alarms. The program more than halved the unit price of \$38 per unit, saving over \$200,000.

To increase awareness about smoke alarms an information session was developed and delivered to 19 local government aged and disability departments. This activity targeted team leaders, case managers, assessors and home maintenance workers.

### HOARDING

The Hoarding Notification System has received an increasing number of referrals from agencies supporting people affected by hoarding. The system enables a discreet electronic alert to be placed on an address, which activates via the Station Turnout System. This increases firefighter preparedness and safety in the event of a fire or other emergency at the address. The system was a joint winner of the Industry Category in the Victorian Fire Awareness Awards in 2013.

A study into hoarding and squalor related incidents, and the organisational response to this growing issue, was conducted by Worcester Polytechnic Institute. It confirmed that hoarding and squalor incidents occur in nearly every local government area in the metropolitan district. Over the past nine months the incident rate has been one incident every four days.

**IN TWO PHASES  
98 AGENCIES  
PURCHASED MORE  
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**THE DURACELL  
CHANGE YOUR  
CLOCK – CHANGE  
YOUR SMOKE ALARM  
BATTERY CAMPAIGN  
RAN FOR THE  
FOURTEENTH YEAR.**

**PUBLIC INFORMATION  
CAMPAIGNS**

MFB continued to deliver public information campaigns with the CFA. The Duracell Change Your Clock – Change Your Smoke Alarm Battery campaign ran for the fourteenth year. It reminds the community about the need to ensure there is at least one working smoke alarm on every level of every home. As well as extensive traditional media, social media was used to promote the campaign.

Over winter MFB and the CFA delivered the Home Fire Safety campaign. It focused on general fire safety in the home and high-risk activities. Research to review the past five years of this campaign was conducted by Worcester Polytechnic Institute. The study also reviewed incidents in terms of rate, room of origin and severity. It included analysis of broad engagement and current public campaigns by other organisations aimed at behaviour change. The research will be used to develop new activities to increase the program's effectiveness.

**JUVENILE FIRE AWARENESS**

The Juvenile Fire Awareness and Intervention Program is undertaking research with Victoria University to better understand the factors that may predict if a child or adolescent will continue to set fires. The research is also investigating the role of counselling and mental health services. The research will be used to establish a firefighter screening tool to measure the risk of fire setting in young people, develop referral pathways, identify gaps in knowledge and competencies, and establish best practice models to deal with fire risk behaviour.

**COMPLIANCE AND ADVICE  
SERVICES**

MFB provides many fire safety services to industry through its Building Code of Australia and audits, Building Inspection and Compliance, Alarm Assessment, Fire Investigation and Analysis, Dangerous Goods, and Community Safety technical departments.

The Alarm Assessment team attended 9,481 false alarms, 452 hazmat alarms and conducted salvage at 86 incidents in the last financial year. The team has recovered about \$9.6 million in fees associated with false alarms and salvage work with damaged sprinkler systems. This year there were 1.44 false alarms for each piece of alarm signalling equipment (ASE). This is a slight reduction from last year's figure of 1.48/ASE. There are around 6,500 ASEs in Melbourne.

MFB worked to resolve design issues on the boundary of a residential development in Windsor. The fire safety design solution of the multi-storey building did not have an appropriate level of fire protection. An appeal was submitted by MFB to the Building Appeals Board (BAB) also noting other fire safety deficiencies in the building. The BAB ordered the owners to install automatic fire protection measures throughout.

MFB, Police, Ambulance and SES participate in an emergency services demonstration at the opening of VEMTC.



Department	Service	2013-14
<b>Dangerous goods</b>	Written advice	208
<b>BCA and audits</b>	Modifications	35
	Letters of advice	842
	309 Applications	570
	1003 Variations	411
	Fire safety assessment	25
<b>Community Safety Technical Department</b>	Fire engineering briefs	403
	Letters of advice	49
	Fire engineering reports	291
<b>FIA</b>	Accidental fires attended	5
	Suspicious fires attended	28
	Electrical fires attended	59
	Undetermined fires attended	5
	Fatal (non-preventable)	3
	Fatal (preventable)	5
	Actual loss	\$25,113,100
	Potential loss	\$185,651,000
<b>Building inspections and compliance</b>	Class 1B – A single dwelling being a detached house or one or more attached dwellings	8
	Class 2 – A building containing two or more sole occupancy units each being a separate dwelling	65
	Class 3 – A residential building, other than a class 1 or 2, which is common place of long-term or transient living for a number of unrelated persons	39
	Class 5 – An office building used for professional or commercial purposes, excluding buildings of Class 6, 7, 8 or 9	27
	Class 6 – A shop or other building for the sale of goods by retail or the supply of services direct to the public	20
	Class 7 – A building which is a carpark or is for storage or display of goods or produce for sale by wholesale	15
	Class 8 – A laboratory, or a building in which a handicraft or process for the production, assembling, altering, repairing, packing, finishing, or cleaning of goods or produce is carried on for trade, sale, or gain.	31
	Class 9A – A health care building	7
	Class 9B – An assembly building in a primary or secondary school, but excluding any other parts of the building that are of another class	27
	Class 9C – An aged care building	5

**Table 3: Compliance and advice services**

**WHILE MFB IS DELIVERING EXCELLENT SERVICE LEVELS, THESE NEED TO BE TRANSLATED INTO THE SERVICE DELIVERY STANDARDS EXPECTED BY THE VICTORIAN COMMUNITY.**

Collaboration with our partners is the bedrock of well-coordinated, seamless emergency management service delivery and a truly borderless organisation. MFB's partnerships took many forms during the year. Major steps were taken in terms of interoperability with other emergency service agencies.

### A BORDERLESS ORGANISATION

The emergency management sector is continuing to work closer together. This year the role of the Fire Services Commissioner was recast as the Emergency Management Commissioner (which came into effect 1 July 2014). The Commissioner's rolling three-year Fire Services Reform Action Plan is in its second year. The plan incorporates a Leadership Integration Accountability Framework. In addition, there are 19 projects to be delivered by May 2016, aligned with the following six strategic themes:

- information and operational interoperability
- state capability and capacity
- common risk management and planning
- community behaviour change
- organisational improvement
- governance and legislation.

MFB has made considerable progress integrating these themes, concepts and projects into the fabric of its service delivery. Emergency Management Victoria has set clear goals. While MFB is delivering excellent service levels, these need to be translated into the service delivery standards expected by the Victorian community. This will be a challenge for MFB and our partners. Effectively, MFB will have to continue to deliver current service levels while finding ways to further enhance emergency management.

### WORKING WITH PEAK BODIES

Extensive work was done through the Australasian Fire and Emergency Services Authorities Council (AFAC), the fire services peak body, on Australian Standard 2419. This is the standard for the installation of fire hydrants. Work also occurred with AFAC on a series of seminars on the use of lifts for evacuation. Victoria has many multi-storey buildings where lifts are used for evacuation, in most cases because they only have one stairway.

### VICTORIAN EMERGENCY MANAGEMENT TRAINING CENTRE (VEMTC)

Construction of MFB's world class training facility at Craigieburn was completed in April 2014 as scheduled and within the \$109 million budget. The VEMTC will be proudly operated by MFB on behalf of the State. The Operational Training Department transitioned to the facility in May 2014. Trainers have been educated so they can safely operate the realistic live training fire simulators which will be used to provide hot fire training to emergency service personnel. The facility will also provide training in specialist technical rescue skills in line with Victoria's all hazards all agencies strategy. Training started in July 2014 with selected courses to ensure that the facility is fit for purpose.

### MARINE DEVELOPMENTS

MFB's marine response capability continued to increase with ship-to-ship transfer training courses in 2014. The courses train marine firefighters in boarding ships both at anchor and underway. The skills learned in these courses are vital for marine assessment and response activities, which form an integral part of the Marine Concept of Operations. Fireboat 1 is MFB's primary marine response vessel. Its second vessel, a 12-metre rapid response fire boat, is under construction in Canada and is due for delivery to Melbourne in 2015.

### JOINT AGENCY EXERCISES

MFB continues to plan and participate in exercises to prepare for potential emergency incidents.

MFB participated in a multi-agency incident control centre exercise at Kangaroo Ground in November 2013. During the exercise, the incident management team responded to a hypothetical bushfire in the Warrandyte area, which proved useful when a bushfire broke out in Warrandyte in February 2014.

In May 2014 MFB partnered with Victoria Police, Ambulance Victoria, the SES, Departments of Health and Human Services, and City of Melbourne to run a marine response exercise in Victoria Harbour.

MFB also participated in Exercise Smoke House, a forum held at Melbourne Assessment Prison (MAP). Located in West Melbourne MAP is the only high-rise prison in Victoria and has specific emergency management issues.

MFB also partnered with Metro trains, Ambulance Victoria and Victoria Police to practice incident scenarios in Melbourne's train tunnels. In addition, we partnered with CityLink and VicRoads to run Burnley tunnel incident scenarios.

## EMERGENCY MANAGEMENT JOINT PUBLIC INFORMATION COMMITTEE (EMJPIC)

MFB has been working with the EMJPIC on whole-of-government public information and messaging. Substantial work was done regarding the Hazelwood mine fire to coordinate fire, health, environmental and support service information for the Morwell community and the State.

MFB also worked with the EMJPIC and industry in the western suburbs on consequence planning for an old tip site with underground hotspot activity. This included working with the site owner on monitoring and mitigation strategies.

### Honours and awards

- Commander Andrew O'Connell – Australian Fire Service Medal, Australia Day Honours
- Leading Firefighter Michael Whitty – Australian Fire Service Medal, Australia Day Honours
- Retired Firefighter Alan Eley – Order of Australia Medal, Australia Day Honours
- Retired Firefighter Ronald Barker – Order of Australia Medal, Australia Day Honours
- Commander Colin Matheson – Emergency Services Medal, Queen's Birthday Honours
- Senior Station Officer Bryan Currie – CEO's Safety Award 2013: for his leadership of the Fire Ground Accountability System (FAST-card)
- Station Officer Wayne George – CEO's Special Recognition Award 2013: for outstanding achievement in leadership and community service
- Jan Smith – CEO's Special Recognition Award 2013: for outstanding achievement in personal leadership and continuous business improvement
- Station Officer Louise Cannon – Chief Officer's Scholarship 2013: for pioneering research and leadership in breathing apparatus telemetry and associated technologies
- LFF David Rylance – Surf Life Saving Australia's Trainer of the Year, 2013 Awards of Excellence
- eMap (DEPI, CFA, MFB and SES) – 2013 Victorian Spatial Excellence Awards People and Community Award winner and 2013 Fire Awareness Awards New and Emerging Information Technologies Award winner.
- MFB Seniors Fire Safety Program – 2013 Fire Awareness Awards Aged and Disability Award winner
- The Hoarding Notification System – 2013 Fire Awareness Awards Industry/Service Award winner

Promotions		Long Service Awards	
Chief Officer	1	45 years	2
Commander	20	40 years	10
Senior Station Officer	16	35 years	40
Leading Firefighter	80	30 years	6
<b>Appointments</b>		25 years	149
Executive Directors	2	15 years	3
Directors	2	10 years	188
Corporate (admin, technical, clerical)	14		
Recruit Firefighters	48		

## MFB PEOPLE

THE NEW JOINT MFB AND CFA RECRUIT COURSES AT VEMTC CRAIGIEBURN SYMBOLISE THE START OF AN EXCITING NEW CHAPTER IN COLLABORATIVE EMERGENCY SECTOR TRAINING.

Our people are passionate about what they do. MFB has a strong organisational culture and we strive to support our people to achieve their own and the organisation's goals.

### TRAINING

The new joint MFB and CFA recruit courses at VEMTC Craigieburn symbolise the start of an exciting new chapter in collaborative emergency sector training. The course, which was developed in the last financial year and will be delivered in August 2014, comprises 12 MFB and 12 CFA participants, and aligns with the State Fire and Emergency Services Training Framework. The framework aims to lay the foundation for a unified approach to training across Victoria's fire and emergency services.

It has three objectives:

- maximised interoperability, capacity, capability, resilience and sustainability through training that harnesses synergies and improves consistency of practice
- a hazards-specific approach to training that capitalises on the knowledge and expertise of the collective, reduces duplication of effort and keeps our personnel safe
- an innovative and flexible training model for the collective that meets evolving community needs and expectations, and examines the most effective way for fire and emergency services to train, maintain skills and undertake professional development.

Table 4: Training programs 2013–14

Course	Courses delivered	Total participants	Total training days
<b>Organisational</b>			
Recruit	2	48	170
Continuation/retention	4	96	32
Leading firefighter	20	80	80
Senior station officer	1	16	65
Commander	2	20	110
<b>Operational</b>			
Water tanker	10	40	10
Ultra large pumper	1	4	4
Teleboom	4	16	16
Ladder platform	3	12	30
Heavy rescue	6	48	72
Hazmat technician	1	12	10
Control unit	2	4	14
Waterway emergency response	1	16	30
Swift water rescue	4	48	8
Driver training	8	48	64
Forklift	4	16	32
<b>Total</b>	<b>73</b>	<b>524</b>	<b>747</b>



## REGISTERED TRAINING ORGANISATION

MFB is a registered training organisation (RTO) and is committed to meeting the requirements of the Australian Quality Training Framework (AQTF) standards for RTOs. The AQTF provides the national framework that registers and regulates organisations. This ensures that the training MFB provides and the qualifications issued by MFB are recognised throughout Australia. MFB was audited during the year and our registration as a RTO was extended for five years – the maximum period allowed.

## EMERGENCY MEDICAL RESPONSE TRAINING

The EMR program continued to build its capacity during the year. Two recruit courses (48 recruits) trained in EMR, 96 firefighters completed retention training, and 395 firefighters undertook re-certification. MFB has extended these sessions to Victoria Water Police who have been attending with marine response crews.

## ORGANISATIONAL DEVELOPMENT

A number of strategies are being implemented that are designed to build a highly skilled, involved and adaptable workforce, and an organisational culture that encourages collaboration, trust and innovation.

### Performance and career development:

Paypoint Progression Assessment is designed to clarify position objectives and accountabilities, promote career development and job satisfaction, and ultimately improve organisational performance. It is a major innovation arising from the new Corporate and Technical Employees Agreement 2013 and implements a comprehensive suite of administrative tools, capability-building resources, and targeted communications. These aim to ensure that our people are well supported in working towards MFB's goals.

**Leadership development:** Phase one of the MFB Senior Leadership Program has resulted in a positive shift in leadership styles and capabilities, group cohesion, and engagement of our senior leaders. These outcomes directly support MFB's goal to create a workplace culture that promotes constructive behaviours and accountability.

### Learning and development:

MFB this year offered five new learning and development courses. The courses are: Personal Effectiveness, Resilience in Change, Valuing Difference and Human Rights, Giving and Receiving Feedback, and Managing Challenging Conversations.

## HR SYSTEMS

MFB continues to invest in HR systems that assist our people to be effective in their roles. Key activities included: the upgrade of the web-based executive performance management system and development of an online human rights and workplace respect training module.

## DIVERSITY AND INCLUSION

MFB has developed a Diversity and Inclusion Action Plan to maintain a fair and inclusive workplace culture. Actions include engaging with communities to improve MFB's service delivery to diverse and vulnerable groups. The plan will also help MFB: recruit and retain quality staff from under-represented groups; build organisation-wide leadership, commitment and accountability; and meet legislative obligations.

Initiatives this year included: diversity and inclusion awareness training; participation on the Department of Justice Koori Inclusion Action Plan Project Board; recruitment strategies; and appointment of additional equal employment contact officers. MFB also improved the way it captures Aboriginal and Torres Strait Islander employment data.

## WORKPLACE BARGAINING

During the year both the Corporate and Technical employees and the Mechanical Workshops enterprise agreements were finalised. MFB continues bargaining with the United Firefighters Union and independent bargaining representatives on new Senior Operational Leadership and Operational Employees agreements.

**PHASE ONE OF THE MFB SENIOR LEADERSHIP PROGRAM HAS RESULTED IN A POSITIVE SHIFT IN LEADERSHIP STYLES AND CAPABILITIES, GROUP COHESION, AND ENGAGEMENT OF OUR SENIOR LEADERS.**

**MFBSAFE ALLOWS FOR ACTIVE REPORTING, TRACKING OF RISK CONTROLS AND TREND ANALYSIS. IT ALIGNS MFB WITH OTHER EMERGENCY SERVICE ORGANISATIONS AND CONTRIBUTES TO INTEROPERABILITY.**

**AUDIT OF UNPLANNED LEAVE**

On 6 March 2013 the Auditor-General released a report on unplanned leave in three of Victoria’s emergency service organisations. Unplanned leave at MFB is significantly higher on weekends than weekdays leading to increased overtime costs. Table 6 provides a breakdown of leave by type. Table 7 provides a breakdown of overtime costs by type.

MFB’s enterprise agreement limits management approaches to this issue and our systems and processes also contribute to the costs of unplanned leave. MFB is actively implementing all the audit recommendations and the Strategy Planning and Resources Committee of the Board is monitoring this process.

**WORK HEALTH AND SAFETY**

MFB works to reduce the number and severity of incidents, and uses systems and programs to achieve better health and safety outcomes. This year we implemented the Working Safely Framework which sets the strategy for the next three years. The framework will enhance our safety systems and culture. Additional performance measures have been developed to improve monitoring of safety performance with an increased focus on lead indicators.

MFB introduced new incident reporting software, MFBSafe. It is a total work flow tool to record hazards, near misses, incidents and injuries. MFBSafe allows for active reporting, tracking of risk controls and trend analysis. It aligns MFB with other emergency service organisations and contributes to interoperability.

**Table 5: Unplanned absences**

Year	Sick leave %	Family leave %	Sick and family leave %	Hours per FTE	Target hours per FTE	Work Cover %	Total unplanned absences %
2013–14	4.2	2.1	6.3	138	<120	2.16	8.5
2012–13	4.0	2.1	6.0	128	<120	2.08	8.1
2011–12	4.5	2.0	6.5	133	n/a	2.10	8.6

**Table 6: Dollar cost of overtime**

Overtime types are prescribed by the enterprise agreement for circumstances where employees are redeployed to other fire stations or retained on duty to maintain crewing strength.

Actual (\$)	Total overtime	Recall overtime	Maintain strength overtime	Fire call	Muster and dismissed	Standby and dismissed	Excess travel	Other
2013–14	17,702,866	7,226,000	4,549,506	988,553	604,382	432,066	1,050,456	2,851,903
2012–13	13,115,000	5,343,000	3,878,000	770,000	661,000	356,000	1,148,000	959,000
2011–12	17,661,000	8,887,000	4,651,000	728,000	648,000	307,000	1,189,000	1,251,000

**Table 7: WorkCover data**

Year	Claims	Days lost	Number of lost time injuries	Severity rate
2013–14	373	5379	216	24.9
2012–13	353	5416	202	26.8
2011–12	310	4190	187	22.4
2010–11	298	4768	204	23.4

MFB is committed to having a fit and healthy workforce to meet operational requirements. We have implemented the Active for Life program. This has been designed to promote self-awareness and to highlight the risks of ageing and inactivity.

This year there has been greater focus on awareness training about the signs and symptoms of various mental health problems. Guidance material and other resources on the different assistance that is available to staff has been promoted and distributed. The Peer Support program was also renewed to provide access to support for our employees.

There was a 5.66 per cent increase in the number of WorkCover claims compared to the previous year. However, the number that became standard claims has reduced. There was a seven per cent increase in the number of lost time injuries (one day or more lost time), though the total number of days lost decreased slightly. The severity rate has decreased by 1.9 days (7.08 per cent) when compared with 2012–13.

Knee, lower back and shoulder injuries remain the most common. However, injuries resulting in the highest average number of lost time days were hip and psychological injuries. Musculoskeletal injuries accounted for 69 per cent of all lost time.

The return to work program has seen improved results over the last year, with employees returning to work in some capacity more quickly following injury or illness. MFB continued to use the Keiser and Strive functional rehabilitation programs to assist employees to return to or remain at work.

Regular case conferencing between medical providers, return to work coordinators, claims officers and claims agent representatives has also led to positive results.

## STAFF NUMBERS

In the last financial year MFB has recruited an additional 46 firefighters. Overall firefighter numbers decreased by seven this year due to retirements. We also employed 14 additional corporate personnel as a result of reduced use of agency staff and recruiting targeted skill sets into permanent roles to build MFB's internal capacity.

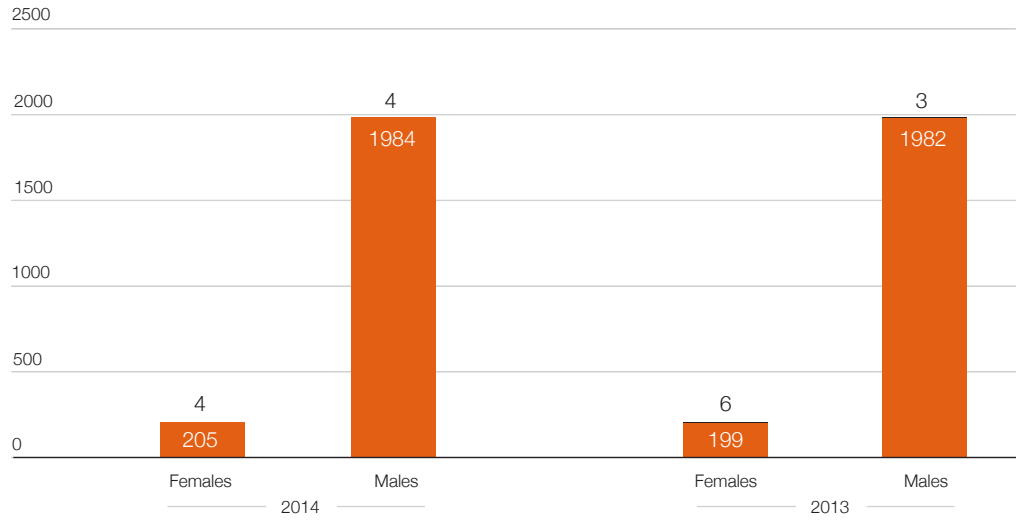
MFB has 1,988 male and 209 female employees of which 26 hold senior positions within the organisation.

		Total	Total permanent	Perm full-time	Perm part-time	Total temporary	Temp full-time	Temp part-time
<b>2014</b>								
<b>Total</b>	Employees	2,197	2,189	2,164	25	8	7	1
	FTE	2,182.27	2,174.67	2,161.00	13.67	7.60	7.00	0.60
<b>Corporate staff</b>	Employees	338	330.00	306	24	8.00	7	1
	FTE	323.74	316.14	303.00	13.14	7.60	7.00	0.60
<b>Operations staff</b>	Employees	1,859	1,859	1,858	1	0	0	0
	FTE	1,858.53	1,858.53	1,858.00	0.53	0.00	0.00	0.00
<b>2013</b>								
<b>Total</b>	Employees	2,190	2,181	2,155	26	9	9	0
	FTE	2,178.20	2,169.20	2,154.53	14.67	9.00	9.00	0.00
<b>Corporate staff</b>	Employees	324	315	290	25	9	9	0
	FTE	313.14	304.14	290.00	14.14	9.00	9.00	0.00
<b>Operations staff</b>	Employees	1,866	1,866	1,865	1	0	0	0
	FTE	1,865.06	1,865.06	1,864.53	0.53	0.00	0.00	0.00

**Table 8: Work force data**

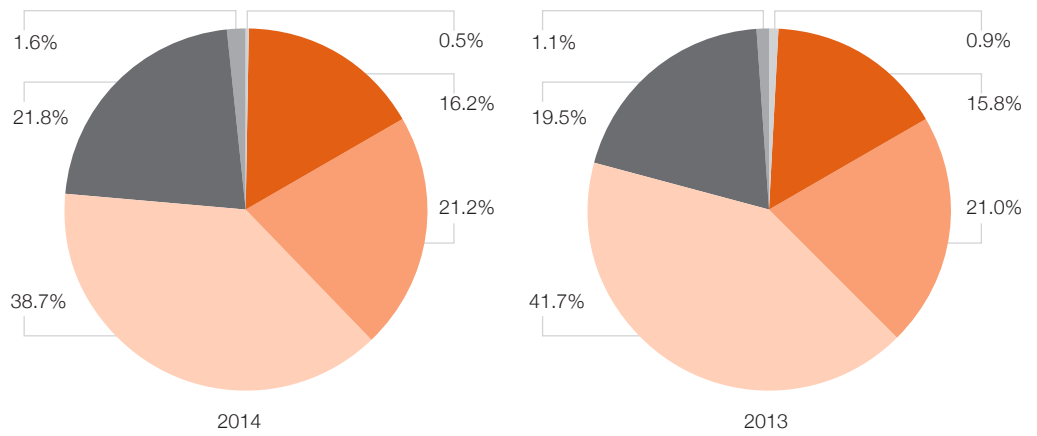
**Figure 8: MFB employee gender**

■ Ongoing  
■ Temporary



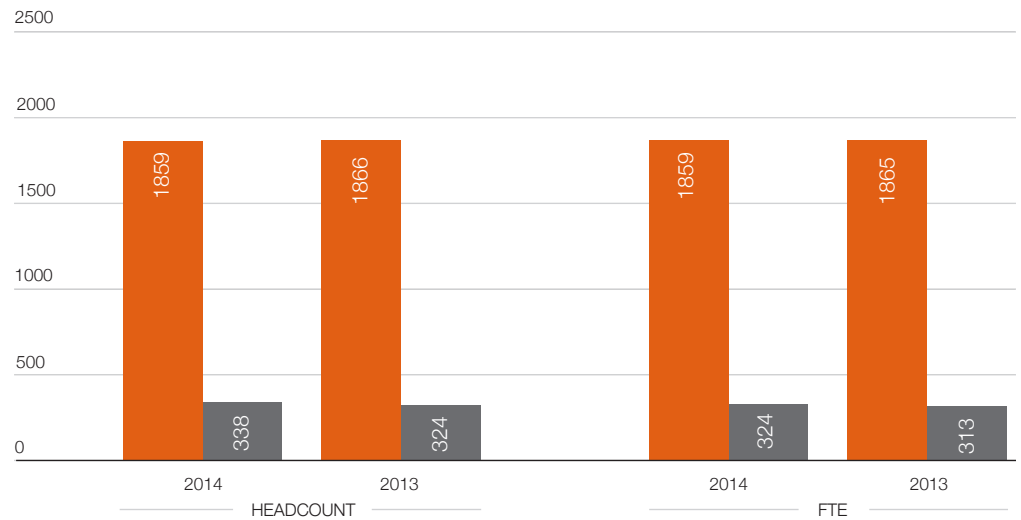
**Figure 9: MFB staff age distribution (2014 and 2013)**

■ Under 25  
■ 25-34  
■ 35-44  
■ 45-54  
■ 55-64  
■ Over 64



**Figure 10: Corporate versus operational staff numbers**

■ Operations  
■ Corporate



MFB strives to provide world class emergency management services in the most efficient and effective way possible. This means MFB constantly looks at ways to improve how we work. During the year, MFB maintained its focus on innovation and improved internal processes to ensure the best outcomes for the community.

### FIRECOM REPLACEMENT

The ICT strategy identified the need to replace the legacy Firecom dispatch system, which processes information, such as the station turnout of appliances to incidents based on information received from ESTA (000). The project to replace this system started during the year, including consultation with various stakeholders to obtain input into design and development.

### FAST-CARD

The Fireground Accountability System T-card (FAST-card) began trials in September 2013. FAST-card was developed to improve fireground accountability. It creates an electronic log of appliances and their crews, and the information is available to all other MFB personnel. The system is installed on station-based computers and mobile telephones that are provided on appliances. In April 2014 the trial of FAST-card was expanded to include GPS tracking of appliances to provide more accuracy about the location of the appliance and incident.

### TENDERLINK

All tenders are now processed using TenderLink, an online tender management tool owned by Fairfax Digital. The system has more than 250,000 suppliers registered in Australia, enabling MFB to identify new suppliers. MFB can receive up to 30 applications for some tenders. TenderLink eliminates double handling and ensures all deadlines are adhered to. It also means it is now possible to advertise, issue, manage and monitor all tenders online.

### SECURE PRINTING

MFB successfully completed a pilot on secure printing at the Burnley Complex. Secure printing has since been enabled on most multi-function devices at Burnley and at VEMTC in Craigieburn. Secure printing reduces the need for dedicated printers for confidential documents and eliminates the possibility of documents being left uncollected at printers. This also allows MFB to consolidate printer hardware, reduce power consumption, maintenance and costs.

### DATA CENTRE UPGRADES

A program of works to improve the resilience of the Eastern Hill and Baker Street data centres was completed during the year. It included the installation of an uninterruptible power supply and computer room air conditioning. This enables MFB to improve interoperability by hosting equipment for other agencies, such as Ambulance Victoria and CFA. The improved systems also allow quicker recovery after unplanned outages, and reduce data loss and re-work.

### SAP UPGRADE

MFB is upgrading SAP for MFB, SES and CFA. The upgrade will deliver a contemporary SAP system for all three agencies. It will improve availability and reliability, and help MFB achieve its objectives and obligations to stakeholders and the community. This is one of a number of MFB projects that will improve interoperability in Victoria's emergency service agencies.

### PROPERTY AND ASSETS

In 2013–14 construction commenced on two new fire stations in Glen Iris and Altona, and Sunshine Fire Station was refurbished. Commander accommodation at the Ormond Fire Station was also completed. The refurbishment of Greensborough Fire Station commenced.

**IN APRIL 2014 THE TRIAL OF FAST-CARD WAS EXPANDED TO INCLUDE GPS TRACKING OF APPLIANCES TO PROVIDE MORE ACCURACY ABOUT THE LOCATION OF THE APPLIANCE AND INCIDENT.**

**MFB IS UNDERTAKING AN ENERGY AND WATER EFFICIENCY PROGRAM ACROSS 27 FIRE STATIONS, CORPORATE OFFICES, AND TRAINING AND MAINTENANCE FACILITIES.**

**ENVIRONMENT**

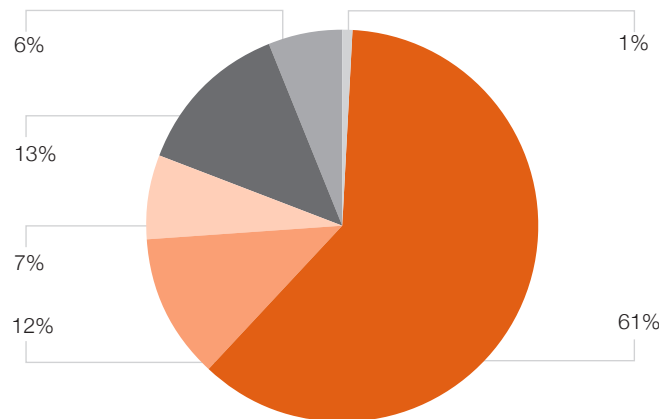
MFB has a social and environmental responsibility to reduce the impact of its operations on the environment. This public commitment is formalised within MFB's Environment Policy, and implemented through its environment strategy and risk-based Environmental Management System (EMS).

Since 2005–06 MFB has reported on its environmental performance and the implementation of its EMS based on international standard AS/NZS ISO14001, Environmental Management Systems.

The strategy reflects organisational goals and ensures compliance with government policies and statutory requirements. Highlights of MFB's environmental program during 2013–14 are as follows.

- An Environment Committee was established that reports quarterly to MFB's executive leadership team (ELT). The committee comprises representatives from across MFB. It implements the strategy and examines policy and operational issues, monitors MFB's compliance with government objectives and progress against targets.
- MFB is undertaking an energy and water efficiency program across 27 fire stations, corporate offices, and training and maintenance facilities. This is part of the Victorian Efficient Government Buildings program. It will achieve greenhouse gas reductions of about 13 per cent by 2022. This program will help MFB reduce water and energy use, creating long-term utility cost savings.
- MFB has successfully transitioned to the Victorian Government's environmental data management system, Eden Suite. This web-based service collects whole-of-government utility data direct from suppliers. It allows MFB staff to access real-time data on energy and water use.
- MFB has finalised the phase out of Tridol and 3M ATC foams on all appliances, replacing them with Solberg foam for environmental, operational and OHS reasons. This will have major environmental benefits over time.
- MFB has continued to use our extensive building sub-metering system. This system has enabled us to identify problems such as water leaks and allowed us to take quick action to rectify issues.
- The waste recycling rate has improved over the year with the help of a new waste contract.
- Key staff were trained in the Global Reporting Initiative sustainability reporting framework as part of a corporate social responsibility (CSR) initiative. Further work planned includes research into the potential application of an MFB CSR framework.

**Figure 11: Greenhouse gas emissions (tCO<sub>2</sub>-e) 2013–14**



**Table 9: Environmental indicator report (FRD24c)<sup>1</sup>**

Reporting period April 2013 to March 2014

Environmental indicator	Unit of measure	2005–06 baseline	2008–09	2009–10	2010–11	2011–12	2012–13	2013–14
<b>Water<sup>2</sup></b>								
Consumption per FTE <sup>3</sup>	kL per FTE	15.7	14.1	11.9	11	11.5	14.6	13.5
Total consumption	kL	29,171	28,047	24,620	22,504	24,323	32,284	30,031
<b>Energy (electricity and gas)<sup>4</sup></b>								
Green Power purchased <sup>5</sup>	per cent	15	15	15	15	25	25	8
Energy consumption per FTE	GJ per FTE	24.1	25.7	24.0	25	24.9	24.2	21.8
Energy consumption	GJ	44,788	51,330	49,892	50,440	52,487	51,634	48,555
<b>Greenhouse emissions<sup>6</sup> (tCO<sub>2</sub>-e)</b>								
Waste disposal <sup>7</sup>		2,407	2,375	2,198	2,575	2,582	2,365	2,096
Electricity and gas use		9,397	10,596	10,604	10,662	9,782	9,844	11,168
Light fleet		1,140	1,271	1,233	1,187	1,417	1,304	1,146
Operational fleet		1,838	1,950	1,952	1,980	1,810	1,888	1,977
Air travel (flights) <sup>8</sup>		n/a	68	140	197	145	166	156
Total MFB greenhouse emissions		14,782	16,260	16,127	16,601	15,736	15,566	16,544
<b>Paper<sup>9</sup></b>								
Use per FTE	reams per FTE	4.9	4.6	4.1	3.8	3.7	3.6	3.5
Total use	reams	9,028	9,024	8,543	7,813	7,721	7,647	7,718
Average recycled content	per cent	n/a	49	49	49	95	93	97
<b>Waste and recycling<sup>10</sup></b>								
Waste generated per FTE	m <sup>3</sup> per FTE	3.8	3.4	3.3	3.5	2.7	3.7	3.2
Total waste	m <sup>3</sup>	7,060	6,643	6,792	7,198	5,712	7,902	7,109
Total recycled	per cent	25	21	21	21	24	34	35
<b>Transportation (light fleet)<sup>11</sup></b>								
Fuel consumption per FTE	GJ per FTE	9.2	8.9	8.3	8	9	8.2	6.9
Total fuel consumption	GJ	17,079	17,742	17,123	16,545	19,097	17,525	15,387
Travel (light fleet) per FTE	kilometres per FTE	2,186	2,126	2,035	2,163	2,278	2,260	1,801
Total travel (light fleet)	kilometres	4,059,721	4,239,766	4,221,467	4,445,069	4,808,055	4,821,575	4,018,711

1 MFB facilities do not undertake office-based activities in isolation of operational activities. (Vehicle maintenance, firefighting and skills maintenance occur at sites undertaking administration and office-based activities.) Paper, waste, water and energy data is reported for all MFB facilities (fire stations, offices and training facilities) for the period of April 2013 to March 2014. Delayed quarterly utility invoice periods prevent 30 June data from being available until September 2014. Reported data excludes all usage and waste associated with direct fire fighting activities.

2 Water use data is metered potable water for all MFB sites. Usage does not include water used in operations or training.

3 FTE – full-time equivalent staff for the period (April 2013 to March 2014) of 2,232.

4 Energy use includes electricity and natural gas consumed at MFB offices, training centres and fire stations.

5 MFB stopped purchasing GreenPower on 31 July 2013.

6 Greenhouse gas emissions are reported using scope 1, 2 and 3 emission factor calculations from the Australian Government Department of Climate Change and Energy Efficiency's National Greenhouse Accounts Factors 2013. Greenhouse emissions from operational fleet include emissions from use of fire trucks and appliances.

7 Waste greenhouse gas emissions have been calculated using collected bin volumes and assuming the landfill waste composition of 40 per cent food: 40 per cent paper: 20 per cent textiles.

8 Flight greenhouse gas emissions have been calculated in accordance with the Greenhouse Gas Protocol 2006.

9 One ream is 500 sheets of A4 paper. Recycled content is calculated as the average percentage of recycled content of paper purchased.

10 Waste and recycling measurements are based on total volume of bins collected from MFB sites (m<sup>3</sup>).

11 Transportation light fleet includes all corporate administration vehicles (hybrids, LPG and unleaded petrol cars). It excludes all operational vehicles.

This statement outlines MFB's corporate governance practices.

## RESPONSIBLE MINISTER

The responsible minister is the Minister for Police and Emergency Services.

## FUNCTIONS AND POWERS

MFB is a statutory body established in Victoria pursuant to the *Metropolitan Fire Brigades Act 1958* (MFB Act). MFB derives its operational powers from the MFB Act, the Metropolitan Fire Brigades (General) Regulations 2005 (MFB Regulations), the Metropolitan Fire Brigades (Contributions) Regulations 2009, the *Country Fire Authority Act 1958*, the *Electricity Safety Act 1998*, the *Emergency Management Act 1986*, the *Emergency Management Act 2013*, the *Gas Safety Act 1997*, the *Building Act 1993*, the Building Regulations 2006, the *Residential Tenancies Act 1997*, the Residential Tenancies (Caravan Parks and Movable Dwellings Registration and Standards) Regulations 2010 and other legislation.

MFB's principal decision making powers affecting members of the public are in the MFB Act and the MFB Regulations, and should be referred to in the first instance.

MFB's headquarters are located at 456 Albert Street, East Melbourne Victoria 3002, Australia.

## CHANGES TO GOVERNING LEGISLATION

The *Emergency Management Act 2013* became law on 3 December 2013 and commenced operation on 1 July 2014. The Act amends but does not replace the *Emergency Management Act 1986*. The Act is a further step in the reform of the emergency services sector in Victoria following the publication of the White Paper.

The most significant changes introduced by the *Emergency Management Act 2013* are the following.

- The offices of the Fire Services Commissioner and the Emergency Services Commissioner were abolished and replaced by the Emergency Management Commissioner and Inspector-General for Emergency Management.

- Major emergencies will be categorised as Class 1 or Class 2. A Class 1 emergency is a major fire or any other major emergency where MFB, the CFA or the SES are the designated control agency under the state emergency response plan. A Class 2 emergency means a major emergency which is not a Class 1 emergency. A Class 2 emergency and is also not a warlike act, act of terrorism, hijack, siege or riot.

## MFB CORPORATE GOVERNANCE FRAMEWORK

MFB's corporate governance framework comprises documents and practices which assist it to comply with its internal and legislative obligations. These include:

- the Corporate Governance Charter, which sets out the composition, roles, and accountabilities of the Board of Management, Board Committees, and their members
- a policy framework and hierarchy of documents, which provides for the development, approval, implementation, publication and review of organisational policies and procedures
- individual policies addressing governance, financial, and strategic issues (such as risk management, fraud control, financial code of practice, and health, safety and welfare) which the Board approves periodically
- policies addressing operational matters periodically approved by management.

The Corporate Governance Charter, policy framework, and hierarchy of documents have been reviewed and updated in 2013–14 to strengthen MFB's corporate governance framework.

## THE BOARD OF MANAGEMENT

The Board is responsible for the overall governance of the organisation including its strategic direction, goals for management and monitoring the achievement of these goals.

## COMPOSITION OF THE BOARD

The Act allows for up to seven Board members to be appointed by the Governor in Council, one of whom is to be appointed President and another Deputy President.



Board members in office for the year were:

- Neil Comrie (President)
- Ken King (Deputy President)
- Jay Bonnington
- Alf Long  
(retired 13 September 2013)
- John Lord
- David Purchase
- Therese Ryan  
(commenced 20 August 2013)
- Stuart Alford  
(commenced 14 September 2013)

The Board met on 10 occasions in 2013–14. Executives, operational staff and representatives of other organisations are invited to Board meetings when required for discussions on relevant items.

## CODE OF CONDUCT

The Board adheres to the principles contained in the Directors' Code of Conduct developed by the State Services Authority (SSA). (The Victorian Public Sector Commission succeeded the SSA from 1 April 2014.)

The Board complies with section 21 of the MFB Act which requires that members of the Board do not place themselves in a position where there is conflict, actual or potential, between their private interests and the duty owed to MFB. The Corporate Secretary maintains a register of members' interests. A schedule of Board members' interests is provided to each Board meeting for Board members' information.

All Board members and staff are required to act with integrity in the performance of their duties. The MFB Board and Executive Leadership Team are committed to the promotion of the Public Sector Values and Employment Principles in section 7 of the *Public Administration Act 2004*.

## BOARD PROFESSIONAL DEVELOPMENT

All Board members have the opportunity to visit MFB facilities and meet with management and operational staff to enhance their understanding of operational issues and the business. The Board has a formal induction program for new Board members covering the nature of the business, financial management, key performance indicators, current issues, corporate strategy and the expectations of the Board concerning the performance of Board members. Board members have also attended seminars and conferences on current operational and governance issues.

## BOARD PERFORMANCE

The Board regularly conducts evaluations of its own performance and that of its committees. It also continues to implement the recommendations of the externally facilitated Board performance reviews.

## BOARD COMMITTEES

The Board's committee structure is set out below.

### Risk and Audit Committee

This committee assists the Board to fulfil its corporate governance and oversight responsibilities in relation to risk management and internal control systems, accounting policy and practices, internal and external audit functions, and financial reporting. The Committee does not relieve any Board member of their responsibilities for these matters.

Membership

- Jay Bonnington (Chair)
- David Purchase
- Stuart Alford
- Neil Comrie (*ex officio*)
- Alf Long (retired 13 September 2013)

### Strategy, Planning and Resources Committee

This committee assists the Board to ensure the efficient and effective allocation of resources to implement MFB's strategic and business plans.

Membership

- Ken King (Chair)
- Jay Bonnington
- John Lord
- Therese Ryan
- Stuart Alford
- Neil Comrie (*ex officio*)

### Health and Safety Committee

This committee assists the Board to fulfil its responsibilities in relation to health and safety matters arising out of the activities of MFB, as they affect employees, contractors and the community.

Membership

- John Lord (Chair)
- Ken King
- David Purchase
- Therese Ryan
- Neil Comrie (*ex officio*)
- Alf Long (retired 13 September 2013)
- Volker Maier (independent advisor)

**Executive Remuneration Committee**

The whole Board acts as the Executive Remuneration Committee when required.

**Ad hoc committees**

Ad hoc committees may be formed to address specific important issues arising from time to time, especially those which pose a high level of risk.

**INTERNAL CONTROL**

The Board acknowledges that it is responsible for oversight of the MFB's overall internal control framework. To assist in discharging this responsibility, the Board has overseen management's instigation of an internal control framework that can be described as follows.

- Strategic and Business Plan – MFB's performance in delivering corporate objectives is monitored by the Board throughout the year.
- Financial reporting – there is a comprehensive budgeting cycle with an annual budget approved by the Board and the Minister. Monthly actual results are reported against budget and revised forecasts are prepared regularly.
- Internal audit – through the Board's Risk and Audit Committee a comprehensive, three-year, rolling internal audit program is established. It includes financial, operational and system processes and controls. MFB has engaged an external service provider as its Internal Auditor.
- Investment appraisal – MFB has clearly defined guidelines for capital expenditure. These include measurement against corporate objectives, annual budgets, detailed appraisal and review procedures, and levels of delegated authority.

- Corporate policies – major new policies and amendments to existing policies are approved by the Board and communicated to all employees. MFB's policy framework includes management policies, general orders, and standard operating procedures, which are approved by management.

**RISK MANAGEMENT**

The MFB risk management framework and policy were reviewed for effectiveness, adequacy, suitability and improvement during the year, confirming MFB's commitment to risk management.

Processes – such as annual business and strategic planning, the integration of risk management, and MFB's risk appetite – have been enhanced to enable MFB to receive better risk and assurance insights. Directorate risks are recognised and articulated, enabling a comprehensive risk profile to be developed for the coming year.

During 2013 the Victorian Managed Insurance Authority (VMIA) completed a Risk Framework Quality Review of MFB's Risk Management Framework. The review is independent and designed to assist senior leaders to identify their current risk maturity and opportunities to enhance their risk management practices. The review compared MFB's risk management approach with VMIA's seven-element risk maturity model which is based on the Australian Standard for Risk Management AS/NZS ISO 31000:2009. The review described MFB's risk maturity level as effective.

**Table 10: Attendance by Board Members (expressed as number of meetings attended/meetings eligible to attend)**

	Board	Risk and Audit Committee	Strategy, Planning and Resources Committee	Health and Safety Committee	Executive Remuneration Committee
Number of meetings to 30 June 2014	10	5	3	4	2
N. Comrie	9/10	3/5	2/3	4/4	2/2
K. King	9/10		3/3	4/4	1/2
S. Alford	9/10	5/5	3/3		2/2
J. Bonnington	8/10	4/5	3/3		2/2
J. Lord	9/10		3/3	4/4	2/2
D. Purchase	9/10	5/5		4/4	2/2
T. Ryan	9/9		2/3	2/3	2/2
A. Long (retired 13 Sept 2013)	1/1	1/2			

The review also highlighted some opportunities for improvement. These include:

- developing key risk indicators to monitor the impact on performance and the achievement of objectives
- enhancing risk driver identification to help prioritise treatment plans
- developing targeted risk management training to build capability
- documenting how inter-agency risks are assessed and treated to support interoperability.

## **COMPLIANCE WITH THE VICTORIAN GOVERNMENT RISK MANAGEMENT FRAMEWORK**

Under the Victorian Government Risk Management Framework all government agencies and departments must include a statement in their annual reports attesting to the effectiveness of three elements of the organisational Risk Framework.

Direction 4.5.5 Risk Management Compliance, of the Standing Direction of the Minister for Finance, requires a report on the application of the Victorian Risk Management Framework by departments and agencies defined as public bodies in section 3 of the Financial Management Act.

The following standard Risk Attestation Statement was presented to the Risk and Audit Committee at its meeting on 20 May 2014. This statement is consistent with the template in the Victorian Government Risk Management Framework.

### **Attestation of Compliance with the Victorian Government Risk Management Framework**

I, Neil Comrie, President of the Board, certify that the Metropolitan Fire and Emergency Services Board has risk management processes in place consistent with AS/NZS ISO 31000:2009 and an internal control system is in place that enable the executive to understand, manage and satisfactorily control risk exposures. The Metropolitan Fire and Emergency Services Board verifies this assurance and that the risk profile of the Metropolitan Fire and Emergency Services Board has been critically reviewed within the last 12 months.

## **INSURANCE**

In accordance with legislative requirements and the Insurance Management Policy for General Government Sector issued by the Victorian Government, the VMIA manages nine insurance policies on behalf of the Board. The policies are reviewed annually by MFB and the VMIA for their adequacy when measured against MFB's service delivery activities and residual risk profile.

Although VMIA provides a claim service, most losses and claims, in particular those associated with motor vehicle incidents, are handled internally, as they are usually below policy deductibles. This arrangement is the most efficient in terms of claims management costs.

### **Insurance Attestation – Full Compliance**

I, James Higgins, Accountable Officer, certify that the Metropolitan Fire and Emergency Services Board has complied with Ministerial Direction 4.5.5.1 – Insurance.

## CONSULTANCIES UNDER \$10,000

There were two consultants engaged in 2013–14 where the fees for each consultant were less than \$10,000. The aggregate amount for these two consultancies was \$11,450. These figures exclude GST.

## MAJOR CONTRACT COMPLIANCE

During 2013–14, there were no contracts with a value greater than \$10 million entered into by MFB. Contracts with a value of \$100,000 and above are placed on [www.tenders.vic.gov.au](http://www.tenders.vic.gov.au) in accordance with Victorian Government Purchasing Policy.

**Table 11: Consultancies over \$10,000**

Consultant	Purpose of consultancy	Start date	End date	Total approved project fee (excl. GST)	Expenditure 2013–14 (excl. GST)	Future expenditure (excl. GST)
Linus Information Security	Thornbury – Business Continuity Plan	September 2013	February 2014	\$30,854	\$30,854	nil
Madison Cross	Procurement Improvement Program	May 2013	February 2014	\$39,850	\$39,850	nil
Colmar Brunton	Community Resilience Research	November 2013	February 2014	\$25,461	\$25,461	nil
There Communications	Communications strategy and implementation	April 2014	June 2014	\$30,000	\$27,500	nil
Deloitte Touche Tohmatsu	PIAWE Project	April 2013	December 2013	\$55,867	\$55,867	nil
Deloitte Touche Tohmatsu	Evaluation of Strategies and Business Ops – 2014	November 2013	March 2014	\$29,370	\$29,370	nil
Deloitte Touche Tohmatsu	Strategic Review of FES	July 2013	Closed	\$25,000	\$24,179	nil
Deloitte Touche Tohmatsu	MFB Review of VEMTC pricings	January 2014	July 2014	\$36,540	\$36,540	nil
IKD	MFB Review of purchasing of external legal services	May 2013	July 2013	\$22,200	\$13,200	nil
IKD	MFB Review legal panel tender submissions	August 2013	November 2013	\$17,600	\$17,600	nil
Trisigma	MFB Review of Health and Safety Dept	May 2013	December 2013	\$65,922	\$65,922	nil
Communications for Health P/L	Health Assess Standards for Firefighters	November 2013	February 2014	\$21,000	\$21,000	nil
Deloitte Touche Tohmatsu	SAP/AIX Review	October 2013	December 2013	\$135,000	\$135,000	nil
Lodestone	SAP Detailed design	March 2014	June 2014	\$44,500	\$44,500	nil
Fujitsu	SAP Upgrade Assessment	September 2013	December 2013	\$75,000	\$75,000	nil
Fujitsu	SAP Upgrade Assessment	May 2013	July 2013	\$20,000	\$20,000	nil
Deloitte Touche Tohmatsu	Current State Discovery and Initiation	February 2014	June 2014	\$301,254	\$200,903	\$100,351
<b>Total</b>				<b>\$975,418</b>	<b>\$862,746</b>	<b>\$100,351</b>

### **VICTORIAN INDUSTRY PARTICIPATION POLICY ACT 2003**

The Victorian Industry Participation Policy (VIPP) applies when contracts greater than \$3 million in the metropolitan area are entered into. During 2013–14, two contracts were entered into by MFB that exceeded \$3 million. The contracts were for the construction of Altona and Glen Iris Fire Stations.

### **COMPLIANCE WITH THE BUILDING ACT**

The MFB occupied property portfolio meets the compliance requirements of the *Building Act 1993*.

### **NATIONAL COMPETITION POLICY**

The relevant part of the policy is in Part IV of the (Restrictive Trade Practices) of the *Competition and Consumer Act 2010* (Cwlth). MFB activities affected by the Victorian Government's Competitive Neutrality Policy have been reviewed and found to be compliant.

### **FREEDOM OF INFORMATION ACT 1982**

The Chief Executive Officer, Mr James Higgins, is the Principal Officer for the purpose of administering the requirements of the *Freedom of Information Act 1982*. The authorised officers are Ms Jan Smith, Freedom of Information Officer and Ms Militsa Toskovska, Manager Governance.

Requests to MFB for access to documents under the Freedom of Information Act must be in writing and addressed to:

Freedom of Information Officer  
Metropolitan Fire and Emergency  
Services Board  
456 Albert Street  
East Melbourne VIC 3002

Each application must clearly identify the documents sought and be accompanied by a \$26.50 application fee (as at 1 July 2014). General enquiries relating to freedom of information can be made by contacting the Freedom of Information Officer on telephone 9662 2311 between 8.30 am and 5.00 pm, Monday to Friday.

Enquiries about the information required to be published and made available to members of the public in accordance with sections 7, 8 and 11 of the Freedom of Information Act should be directed to the Freedom of Information Officer.

### **2013–14 FOI STATISTICS**

During the year MFB received 344 requests for access to documents under the Freedom of Information Act.

Requests received	344
Access granted	2
Part access	336
Denied	6
Applicant did not proceed	0
Not finalised as at 30 June 2014	1
<b>Appeal Avenues</b>	
Internal Review	0
FOI Commissioner	1
VCAT Hearing	0

### **PROTECTED DISCLOSURE ACT 2012**

The Corporate Secretary, Mr Blair Trask, is the Protected Disclosure Coordinator for the purpose of administering the requirements of the *Protected Disclosure Act 2012*, (previously the *Whistleblowers Protection Act 2001*). Ms Militsa Toskovska is the Protected Disclosure Officer.

In accordance with the requirements of section 58 of the Protected Disclosure Act, MFB has established a policy and guidelines for responding to disclosures lodged. These are available on the website [www.mfb.vic.gov.au](http://www.mfb.vic.gov.au)

Disclosures	2013-14	2012-13
Protected disclosures lodged	0	0
Referred by MFB to the Ombudsman or IBAC for determination as to whether they were public interest disclosures	0	0
Disclosed matters referred to MFB by the Ombudsman or IBAC	0	0
Disclosed matters referred by MFB to the Ombudsman or IBAC for investigation	0	0
Investigations of disclosed matters taken over by the Ombudsman or IBAC from MFB	0	0
Requests made under section 74 (requests to Ombudsman by person making disclosure) during the year to the Ombudsman to investigate disclosed matters	0	0
Disclosed matters that MFB declined to investigate	0	0
Disclosed matters substantiated on investigation	0	0
Recommendations of the Ombudsman under the Act	0	8

**Table 12: Disclosures**

### ADDITIONAL INFORMATION AVAILABLE ON REQUEST

In compliance with the requirements of the Standing Directions of the Minister for Finance, details in respect of the information items below have been retained by MFB and are available on request (subject to freedom of information requirements, if applicable):

- (a) a statement that declarations of pecuniary interests have been duly completed by all relevant officers of the agency
- (b) details of shares held by senior officers as nominee or held beneficially in a subsidiary
- (c) details of publications produced by the agency about its activities and where they can be obtained
- (d) details of changes in prices, fees, charges, rates and levies charged by the agency for its services, including services that are administered
- (e) details of any major external reviews carried out in respect of the operation of the agency
- (f) details of any other research and development activities undertaken by the agency that are not otherwise covered either in the report of operations or in a document which contains the financial statement and report of operations

- (g) details of overseas visits undertaken including a summary of the objectives and outcomes of each visit
- (h) details of major promotional, public relations and marketing activities undertaken by the agency to develop community awareness of the services provided by the agency
- (i) details of assessments and measures undertaken to improve the occupational health and safety of employees, not otherwise detailed in the report of operations
- (j) a general statement on industrial relations within the agency and details of time lost through industrial accidents and disputes, which are not otherwise detailed in the report of operations
- (k) a list of major committees sponsored by the agency, the purposes of each committee and the extent to which the purposes have been achieved.

The information is available on request from:

MFB Headquarters  
456 Albert Street  
East Melbourne VIC 3002  
(03) 9662 2311

# FINANCIAL REPORT 2014-15



# MANAGEMENT

## DISCUSSION AND ANALYSIS

### **Comprehensive operating statement**

The net result for 2013–14 was a surplus of \$2 million which compares to the \$1 million surplus in 2012–13; this result has been achieved in an external environment of low interest rates and internal cost pressures.

MFB have established and executed a financial sustainability strategy to achieve increased efficiency over expenditure, optimise revenue streams and better manage the deployment of capital without impacting on front line services.

During the financial year, MFB incurred a number of significant costs associated with the summer fire season. This participation with other emergency services organisations; which is part of a more joined up approach to emergency management at regional and interstate incidents including the significant Hazelwood coal seam fire, significantly impacted salaries, overtime and operating costs. These costs, excepting those relating to the NSW fires, were recovered by a Treasurer's Advance from the State of Victoria of over \$12 million.

Additionally, asbestos identified at the Eastern Hill and Thornbury Complexes was removed and the sites remediated which resulted in unplanned expenditure in excess of \$4 million.

The comprehensive result for the 2013–14 financial year was a \$2 million surplus as compared to a comprehensive surplus of \$20 million for 2012–13. The reduction reflects that the prior financial year included the \$19.8 million building revaluation gain, whereas in the current financial year there were no revaluations of property, plant or equipment.

Total operating transactional income for 2013–14 was \$375 million, an increase of \$22 million on 2012–13. The increase accounts for the inclusion of the Treasurer's Advance (\$12 million) and the 2.5 per cent indexation applied to State grants that replaced the previous funding source of contributions. Grant income was also adjusted to account for broker and property owner contributions replaced by the new Fire Service Levy (FSL). Sales of goods and services increased \$2 million due to increased fire equipment services and sales and false alarm call charges. Interest and dividend income reduced by approximately \$2 million due to reduced market interest rates coupled with reduced average term investment balances.

Total operating transactional expenses for the financial year increased from \$352 million (2012–13) to \$373 million (2013–14), an increase of \$21 million (6 per cent) which reflects increased employee expenses of \$13 million relating significantly to additional overtime at the Hazelwood coal seam fire and regional fires (\$6.7 million), award salary increases, increased superannuation, payroll tax and WorkCover expenses. Operating expenses also reflect increased depreciation of \$2 million impacted by the new Victorian Emergency Management Training Centre (VEMTC) and other operating expenditure which increased by \$6 million due significantly to the asbestos remediation matter.

Overtime expenditure recorded an overall increase due to MFB involvement at the Hazelwood and regional fires. However, after adjusting for this one-off event overtime cost in reality declined for the second successive reporting period.



## MANAGEMENT

### Other economic flows included in net result

Included in the comprehensive surplus were net gains pertaining to other economic flows of \$2 million representing a loss on non-financial assets of \$0.4 million consisting of an impairment loss on property and the amortisation of the optic fibre licence agreements; offset by a revaluation gain of \$0.6 million in employee leave provisions caused by changes in long term discount rates and a marginal revaluation loss on financial investments reflecting the year end fair market valuations.

In accordance with accounting standards, all property, plant and equipment were reviewed for impairment and for fair value; subsequent to this review, no revaluations were recorded in 2013–14 as reported values materially reflected fair values; whereas in the prior reporting period buildings were re-valued resulting in a \$19.8 million asset revaluation surplus adjustment.

### Balance sheet

Total assets as at 30 June 2014 were \$708 million which is an increase of \$5 million on the prior financial year. Property, plant and equipment increased overall by \$32 million after including investment property holdings. This relates to an increased capital investment program of \$61 million in fire stations, fire fighting appliances, equipment and technology and the completion of the VEMTC at Craigieburn.

As a consequence of this increased capital investment, term deposit investments held with Treasury Corporation Victoria and operating bank deposits reduced by \$30 million to \$29 million in 2013–14. The investment portfolio managed by Victorian Funds Management Corporation increased due to reinvested earnings and market valuations by \$5 million to a total investment of \$114 million as at 30 June 2014.

Total Liabilities as at 30 June 2014 were \$129 million, an increase of \$3 million on the prior financial year reflecting the increase in employee leave provisions related to award salary increases, a marginal increase in leave entitlement hours and leave accrued pertaining to the Hazelwood fire.

Net Assets as at 30 June 2014 were \$578 million as compared to \$576 million as at 30 June 2013 allowing for the comprehensive result of the \$2 million surplus.

### Statement of balance sheet ratios

- Proprietary ratio (total equity to total assets). As at 30 June 2014 this ratio is unchanged at 82 per cent (82 per cent as at 30 June 2013).
- Debt ratio (total liabilities to total assets). As at 30 June 2014 this ratio is unchanged at 18 per cent (18 per cent as at 30 June 2013).

Pages 40 and 41 inclusive are not part of the financial statements considered in the Audit opinion issued by the Victorian Auditor-General's Office.

## COMPREHENSIVE OPERATING STATEMENT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

Notes	2014 \$000	2013 \$000	
<b>Income from transactions</b>			
Grants	2	329,695	–
Contributions	2	1,739	309,248
Sales of goods and services	2	32,041	29,722
Other income	2	11,997	13,765
<b>Total income from transactions</b>		<b>375,472</b>	<b>352,735</b>
<b>Expenses from transactions</b>			
Employee expenses	3	264,027	251,185
Depreciation and amortisation	3, 9, 11	22,471	20,189
Other operating expenses	3	86,902	80,526
<b>Total expenses from transactions</b>		<b>373,400</b>	<b>351,900</b>
<b>Net result from transactions (net operating balance)</b>		<b>2,072</b>	<b>835</b>
<b>Other economic flows included in net result</b>			
Net (loss) on non-financial assets	4	(439)	(1,422)
Net (loss) on financial instruments	4	(187)	(1,030)
Net gain from revaluation of employee leave liabilities	4	601	2,620
<b>Total other economic flows included in net result</b>		<b>(25)</b>	<b>168</b>
<b>Net result</b>	19	<b>2,047</b>	<b>1,003</b>
<b>Other economic flows – other comprehensive income</b>			
<b>Items that will not be reclassified to net result</b>			
Changes in physical asset revaluation surplus	19	–	19,826
<b>Total other economic flows – other comprehensive income</b>		<b>–</b>	<b>19,826</b>
<b>Comprehensive result</b>		<b>2,047</b>	<b>20,829</b>

The comprehensive operating statement should be read in conjunction with the notes to the financial statements included on pages 46 to 94.

## BALANCE SHEET

### AS AT 30 JUNE 2014

	Notes	2014 \$000	2013 \$000
<b>ASSETS</b>			
<b>Financial assets</b>			
Cash and deposits	12, 20	29,235	9,431
Receivables	5	7,146	9,785
Investment financial assets	12	114,014	159,275
<b>Total financial assets</b>		<b>150,395</b>	<b>178,491</b>
<b>Non-financial assets</b>			
Inventories	6	879	1,007
Physical assets classified as held for sale	7	3,284	3,180
Other non-financial assets	8	4,111	1,709
Investment property	10	9,094	–
Property, plant and equipment	9	529,934	507,576
Intangible assets	11	10,425	11,150
<b>Total non-financial assets</b>		<b>557,727</b>	<b>524,622</b>
<b>Total assets</b>		<b>708,122</b>	<b>703,113</b>
<b>LIABILITIES</b>			
Payables	13	19,623	20,254
Provisions	14	107,678	104,020
Other liabilities	15	2,075	2,140
<b>Total liabilities</b>		<b>129,376</b>	<b>126,414</b>
<b>Net assets</b>		<b>578,746</b>	<b>576,699</b>
<b>EQUITY</b>			
Accumulated surplus	19	234,281	232,234
Physical asset revaluation surplus	19	222,688	222,688
Contributed capital	19	121,777	121,777
<b>Net worth</b>		<b>578,746</b>	<b>576,699</b>
Commitments for expenditure	17		
Contingent assets and contingent liabilities	18		

The balance sheet should be read in conjunction with the notes to the financial statements included on pages 46 to 94.

## STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

	Notes	Physical Asset Revaluation Surplus \$000	Accumulated Surplus \$000	Contributions Capital \$000	Total \$000
<b>Balance at 1 July 2012</b>		<b>202,862</b>	<b>231,231</b>	<b>121,777</b>	<b>555,870</b>
Net result for the year		–	1,003	–	1,003
Other comprehensive income for the year		19,826	–	–	19,826
<b>Balance at 30 June 2013</b>	19	<b>222,688</b>	<b>232,234</b>	<b>121,777</b>	<b>576,699</b>
Net result for the year		–	2,047	–	2,047
Other comprehensive income for the year		–	–	–	–
<b>Balance at 30 June 2014</b>	19	<b>222,688</b>	<b>234,281</b>	<b>121,777</b>	<b>578,746</b>

The statement of changes in equity should be read in conjunction with the notes to the financial statements included on pages 46 to 94.

## CASH FLOW STATEMENT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

	Notes	2014 \$000	2013 \$000
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Receipts from Government		329,695	37,839
Receipts from other entities		43,297	305,622
Interest received		5,089	7,611
Dividends received		2,095	1,662
Goods and services tax recovered from the ATO (i)		14,901	10,092
<b>Total receipts</b>		<b>395,077</b>	<b>362,826</b>
<b>Payments</b>			
Payments to suppliers and employees including legislative payments and tax		(366,394)	(340,349)
<b>Total payments</b>		<b>(366,394)</b>	<b>(340,349)</b>
<b>Net cash flows from/(used in) operating activities</b>	20(b)	<b>28,683</b>	<b>22,477</b>
<b>Cash flows from investing activities</b>			
Payments for investments		(10,216)	(38,054)
Proceeds from sale of investments		55,076	52,789
Purchases of non-financial assets		(58,466)	(45,575)
Sales of non-financial assets		4,727	828
<b>Net cash flows from/(used in) investing activities</b>		<b>(8,879)</b>	<b>(30,012)</b>
Net (decrease)/increase in cash and cash equivalents		19,804	(7,535)
Cash and cash equivalents at beginning of financial year		9,431	16,966
<b>Cash and cash equivalents at end of financial year</b>	20(a)	<b>29,235</b>	<b>9,431</b>

(i) Goods and Services Tax received from the ATO is presented on a net basis.

The cash flow statement should be read in conjunction with the notes to the financial statements included on pages 46 to 94.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

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# NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These annual financial statements represent the audited general purpose financial statements for the Metropolitan Fire and Emergency Services Board (MFB) for the period ended 30 June 2014. The purpose of the report is to provide users with information about MFB's stewardship of resources entrusted to it.

### (A) Statement of compliance

These general purpose financial statements have been prepared in accordance with the *Financial Management Act 1994* (FMA), applicable Financial Reporting Directions and Australian Accounting Standards (AAS), which include Interpretations, issued by the Australian Accounting Standards Board (AASB). In particular, they are presented in a manner consistent with the requirements of the AASB 1049 *Whole of Government and General Government Sector Financial Reporting*.

Where appropriate, those AAS paragraphs applicable to not-for-profit entities have been applied.

Accounting policies are selected and applied in a manner which ensures 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.

To gain a better understanding of the terminology used in this report a glossary of terms and style conventions can be found in Note 26.

These annual financial statements were authorised for issue by the Board on 12 August 2014.

### (B) Basis of accounting preparation and measurement

The accrual basis of accounting has been applied in the preparation of these financial statements whereby assets, liabilities, equity, income and expenses are recognised in the reporting period to which they relate, regardless of when cash is received or paid.

Judgements, estimates and assumptions are required to be made about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on professional judgements derived from historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

Revisions to accounting estimates are recognised in the period in which the estimate is revised and also in future periods that are affected by the revision. Judgements and assumptions made by management in the application of AASs that have significant effects on the financial statements and estimates which relate to:

- the fair value of land, buildings, infrastructure, plant and equipment (refer to Note 1(K))
- superannuation expense (refer to Note 1(G))
- assumptions for employee benefit provisions based on likely tenure of existing staff, patterns of leave claims, future salary movements and future discount rates (refer to Note 1(L))
- asset useful lives and asset impairment.

These financial statements are presented in Australian dollars, and prepared in accordance with the historical cost convention except for:

- non-financial physical assets which, subsequent to acquisition, are measured at a revalued amount being their fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent impairment losses. Revaluations are made with sufficient regularity to ensure that the carrying amounts do not materially differ from their fair value
- the fair value of an asset other than land is generally based on its depreciated replacement value
- derivative financial instruments, managed investment schemes, certain debt securities and investment properties after initial recognition, which are measured at fair value with changes reflected in the comprehensive operating statement (fair value through profit and loss)
- certain liabilities that are calculated with regard to actuarial assessments.

Consistent with AASB 13 *Fair Value Measurement*, MFB determines the policies and procedures for both recurring fair value measurements such as property, plant and equipment, investment properties and financial instruments and for non-recurring fair value measurements such as non-financial physical assets held for sale, in accordance with the requirements of AASB 13 and the relevant Financial Reporting Directions.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

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

For the purpose of fair value disclosures, MFB 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, MFB determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Valuer-General Victoria (VGV) is MFB's independent valuation agency.

MFB, in conjunction with VGV, monitors changes in the fair value of each asset and liability through relevant data sources to determine whether revaluation is required.

MFB monitors changes in the fair value of land, including specialised land, by applying annual VGV indices movements. The fair value of specialised buildings is annually monitored using the depreciated replacement cost method with reference to current replacement values supplied by external building cost consultants Westbay Consulting. The fair value of emergency response appliance vehicles is monitored by reference to an external supplier advice on current replacement costs which are monitored using the depreciated replacement cost method.

### (C) Reporting entity

The financial statements cover MFB as an individual reporting entity. MFB is a statutory authority and operates under the *Metropolitan Fire Brigades Act 1958*.

Its principal address is:  
456 Albert Street  
East Melbourne VIC 3002

The financial statements include all the controlled activities of MFB.

### Objectives and Funding

The organisation provides comprehensive fire, rescue and emergency response services to almost four million residents within the metropolitan district with the key objective to reduce the incidence and impact of fire and other emergencies on the community.

Prior to 1 July 2013, MFB was significantly funded through contributions from insurance companies, municipal councils and the State Government.

On 1 July 2013, the new Fire Services Levy was introduced whereby property owners, including local municipal councils, remit the levy to the State Revenue Office. The State Government determine the annual grant funding for MFB which is detailed in this report.

Further details of MFB's operations and principal activities are included in the report of operations which does not form part of these financial statements.

### (D) Scope and presentation of financial statements

#### Comprehensive operating statement

The comprehensive operating statement comprises three components, being 'net result from transactions' (or termed as 'net operating balance'), 'other economic flows included in net result', as well as 'other economic flows – other comprehensive income'. The sum of the former two, together with the net result from discontinued operations, represents the net result.

The net result is equivalent to profit or loss derived in accordance with AASs.

This classification is consistent with the whole of government reporting format and is allowed under AASB 101 *Presentation of Financial Statements*.

#### Balance sheet

Assets and liabilities are presented in liquidity order with assets aggregated into financial assets and non-financial assets.

Current and non-current assets and liabilities (non-current being those assets or liabilities expected to be recovered or settled more than 12 months after the reporting period) are disclosed in the notes, where relevant.



# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

### Cash flow statement

Cash flows are classified according to whether or not they arise from operating, investing or financing activities. This classification is consistent with requirements under AASB 107 *Statement of Cash Flows*.

### Statement of changes in equity

The statement of changes in equity presents reconciliations of non-owner and owner changes in equity from opening balances at the beginning of the reporting period to the closing balances at the end of the reporting period. It also shows separately changes due to amounts recognised in the 'Comprehensive result' and amounts related to 'Transactions with owner in its capacity as owner'.

### Rounding

Amounts in the financial statements (including the notes) have been rounded to the nearest thousand dollars, unless otherwise stated. Figures in the financial statements may not equate due to rounding.

### (E) Changes in accounting policies

Subsequent to the 2012–13 reporting period, the following new and revised Standards have been adopted in the current period with their financial impact detailed as below.

#### AASB 13 Fair Value Measurement

AASB 13 establishes a single source of guidance for all fair value measurements. AASB 13 does not change when MFB is required to use fair value, but rather provides guidance on how to measure fair value under Australian Accounting Standards when fair value is required or permitted. MFB has considered the specific requirements relating to highest and best use, valuation premise, and principal (or most advantageous) market. The methods, assumptions, processes and procedures for determining fair value were revisited and adjusted where applicable. In light of AASB 13, MFB has reviewed the fair value principles as well as its current valuation methodologies in assessing the fair value, and the assessment has not materially changed the fair values recognised.

However, AASB 13 has predominantly impacted the disclosures of MFB. It requires specific disclosures about fair value measurements and disclosures of fair values, some of which replace existing disclosure requirements in other standards, including AASB 7 *Financial Instruments: Disclosures*.

The disclosure requirements of AASB 13 apply prospectively and need not be applied in comparative information before first application. Consequently, the 2012–13 comparatives of these disclosures have not been provided, except for financial instruments, of which the fair value disclosures are required under AASB 7 *Financial Instruments: Disclosures*.

#### AASB 119 Employee benefits

In 2013–14, MFB has applied AASB 119 *Employee benefits* (September 2011, as amended) and the related consequential amendments for the first time.

The revised AASB 119 changes the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligation and plan assets. As the current accounting policy is for the Department of Treasury and Finance to recognise and disclose the State's defined benefit liabilities in its financial statements, changes in defined benefit obligations and plan assets will have limited impact on MFB.

The revised standard also changes the definition of short-term employee benefits. These were previously benefits that were expected to be settled within 12 months after the end of the reporting period in which the employees render the related service, however, short-term employee benefits are now defined as benefits expected to be settled wholly within 12 months after the end of the reporting period in which the employees render the related service.

MFB application of AASB 19 *Employee Benefits* in past and the current financial period has been on the basis of short term employee benefits being wholly settled or taken within 12 months from the end of the reporting period. Accordingly the revised standard has had no impact on the measurement or reporting of the annual and accrued leave provision, subsequently the prior year (2012–13) did not require restatement upon release of the revised standard.

### (F) Income from transactions

Income is recognised to the extent that it is probable that the economic benefits will flow to the entity and the income can be reliably measured.

#### Income recognition

Income is recognised for each of MFB's major activities as follows:

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

### **Grants**

Income from grants (other than contribution by owners) is recognised when MFB obtains control over the contribution.

For reciprocal grants (ie. equal value is given back by MFB to the provider), MFB is deemed to have assumed control when MFB has satisfied its performance obligations under the terms of the grant. For non-reciprocal grants, MFB is deemed to have assumed control when the grant is receivable or received. Conditional grants may be reciprocal or non-reciprocal depending on the terms of the grant.

### **Contributions**

In the 2012–13 financial year, Statutory contributions were determined for the financial year under Section 37 of the *Metropolitan Fire Brigades Act 1958* and comprised one-eighth from the State Government, one-eighth from the Municipal Councils whose districts are within, or partly within, the metropolitan district and three-quarters from insurance companies insuring fire risk against property situated within the metropolitan district. Contributions income was recognised in the financial year to which the determination under Section 37 applies.

Effective 1 July 2013, the Fire Services Levy was removed from insurance premiums and is collected through council rates. Subsequent to 1 July 2013, metropolitan councils contribute to the Fire Services Property Levy like other property owners and the State government will continue to make a contribution via a grant from consolidated revenue.

### **Sale of goods and services**

#### ***Income from the supply of services***

Income from the supply of services is recognised by reference to the stage of completion of the services being performed. The income is recognised when:

- the amount of the income, stage of completion and transaction costs incurred can be reliably measured
- it is probable that the economic benefits associated with the transaction will flow to MFB.

Under the stage of completion method, income is recognised by reference to labour hours supplied or to labour hours supplied as a percentage of total services to be performed in each annual reporting period.

#### ***Income from sale of goods***

Income from the sale of goods is recognised when:

- MFB no longer has any of the significant risks and rewards of ownership of the goods transferred to the buyer
- MFB no longer has continuing managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold
- the amount of income and the costs incurred or to be incurred in respect of the transactions, can be reliably measured
- it is probable that the economic benefits associated with the transaction will flow to MFB.

Sale of goods and services includes regulatory fees which are recognised at the time the regulatory fee is billed.

### **Other income**

#### ***Dividend income***

Dividend income is recognised when the right to receive payment is established.

#### ***Interest income***

Interest includes interest received on bank deposits, term deposits with Treasury Corporation Victoria (TCV), and other investments and the unwinding over time of the discount on financial assets. Interest income is recognised using the effective interest method which allocates the interest over the relevant period.

Net realised and unrealised gains and losses on the revaluation of investments do not form part of income from transactions, but are reported either as part of income from other economic flows in the net result or as unrealised gains or losses taken directly to equity, forming part of the total change in net worth in the comprehensive result.

#### ***Sale of real property – land and buildings***

The gross proceeds from the sale of real property are classified as income at the date control of the asset passes to the buyer, usually when an unconditional contract of sale is signed. The depreciated cost of the asset is classified as an expense.

#### ***Sale of plant and equipment***

The gross proceeds of plant and equipment sales are included as income at the date control of the asset passes to the buyer, usually when an unconditional contract of sale is signed.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

The gain or loss on disposal is calculated as the difference between the carrying amount of the asset at the time of disposal and net proceeds on disposal.

### (G) Expenses from transactions

Expenses are recognised as they are incurred, and reported in the financial year to which they relate.

#### Employee expenses

Employee benefits expenses include all costs related to employment including wages and salaries, leave entitlements, redundancy payments, WorkCover premiums and superannuation contributions.

Employee expenses include superannuation expenses which are reported differently depending upon whether employees are members of defined benefit or defined contribution plans. In relation to defined contribution (ie. accumulation) superannuation plans, the associated expense is simply the employer contributions that are paid or payable in respect of employees who are members of these plans during the reporting period. Employer superannuation expenses in relation to employees who are members of defined benefit superannuation plans are described below.

#### Superannuation – Emergency Services and State Superannuation defined benefit plans

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

The Department of Treasury and Finance (DTF) in their Annual Financial Statements disclose on behalf of the State as the sponsoring employer, the net defined benefit cost related to the members of these plans as an administered liability. Refer to DTF's Annual Financial Statements for more detailed disclosures in relation to these plans.

#### Depreciation and amortisation

All buildings, plant and equipment and other non-financial physical assets (excluding items under operating leases, assets held for sale, land and investment properties) that have finite useful lives are depreciated. Depreciation is generally calculated on a straight-line basis, at rates that allocate the asset's value, less any estimated residual value, over its estimated useful life.

Leasehold improvements are depreciated over the period of the lease or estimated useful life, whichever is the shorter, using the straight line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period and adjustments made where appropriate.

The following estimated useful lives are used in the calculation of depreciation for the current and prior year:

	2014
Buildings	40 years
VEMTC training props	20 years
Plant and equipment	3 – 15 years

Land has an indefinite life and is not depreciated. Depreciation is not recognised in respect of this asset as its service potential has not, in any material sense, been consumed during the reporting period.

Intangible produced assets with finite useful lives are amortised as an expense from transactions on a straight-line basis over the asset's useful life. Amortisation begins when the asset is available for use, that is, when it is in the location and condition necessary for it to be capable of operating in the manner intended by management.

The average lives and remaining lives on intangible assets are:

	2014	2013	
	Average Life	Remaining Life	Remaining Life
Optic fibre licence agreements:	15 years	6 years	7 years
Software:	5–7 years	1–5 years	1–6 years

On the other hand, the consumption of intangible non-produced assets with finite useful lives is not classified as a transaction, but as amortisation. Consequently, the amortisation is included as an other economic flow in the net result. The intangible assets held at period close are classified as produced assets, accordingly the amortisation is classified as a transaction.

Intangible assets with indefinite useful lives are not amortised, but are tested annually for impairment.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

### **Reclassification of amortisation to other economic flows in 2012–13**

In the prior reporting period financial statements (2012–13), the amortisation of intangible non-produced assets relating to the optic fibre licence agreements totalling \$816,000 was inadvertently treated as amortisation expense, instead of other economic flows expense (as per AASB 138 *Intangible Assets*). This has subsequently been adjusted in these accounts for the prior year (2012–13), the impact for the 2012–13 reporting period:

- amortisation expense reduced by \$816,000
- other economic flows – net loss on non-financial assets increased by \$816,000.

### **Other operating expenses**

Other operating expenses generally represent the day to day running costs incurred in normal operations and include:

#### **Supplies and services**

Supplies and services costs are recognised as an expense in the reporting period in which they are incurred. The carrying amounts of any inventories held for distribution are expensed when distributed.

#### **Bad and doubtful debts**

Refer to Note 1(J) *Impairment of financial assets*.

#### **Maintenance and repairs**

Major plant and equipment is required to be serviced on a regular basis. This is managed as part of an ongoing major cyclical maintenance program. Maintenance costs are charged as expenses as incurred, except where they relate to the replacement of a major component of an asset, in which case the costs are capitalised and depreciated. Other routine operating maintenance, repair costs and minor plant renewals are also charged as expenses as incurred.

### **(H) Other economic flows included in the net result**

Other economic flows measure the change in volume or value of assets or liabilities that do not result from transactions.

#### **Net gain/(loss) on non-financial assets**

Net gain/(loss) on non-financial assets and liabilities includes realised and unrealised gains and losses as follows:

#### **Revaluation gains/(losses) of non-financial physical assets**

Refer to Note 1(K) *Revaluations of non-financial physical assets*.

#### **Net gain/(loss) on disposal of non-financial assets**

Any gain or loss on the disposal of non-financial assets is recognised at the date of disposal and is determined after deducting from the proceeds the carrying value of the asset at that time.

#### **Amortisation of non-produced intangible assets**

Intangible non-produced assets with finite lives are amortised as an other economic flow on a systematic (typically straight-line) basis over the asset's useful life. Amortisation begins when the asset is available for use, that is, when it is in the location and condition necessary for it to be capable of operating in the manner intended by management.

#### **Impairment of non-financial assets**

Intangible assets with indefinite useful lives (and intangible assets not yet available for use) are tested annually for impairment (as described below) and whenever there is an indication that the asset may be impaired.

All other assets are assessed annually for indications of impairment, except for:

- inventories (refer Note 1(K))
- non-financial physical assets held for sale (refer Note 1(K))
- financial assets (refer Note 1(J)).

If there is an indication of impairment, the assets concerned are tested as to whether their carrying value exceeds their recoverable amount. Where an asset's carrying value exceeds its recoverable amount, the difference is written off as an other economic flow, except to the extent that the write-down can be debited to an asset revaluation surplus amount applicable to that class of asset.

If there is an indication that there has been a change in the estimate of an asset's recoverable amount since the last impairment loss was recognised, the carrying amount shall be increased to its recoverable amount. This reversal of the impairment loss occurs only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised in prior years.

It is deemed that, in the event of the loss or destruction of an asset, the future economic benefits arising from the use of the asset will be replaced unless a specific decision to the contrary has been made.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

The recoverable amount for most assets is measured at the higher of depreciated replacement cost and fair value less costs to sell. Recoverable amount for assets held primarily to generate net cash inflows is measured at the higher of the present value of future cash flows expected to be obtained from the asset and fair value less costs to sell.

### **Net gain/(loss) on financial instruments**

Net gain/(loss) on financial instruments includes:

- realised and unrealised gains and losses from revaluations of financial instruments at fair value
- impairment and reversal of impairment for financial instruments at amortised cost; (refer Note 1(J))
- disposal of financial assets and derecognition of financial liabilities.

### **Revaluations of financial instruments at fair value**

Refer to Note 1(I) *Financial Instruments*.

### **Other gains/(losses) from other economic flows**

Other gains/(losses) from other economic flows include the gains or losses from:

- the revaluation of the present value of the leave liability due to changes in the bond interest rates
- transfer of amounts from the reserves to accumulated surplus or net result due to disposal or de-recognition or reclassification.

## **(I) Financial instruments**

Financial instruments arise out of contractual agreements that give rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Due to the nature of MFB's activities, certain financial assets and financial liabilities arise under statute rather than a contract. Such financial assets and financial liabilities do not meet the definition of financial instruments in AASB 132 *Financial Instruments: Presentation*. For example, statutory receivables arising from taxes, fines and penalties do not meet the definition of financial instruments as they do not arise under contract. However, guarantees issued by the Treasurer on behalf of MFB are financial instruments because, although authorised under statute, the terms and conditions for each financial guarantee may vary and are subject to an agreement.

Investments are recognised and derecognised on trade date where purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned and are initially measured at fair value net of transaction costs.

The classification of financial instruments depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition.

Where relevant, for note disclosure purposes, a distinction is made between those financial assets and financial liabilities that meet the definition of financial instruments in accordance with AASB 132 and those that do not.

The following refers to financial instruments unless otherwise stated.

### **Loans and receivables**

Loans and receivables are financial instrument assets with fixed and determinable payments that are not quoted on an active market. These assets are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial measurement, loans and receivables are measured at amortised cost using the effective interest method, less any impairment.

Loans and receivables category includes cash and deposits (refer to Note 1(J)), term deposits with maturity greater than three months, trade receivables, loans and other receivables, but not statutory receivables.

### **Held-to-maturity financial assets**

If MFB has the positive intent and ability to hold nominated investments to maturity, then such financial assets may be classified as held-to-maturity. Held-to-maturity financial assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition held-to-maturity financial assets are measured at amortised cost using the effective interest method, less any impairment losses.

The held-to-maturity category includes certain term deposits and debt securities for which MFB intends to hold to maturity.

Held-to-maturity financial assets relate to investments which MFB have the intention to hold to maturity.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

AASBs require specific treatment should MFB reclassify more than an insignificant amount of held-to-maturity investments not close to their maturity which would result in the whole category being reclassified as available-for-sale. MFB would also be prevented from classifying investment securities as held-to-maturity for the current and the following two financial years.

### **Financial assets and liabilities at fair value through profit or loss**

Financial assets are categorised as fair value through profit or loss at trade date if they are classified as held for trading or designated as such upon initial recognition. Financial instrument assets are designated at fair value through profit or loss on the basis that the financial assets form part of a group of financial assets that are managed by Victorian Funds Management Corporation (VFMC) for MFB based on their fair values and have their performance evaluated in accordance with documented risk management and investment strategies.

Financial instruments at fair value through profit or loss are initially measured at fair value and attributable transaction costs are expensed as incurred. Subsequently, any changes in fair value are recognised in the net result as other economic flows. Any dividend or interest on a financial asset is recognised in the net result from transactions.

MFB uses VFMC as the finance manager of its investment portfolio. VFMC adopts a centralised asset management approach to develop individual investment strategies to maximise the probability of meeting MFB's individual risk profile and investment objectives.

### **Financial liabilities at amortised cost**

Financial instrument liabilities are initially recognised on the date they are originated. They are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial instruments are measured at amortised cost with any difference between the initial recognised amount and the redemption value being recognised in profit and loss over the period of the interest-bearing liability using the effective interest rate method (refer to Note 26).

Financial instrument liabilities measured at amortised cost include all of MFB contractual payables, deposits held and advances received and interest-bearing arrangements other than those designated at fair value through profit or loss.

### **Offsetting financial instruments**

Financial instrument assets and liabilities are offset and the net amount presented in the consolidated balance sheet when and only when, MFB has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

## **(J) Financial assets**

### **Cash and deposits**

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

### **Receivables**

Receivables consist of:

- contractual receivables, such as debtors in relation to goods and services and accrued investment income
- statutory receivables, such as amounts owing from the Victorian Government and Goods and Services Tax (GST) input tax credits recoverable.

Contractual receivables are classified as financial instruments and categorised as loans and receivables (refer to Note 1(l) *Financial Instruments* for recognition and measurement). Statutory receivables are recognised and measured similarly to contractual receivables (except for impairment), but are not classified as financial instruments because they do not arise from a contract.

Receivables are recognised at fair value and less an allowance for impairment.

Receivables are subject to impairment testing as described below. A provision for doubtful receivables is recognised when there is objective evidence that the debts may not be collected, and bad debts are written off when identified.

### **Investment and other financial assets**

Investments are classified in the following categories:

- financial assets at fair value through profit or loss
- loans and receivables
- held-to-maturity.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition.

Any dividend or interest earned on the financial asset is recognised in the comprehensive operating statement as a transaction.

### **Derecognition of financial assets**

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- MFB retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass through' arrangement; or
- MFB has transferred its rights to receive cash flows from the asset and either:
  - (a) has transferred substantially all the risks and rewards of the asset; or
  - (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where MFB has neither transferred nor retained substantially all the risks and rewards of transferred control, the asset is recognised to the extent of MFB's continuing involvement in the asset.

### **Impairment of financial assets**

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

Receivables are assessed for bad and doubtful debts on a regular basis. Those bad debts considered as written off by mutual consent are classified as a transaction expense. Bad debts not written off by mutual consent and the allowance for doubtful receivables are classified as other economic flows in the net result.

The amount of the allowance is the difference between the financial asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate.

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

### **(K) Non-financial assets**

#### **Inventories**

Inventories include goods and other property held either for sale or for distribution at zero or nominal cost, or for consumption in the ordinary course of business operations.

Inventories held for distribution are measured at cost, adjusted for any loss of service potential. All other inventories, including land held for sale, are measured at the lower of cost and net realisable value. Where inventories are acquired for no cost or nominal consideration, they are measured at current replacement cost at the date of acquisition.

Cost, includes an appropriate portion of fixed and variable overhead expenses. Cost is assigned to land held for sale (undeveloped, under development and developed) and to other high value, low volume inventory items on a specific identification of cost basis. Cost for all other inventory is measured on the basis of weighted average cost.

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

##### **Prepayments**

Other non-financial assets include prepayments which represent payments in advance of receipt of goods or services or that part of expenditure made in one accounting period covering a term extending beyond that period.

Non-financial physical assets are treated as current and classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use.

This condition is regarded as met only when:

- the asset is available for immediate use in the current condition; and
- the sale is highly probable and the asset's sale is expected to be completed in 12 months from the date of classification.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

These non-financial physical assets, related liabilities and financial assets are measured at the lower of carrying amount and fair value less costs to sell, and are not subject to depreciation or amortisation.

### **Property, plant and equipment**

All non-financial physical assets are measured initially at cost and subsequently revalued at fair value less accumulated depreciation and impairment.

Where an asset is received for no or nominal cost, the cost is its fair value at the date of acquisition.

Non-financial physical assets such as land and heritage assets are measured at fair value with regard to the property's highest and best use after due consideration is made for any legal or physical restrictions imposed on the asset, public announcements or commitments made in relation to the intended use of the asset. Theoretical opportunities that may be available in relation to the asset are not taken into account until it is virtually certain that the restrictions will no longer apply. Therefore, unless otherwise disclosed, the current use of these non-financial physical assets will be their highest and best uses.

The fair value of plant, equipment and appliance vehicles is normally determined by reference to the asset's depreciated replacement cost. For plant, equipment and passenger vehicles, existing depreciated historical cost is generally a reasonable proxy for depreciated replacement cost because of the short lives of the assets concerned.

The cost of constructed non-financial physical assets includes the cost of all materials used in construction, direct labour on the project and an appropriate proportion of variable and fixed overheads.

For the accounting policy on impairment of non-financial physical assets, refer to impairment of non-financial assets under Note 1(H) *Impairment of non-financial assets*.

### **Leasehold improvements**

The cost of leasehold improvements is capitalised as an asset and depreciated over the shorter of the remaining term of the lease or the estimated useful life of the improvements.

### **Revaluations of non-financial physical assets**

Non-financial physical assets are measured at fair value on a cyclical basis, in accordance with the Financial Reporting Directions (FRDs) issued by the Minister for Finance.

A full revaluation normally occurs every five years, based upon the asset's government purpose classification but may occur more frequently if fair value assessments indicate material changes in values. Independent valuers are generally used to conduct these scheduled revaluations. Any interim revaluations are determined in accordance with the requirements of the FRDs.

Revaluation increases or decreases arise from differences between an asset's carrying value and fair value.

Net revaluation increases (where the carrying amount of a class of assets is increased as a result of a revaluation) are recognised in 'Other economic flows – other comprehensive income' and accumulated in equity under the asset revaluation surplus. However, the net revaluation increase is recognised in the net result to the extent that it reverses a net revaluation decrease in respect of the same class of property, plant and equipment previously recognised as an expense (other economic flows) in the net result.

Net revaluation decrease is recognised in 'Other economic flows – other comprehensive income' to the extent that a credit balance exists in the asset revaluation surplus in respect of the same class of property, plant and equipment. Otherwise, the net revaluation decreases are recognised immediately as other economic flows in the net result. The net revaluation decrease recognised in 'Other economic flows – other comprehensive income' reduces the amount accumulated in equity under asset revaluation surplus.

Revaluation increases and decreases relating to individual assets in a class of property, plant and equipment, are offset against one another in that class but are not offset in respect of assets in different classes. Any asset revaluation surplus is not normally transferred to accumulated funds on de-recognition of the relevant asset.

### **Investment properties**

Investment properties represent properties held to earn rentals or for capital appreciation, or both. Investment properties exclude properties held to meet service delivery objectives of MFB.

Investment properties are initially measured at cost. Costs incurred subsequent to initial acquisition are capitalised when it is probable that future economic benefits in excess of the originally assessed performance of the asset will flow to MFB.



## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

Subject to initial recognition at cost, investment properties are revalued to fair value with changes in the fair value recognised as other economic flows in the comprehensive operating statement in the period that they arise. Fair values are determined based on a market comparable approach that reflects recent transaction prices for similar properties. These properties are neither depreciated nor tested for impairment.

Rental income from the leasing of investment properties is recognised in the comprehensive operating statement on a straight-line basis over the least term.

### **Intangible assets**

Intangible assets are initially measured at cost. Subsequently, intangible assets with finite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses. Costs incurred subsequent to initial acquisition are capitalised when it is expected that additional future economic benefits will flow to MFB.

When the recognition criteria in AASB 138 *Intangible Assets* are met, internally generated intangible assets are recognised and measured at cost less accumulated amortisation and impairment.

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following are demonstrated:

- (a) the technical feasibility of completing the intangible asset so that it will be available for use or sale
- (b) an intention to complete the intangible asset and use or sell it
- (c) the ability to use or sell the intangible asset
- (d) the intangible asset will generate probable future economic benefits
- (e) the availability of adequate technical, financial and other resources to complete the development and to use or see the intangible asset
- (f) the ability to measure reliably the expenditure attributable to the intangible asset during its development.

Refer Note 1(G) Depreciation and amortisation and Note 1(H) Impairment of non-financial assets.

## **(L) Liabilities**

### **Payables**

Payables consist of:

- contractual payables, such as accounts payable. Accounts payable represent liabilities for goods and services provided to MFB prior to the end of the financial year that are unpaid and arise when MFB becomes obliged to make future payments in respect of the purchase of those goods and services
- statutory payables, such as goods and services tax and fringe benefits tax payables.

Contractual payables are classified as financial instruments and categorised as financial liabilities at amortised cost (refer Note 1(I)). Statutory payables are recognised and measured similarly to contractual payables, but are not classified as financial instruments and not included in the category of financial liabilities at amortised cost, because they do not arise from a contract.

### **Other liabilities**

At reporting date, other liabilities pertain to income received in advance for prepaid future access by the Country Fire Authority (CFA) to MFB's optical fibre communications network.

### **Provisions**

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

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, the carrying amount is the present value of those cash flows, using discount rate that reflects the time value of money and risks specific to the provision.

### **Employee benefits**

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave, accrued leave and long service leave for services rendered to the reporting date.

### **Wages and salaries and annual leave**

Liabilities for wages and salaries, including non-monetary benefits annual leave are recognised in the provision for employee benefits, as 'current liabilities', because MFB does not have an unconditional right to defer settlements of these liabilities.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

Depending on the expectation of the timing of settlement, liabilities for wages and salaries and annual leave are measured at:

- undiscounted value – if MFB expects to wholly settle within 12 months; or
- present value – if MFB does not expect to wholly settle within 12 months.

### **Accrued leave**

Accrued leave is an employee leave benefit provided to operational staff when certain conditions are met under the Enterprise Agreement. This is recognised in the provision for employee benefits.

### **Long service leave**

Liability for long service leave (LSL) is recognised in the provision for employee benefits.

Unconditional LSL is disclosed in the notes to the financial statements as a current liability even where MFB does not expect to settle the liability within 12 months because it will not have the unconditional right to defer the settlement of the entitlement should an employee take leave within 12 months.

The components of the current LSL liability are measured at:

- undiscounted value – if MFB expects to wholly settle within 12 months; and
- present value – if MFB does not expect to wholly settle within 12 months.

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

Any gain or loss following revaluation of the present value of non-current LSL liability is recognised as a transaction, except to the extent that a gain or loss arises due to changes in bond interest rates for which it is then recognised as an other economic flow (refer to Note 1(H)).

### **Termination benefits**

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

12 months after the end of the reporting period are discounted to present value.

### **Bonus plans**

A liability for bonus plans is recognised in payables when there is no realistic alternative but to settle the liability and at least one of the following conditions is met:

- there are formal terms for determining the amount of the benefit
- the amounts to be paid are determined before the time of completion of the financial statements
- past practice provides clear evidence of the amount of the obligation.

Liabilities for bonus plans are expected to be settled within 12 months and are measured at the amount expected to be paid when they are settled.

### **Employee benefits on-costs**

Employee benefits on-costs such as payroll tax, workers compensation and superannuation are recognised separately from the provision for employee benefits.

### **Employee benefit provisions**

Employee benefit provisions expected to be settled beyond 12 months have been apportioned on the basis of expected settlement periods in the future and adjusted to account for wage increases and discounted to present value. The average wage inflation factor applied on annual leave is 4.44 per cent (2013: 4.50 per cent) and 4.44 per cent on long service leave which also covers seniority, promotion and other relevant factors (2013: 4.50 per cent). The average end of year discount rate applied was 3.57 per cent (2013: 3.79 per cent). Discount rates are supplied by the Department of Treasury and Finance. Long service leave has been applied over 12 years when calculating the present value, as this reflects the current circumstances of 9.00 per cent of leave taken per annum.

## **(M) Leases**

### **Operating leases – MFB as lessee**

A lease is a right to use an asset for an agreed period of time in exchange for payment.

Operating lease payments, including any contingent rentals, are recognised as an expense in the comprehensive operating statement on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern of the benefits derived from the use of the leased asset. The leased asset is not recognised in the balance sheet.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

All incentives for the agreement of a new or renewed operating lease are recognised as an integral part of the net consideration agreed for the use of the leased asset, irrespective of the incentive's nature or form or the timing of payments.

In the event that lease incentives are received to enter into operating leases, the aggregate cost of incentives are recognised as a reduction of rental expense over the lease term on a straight-line basis, unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

### **Operating leases – MFB as lessor**

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

### **(N) Equity**

#### **Contributions by owner**

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

Transfers of net assets arising from administrative restructurings are treated as distributions to or contributions by owners. Transfers of net liabilities arising from administrative restructurings are treated as distribution to owners.

### **(O) Commitments**

Commitments for future expenditure include operating and capital commitments arising from contracts. These commitments are disclosed by way of a note (refer to Note 17 *Commitments for expenditure*) at their nominal value and inclusive of the GST payable. In addition, where it is considered appropriate and provides additional relevant information to users, the net present values of significant individual commitments are referenced in the notes. These future expenditures cease to be disclosed as commitments once the related liabilities are recognised in the balance sheet.

### **(P) Contingent assets and contingent liabilities**

Contingent assets and contingent liabilities are not recognised in the balance sheet, but are disclosed by way of a note (refer to Note 18 *Contingent assets and contingent liabilities*) and, if quantifiable, are measured at nominal value. Contingent assets and liabilities are presented inclusive of GST receivable or payable respectively.

### **(Q) Accounting for the goods and services tax (GST)**

Income, expenses and assets are recognised net of the amount of associated GST, except where GST incurred is not recoverable from the taxation authority. In this case, the GST payable is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the balance sheet.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flow.

Commitments and contingent assets and liabilities are also stated inclusive of GST (refer to Note 1(O) and Note 1(P)).

### **(R) Events after reporting period**

Assets, liabilities, income or expenses arise from past transactions or other past events. Where the transactions result from an agreement between MFB and other parties, the transactions are only recognised when the agreement is irrevocable at or before the end of the reporting period. Adjustments are made to amounts recognised in the financial statements for events which occur after the reporting period and before the date the financial statements are authorised for issue, where those events provide information about conditions which existed in the reporting period. Note disclosure is made about events between the reporting period and the date the financial statements are authorised for issue where the events relate to conditions which arose after the end of the reporting period that are considered to be of material interest.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

### (S) Australian accounting standards issued that are not yet effective (AASs)

Certain new AASs have been published that are not mandatory for the 30 June 2014 reporting period. The Department of Treasury and Finance assesses the impact of these new standards and advises MFB of their applicability and early adoption where applicable. As at 30 June 2014, the following AASs have been issued by the AASB but not yet effective. They become effective for the first financial statements for reporting periods commencing after the stated operative dates as follows:

Standard/ Interpretation	Summary	Applicable for reporting periods beginning on	Impact on MFB financial statements
AASB 9 <i>Financial instruments</i>	This Standard simplifies requirements for the classification and measurement of financial assets resulting from Phase 1 of the IASB's project to replace IAS 39 <i>Financial Instruments: Recognition and Measurement</i> (AASB 139 <i>Financial Instruments: Recognition and Measurement</i> ).	1 Jan 2017	The preliminary assessment has identified that the financial impact of available for sale (AFS) assets will now be reported through other comprehensive income (OCI) and no longer recycled to the profit and loss.  While the preliminary assessment has not identified any material impact arising from AASB 9, it will continue to be monitored and assessed.
AASB 10 <i>Consolidated Financial Statements</i>	This Standard forms the basis for determining which entities should be consolidated into an entity's financial statements. AASB 10 defines 'control' as requiring exposure or rights to variable returns and the ability to affect those returns through power over an investee, which may broaden the concept of control for public sector entities.  The AASB has issued an Australian Implementation Guidance for Not-for-Profit Entities – Control and Structured Entities that explains and illustrates how the principles in the Standard apply from the perspective of not-for-profit entities in the private and public sectors.	1 Jan 2014 (not-for-profit entities)	For MFB, AASB 10 builds on the control guidance that existed in AASB 127 and Interpretation 112 and is not expected to change which entities need to be consolidated.  Ongoing work is being done to monitor and assess the impact of this standard.
AASB 11 <i>Joint Arrangements</i>	This Standard deals with the concept of joint control, and sets out a new principles-based approach for determining the type of joint arrangement that exists and the corresponding accounting treatment. The new categories of joint arrangements under AASB 11 are more aligned to the actual rights and obligations of the parties to the arrangement.	1 Jan 2014 (not-for-profit entities)	Based on current assessment, entities already apply the equity method when accounting for joint ventures. It is anticipated that there would be no material impact.  Ongoing work is being done to monitor and assess the impact of this standard.

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

Standard/ Interpretation	Summary	Applicable for reporting periods beginning on	Impact on MFB financial statements
AASB 12 <i>Disclosure of Interests in Other Entities</i>	This Standard requires disclosure of information that enables users of financial statements to evaluate the nature of, and risks associated with, interests in other entities and the effects of those interests on the financial statements. This Standard replaces the disclosure requirements of AASB 127 <i>Separate Financial Statements</i> and AASB 131 <i>Interests in Joint Ventures</i> .	1 Jan 2014 (not-for-profit entities)	The new standard is likely to require additional disclosures and ongoing work is being done to determine the extent of additional disclosure required.
AASB 127 <i>Separate Financial Statements</i>	This revised Standard prescribes the accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements.	1 Jan 2014 (not-for-profit entities)	Current assessment indicates that there is limited impact on MFB. Ongoing work is being done to monitor and assess the impact of this standard.
AASB 128 <i>Investments in Associates and Joint Ventures</i>	This revised Standard sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures.	1 Jan 2014 (not-for-profit entities)	Current assessment indicates that there is limited impact on MFB. Ongoing work is being done to monitor and assess the impact of this standard.
AASB 1055 <i>Budgetary Reporting</i>	AASB 1055 extends the scope of budgetary reporting that is currently applicable for the whole of government and general government sector (GGS) to NFP entities within the GGS, provided that these entities present separate budget to the parliament.	1 July 2014	MFB will be required to restate in the financial statements the budgetary information in accordance with the presentation format prescribed in Australian Accounting Standards and explain the significant variances from the original budget.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

	2014 \$000	2013 \$000
<b>2. INCOME FROM TRANSACTIONS</b>		
<b>(a) Grants</b>		
Department of Justice – Grants	317,093	–
Treasurer's advance (i)	12,602	–
<b>Total contributions</b>	<b>329,695</b>	<b>–</b>
<b>(b) Contributions</b>		
Insurance companies	–	227,033
Municipalities	–	37,839
Department of Justice – Contributions	–	37,839
Brokers and owners (ii)	1,739	5,399
Commonwealth Government	–	1,138
<b>Total contributions</b>	<b>1,739</b>	<b>309,248</b>
<b>(c) Sales of goods and services</b>		
False alarm charges	6,509	5,669
Fire suppression equipment sales and servicing	18,400	16,869
Other sales	7,132	7,184
<b>Total sales of goods and services</b>	<b>32,041</b>	<b>29,722</b>
<b>(d) Other Income</b>		
<b>Interest</b>		
Interest on bank deposits	487	571
Interest – held to maturity investments	1,362	2,952
Interest – held for trading investments	3,046	3,603
<b>Total interest</b>	<b>4,895</b>	<b>7,126</b>
<b>Dividends</b>		
Dividends – held for trading investments	2,095	1,662
<b>Total dividends</b>	<b>2,095</b>	<b>1,662</b>
<b>Income – sundry</b>		
Workers' compensation recovered	2,978	1,996
Property rental	506	472
Contribution penalties	8	830
Other	1,515	1,679
<b>Total income – sundry</b>	<b>5,007</b>	<b>4,977</b>
<b>Total other income</b>	<b>11,997</b>	<b>13,765</b>
<b>Total income from transactions</b>	<b>375,472</b>	<b>352,735</b>

(i) The Treasurer's Advance received via the Department of Justice is the State Government's reimbursement of costs incurred in assisting regional fire strike teams including the Hazelwood coal seam fire.

(ii) The Brokers and Owners contributions in 2014 are the residual contributions pertaining to the 2012/13 financial year. Subsequent to the Fire Services Levy introduced 1 July 2013, there will be no further brokers and owners contributions in future financial years.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

	2014 \$000	2013 \$000
<b>3. EXPENSES FROM TRANSACTIONS</b>		
<b>(a) Employee expenses</b>		
Salaries (i)	199,562	191,512
Overtime (i)	18,952	15,167
Movement in employee benefit provisions (excluding impact of present value discount rate changes)	5,632	6,124
Superannuation – defined benefit fund	16,463	15,925
Superannuation – defined contribution fund	1,174	1,223
Payroll tax	11,582	10,977
Workers' compensation	9,600	9,099
Fringe benefits tax	1,062	1,158
<b>Total employee expenses</b>	<b>264,027</b>	<b>251,185</b>
<b>(b) Depreciation and amortisation</b>		
Buildings	10,114	7,918
Plant and equipment	11,057	11,211
Amortisation of intangible assets	1,300	1,060
<b>Total depreciation and amortisation</b>	<b>22,471</b>	<b>20,189</b>
<b>(c) Other operating expenses</b>		
Contract services – other (ii)	18,938	15,931
Contract services – government	18,921	18,304
Property utilities, rates and maintenance	11,170	7,465
Supplies and consumables	3,610	4,318
Motor vehicle maintenance and fuel	4,545	4,020
Plant and equipment maintenance	4,730	5,369
Information technology	3,426	3,811
Uniforms	3,658	3,824
Travel	2,725	2,930
Training and development	3,011	3,384
Communications	1,750	1,895
Legal	4,313	3,957
Insurance	1,013	1,054
Advertising and promotion	81	122
Internal audit and compliance audits	328	381
Consultants	874	303
Property lease	1,237	1,024
Cost of goods sold	487	536
Other	2,085	1,898
<b>Total other operating expenses</b>	<b>86,902</b>	<b>80,526</b>
<b>Total expenses from transactions</b>	<b>373,400</b>	<b>352,716</b>

(i) Salaries and overtime in 2013–14 incorporate \$6.7 million additional overtime incurred as part of the MFB response to the Hazelwood coal seam fire and regional fires outside of the metropolitan district.

(ii) Contract services – other costs include the significant unplanned expenditure (approximately \$4.7 million on asbestos control, removal and remediation at the Eastern Hill and Thornbury locations).

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

	2014 \$000	2013 \$000
<b>4. OTHER ECONOMIC FLOWS INCLUDED IN NET RESULT</b>		
<b>(a) Net gain/(loss) on non-financial assets</b>		
Impairment of property	(365)	(355)
Amortisation of non-produced intangible assets (i)	(899)	(816)
Net gain/(loss) on disposal of property, plant and equipment	825	(251)
<b>Total net (loss) on non-financial assets</b>	<b>(439)</b>	<b>(1,422)</b>
<b>(b) Net gain/(loss) on financial instruments</b>		
Net (loss)/gain on disposal of financial investments	10	(382)
Net (loss) arising from revaluation of financial assets at fair value – market risk (ii)	(413)	(232)
Net (increase)/decrease in receivables doubtful debt provision	216	(416)
<b>Total net (loss) on financial instruments</b>	<b>(187)</b>	<b>(1,030)</b>
<b>(c) Other gains/(losses) from other economic flows</b>		
Net gain/(loss) arising from revaluation of leave liabilities	601	2,620
<b>Total other gains/(losses) from other economic flows</b>	<b>601</b>	<b>2,620</b>
<b>Total other economic flows included in net result</b>	<b>(25)</b>	<b>168</b>

(i) This is amortisation of non-produced intangible assets with finite useful lives.

(ii) For financial asset and liabilities that are held for trading or designated at fair value through profit or loss, the net gain or loss is calculated by taking the movement for the period in the fair value of the financial asset or liability.

	2014 \$000	2013 \$000
<b>5. RECEIVABLES</b>		
<b>Current receivables</b>		
Contractual:		
Sales of goods and services	3,608	3,786
Other receivables	82	414
	<b>3,690</b>	<b>4,200</b>
Statutory:		
Sales of goods and services	2,662	4,490
GST Input tax credit recoverable	1,196	1,856
Provision for doubtful statutory receivables	(402)	(761)
	<b>3,456</b>	<b>5,585</b>
<b>Total</b>	<b>7,146</b>	<b>9,785</b>

- (i) MFB allows 14 day credit terms on contribution receivables and 30 day credit terms on other receivables and actively pursues accounts that fall past due. Interest is charged on overdue contribution receivables in accordance with the *Metropolitan Fire Brigades Act 1958* and interest is not charged on overdue other receivables.
- (ii) MFB has allowed for doubtful receivables based on a detailed review of outstanding accounts and their estimated recoverable amounts.



## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

### 5. RECEIVABLES (continued)

#### Ageing analysis of contractual financial assets

	Carrying amount	Not past due and not impaired	Past due but not impaired		
	\$000	\$000	Less than 1 month \$000	1 – 3 months \$000	3 months – 1 year \$000
<b>2014</b>					
Receivables (i)	3,690	3,056	475	72	87
<b>Total</b>	<b>3,690</b>	<b>3,056</b>	<b>475</b>	<b>72</b>	<b>87</b>
<b>2013</b>					
Receivables (i)	4,200	2,476	600	603	521
<b>Total</b>	<b>4,200</b>	<b>2,476</b>	<b>600</b>	<b>603</b>	<b>521</b>

(i) The carrying amounts disclosed here exclude statutory amounts (e.g. statutory sales of goods and services receivable).

	2014 \$000	2013 \$000
<b>Movement in the provision for doubtful statutory financial assets</b>		
<b>Balance at beginning of the year</b>	<b>761</b>	<b>444</b>
Amounts written off during the year	(144)	(99)
Amounts recovered during the year	4	–
(Decrease)/Increase in allowance recognised in the net result	(216)	416
<b>Balance at the end of the year</b>	<b>405</b>	<b>761</b>

Debtors in liquidation or in receivership are fully provided as doubtful debts as future receipts are deemed unlikely.

In determining the recoverability of a trade receivable MFB considers any change in the credit quality of the receivable from the date credit was initially granted up to the reporting date.

During the financial year, receivables deemed uncollectable and written-off totalled \$144,000 (2013: \$99,000).

Note 12 Financial Instruments outlines the nature and extent of risk arising from contractual receivables.

	2014 \$000	2013 \$000
<b>6. INVENTORIES</b>		
<b>Current – inventories</b>		
Supplies, parts and security spares at cost	1,145	1,314
Less: allowance for obsolescence	(266)	(307)
<b>Total</b>	<b>879</b>	<b>1,007</b>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

(i) MFB intends to dispose of freehold land and buildings and has a definite plan to dispose in the next financial year.

	2014 \$000	2013 \$000
<b>7. NON-FINANCIAL ASSETS CLASSIFIED AS HELD FOR SALE</b>		
<b>Current assets</b>		
Freehold land held for sale (i)	3,284	3,180
<b>Total physical assets classified as held for sale</b>	<b>3,284</b>	<b>3,180</b>

### Fair value measurement of non-financial physical assets held for sale

The following table provides the fair value measurement hierarchy of MFB non-financial physical assets held for sale:

(ii) Classified in accordance with the fair value hierarchy, using valuations performed in December 2013 by Charter Keck Cramer (Valuer-General Victoria appointed valuer) see Note 1 (B).

	Carrying amount as at 30 June 2014 \$000	Fair value measurement at end of reporting period using:		
		Level 1 <sup>(ii)</sup> \$000	Level 2 <sup>(ii)</sup> \$000	Level 3 <sup>(ii)</sup> \$000
Freehold land held for sale	3,284	–	3,284	–
Freehold buildings held for sale	–	–	–	–
<b>Total</b>	<b>3,284</b>	<b>–</b>	<b>3,284</b>	<b>–</b>

Freehold land held for sale is carried at fair value less costs of disposal.

	2014 \$000	2013 \$000
<b>8. OTHER NON-FINANCIAL ASSETS</b>		
<b>Current other assets</b>		
Prepayments	4,111	1,709

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

	2014 \$000	2013 \$000
<b>9. PROPERTY, PLANT AND EQUIPMENT</b>		
<b>Public Safety and Environment Purpose Group</b>		
<b>Freehold land</b>		
At fair value – management valuation	181,448	193,752
<b>Total land</b>	<b>181,448</b>	<b>193,752</b>
<b>Buildings</b>		
At fair value – management valuation	280,482	194,936
Less: accumulated depreciation	(9,918)	–
<b>Total buildings</b>	<b>270,564</b>	<b>194,936</b>
<b>Total land and buildings</b>	<b>452,012</b>	<b>388,688</b>
<b>Plant and equipment</b>		
At fair value – management valuation	123,100	113,442
Less: accumulated depreciation	(57,453)	(47,903)
<b>Total plant and equipment</b>	<b>65,647</b>	<b>65,539</b>
<b>Assets under construction at cost</b>		
Buildings	4,627	43,375
Plant and equipment	7,648	9,974
<b>Total assets under construction at cost</b>	<b>12,275</b>	<b>53,349</b>
<b>Total property, plant and equipment</b>	<b>529,934</b>	<b>507,576</b>

### Public safety and environment purpose group

Property, plant and equipment are classified primarily by the purpose for which the assets are used according to one of six purpose groups based upon government purpose classifications. All assets within a purpose group are further sub-categorised according to the asset's nature (freehold land, buildings, plant and equipment) with each sub-category being classified as a separate class of asset for financial reporting purposes.

The Department of Treasury and Finance has determined a five-year revaluation cycle whereby assets in a Purpose Group are revalued within the relevant year over the life of the cycle, with the Public Safety and Environment Purpose Group revaluation performed as at 30 June 2011. The revaluations of land and buildings were undertaken by Valuer-General Victoria who appointed M Cleary, Certified Practising Valuer, Australian Property Institute, Member No 62839, of Urbis Valuations Pty Ltd to perform the independent valuation with an effective date of 30 June 2011.

Fair value assessments of property, plant and equipment were performed by management as at 30 June 2014. Building valuations determined by management using the depreciated replacement cost method resolved no material change in fair value as at 30 June 2014 and revaluation was not required.

Vehicles are valued using the depreciated replacement cost method. MFB acquires new vehicles and disposes these vehicles at the end of their economic life. The process of acquisition, use and disposal in the market is managed by experienced fleet managers in MFB who set relevant depreciation rates during use to reflect the utilisation of the vehicles. Appliance vehicles have a 15 year life.

Plant and equipment is held at fair value. When plant and equipment is specialised in use, such that it is rarely sold other than as part of a going concern, fair value is determined using the depreciated replacement cost method.

There were no changes in valuation techniques throughout the period to 30 June 2014.

For all assets measured at fair value, the current use is considered the highest and best use.

There was no material difference in land or plant and equipment fair values, subsequently these asset classes were not revalued as at 30 June 2014.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

### 9. PROPERTY, PLANT AND EQUIPMENT (continued)

#### Reconciliations

Reconciliations of the carrying amounts of property, plant and equipment at the beginning and end of the financial year are set out below:

	Freehold land	Buildings	Plant and equipment	Construction work in progress	Total
	\$000	\$000	\$000	\$000	\$000
<b>2014</b>					
<b>Opening balance</b>	<b>193,752</b>	<b>194,936</b>	<b>65,539</b>	<b>53,349</b>	<b>507,576</b>
Additions	–	44,635	3,766	8,498	56,899
Disposals	–	–	(627)	–	(627)
Net revaluations increment	–	–	–	–	–
Impairment	(365)	–	–	–	(365)
Transfers from construction work in progress	–	41,546	8,026	(49,572)	–
Transfers to non-financial assets held for sale	(3,284)	–	–	–	(3,284)
Transfers to investment property	(8,655)	(439)	–	–	(9,094)
Depreciation expense	–	(10,114)	(11,057)	–	(21,171)
<b>Closing balance</b>	<b>181,448</b>	<b>270,564</b>	<b>65,647</b>	<b>12,275</b>	<b>529,934</b>

	Freehold land	Buildings	Plant and equipment	Construction work in progress	Total
	\$000	\$000	\$000	\$000	\$000
<b>2013</b>					
<b>Opening balance</b>	<b>195,382</b>	<b>177,523</b>	<b>68,147</b>	<b>19,517</b>	<b>460,569</b>
Additions	1,805	4,473	6,836	37,810	50,924
Disposals	–	–	(1,079)	–	(1,079)
Net revaluations increment	–	19,826	–	–	19,826
Impairment	(255)	(100)	–	–	(355)
Transfers from construction work in progress	–	1,132	2,846	(3,978)	–
Transfers to non-financial assets held for sale	(3,180)	–	–	–	(3,180)
Depreciation expense	–	(7,918)	(11,211)	–	(19,129)
<b>Closing balance</b>	<b>193,752</b>	<b>194,936</b>	<b>65,539</b>	<b>53,349</b>	<b>507,576</b>

In accordance with AASB 1049 *Whole of Government and General Government Sector Financial Reporting*, all non-current physical assets are valued using the revaluation model.

#### Impairment of property, plant and equipment

An impairment loss of \$365,000 recorded for the reporting period relating to land and buildings transferred to non-financial assets held for sale to adjust the property values to reflect a book value representing lower of book to market appraised value less costs to sell, as at 30 June 2014.

# NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

## 9. PROPERTY, PLANT AND EQUIPMENT (continued)

### Restricted assets

MFB holds \$15,541,575 (written down book value 30 June 2014) worth of property listed as heritage assets which is the old Eastern Hill fire station and the heritage recognised Eastern Hill administration building and station. This heritage asset cannot be modified or disposed of without formal ministerial approval.

### Fair value measurement hierarchy for property, plant and equipment assets as at 30 June 2014

	Carrying amount as at 30 June 2014 \$000	Fair value measurement at end of reporting period using:		
		Level 1 <sup>(i)</sup> \$000	Level 2 <sup>(i)</sup> \$000	Level 3 <sup>(ii)</sup> \$000
Land at fair value	181,448	–	181,448	–
Buildings at fair value	270,564	–	–	270,564
Plant, equipment & vehicles at fair value (ii)	65,647	–	–	65,647
<b>Total</b>	<b>517,659</b>	<b>–</b>	<b>181,448</b>	<b>336,211</b>

### Fair value measurement hierarchy for property, plant and equipment assets as at 30 June 2013

	Carrying amount as at 30 June 2013 \$000	Fair value measurement at end of reporting period using:		
		Level 1 <sup>(i)</sup> \$000	Level 2 <sup>(i)</sup> \$000	Level 3 <sup>(ii)</sup> \$000
Land at fair value	193,752	–	193,752	–
Buildings at fair value	194,936	–	–	194,936
Plant, equipment & vehicles at fair value (ii)	65,539	–	–	65,539
<b>Total</b>	<b>454,227</b>	<b>–</b>	<b>193,752</b>	<b>260,475</b>

(i) Classified in accordance with the fair value hierarchy, see Note 1 (B).

(ii) Emergency vehicles are categorized as level 3 as the values are calculated using the depreciated replacement cost method.

	Specialised land \$000	Specialised buildings \$000	Heritage asset \$000	Vehicles \$000	Plant and equipment \$000
<b>Reconciliation of Level 3 fair value</b>					
<b>2014</b>					
<b>Opening balance</b>	–	178,143	16,793	55,660	9,879
Purchases (sales)	–	86,181	–	10,881	911
Transfers in (out) of Level 3	–	(439)	–	(586)	(41)
Gains or losses recognised in net result					
Depreciations	–	(8,862)	(1,252)	(8,002)	(3,055)
Impairment loss	–	–	–	–	–
<b>Subtotal</b>	<b>–</b>	<b>255,023</b>	<b>15,541</b>	<b>57,953</b>	<b>7,694</b>
Gains or losses recognised in other economic flows – other comprehensive income					
Revaluation	–	–	–	–	–
<b>Subtotal</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Closing balance</b>	<b>–</b>	<b>255,023</b>	<b>15,541</b>	<b>57,953</b>	<b>7,694</b>
Unrealised gains/(losses) on non-financial assets	–	–	–	–	–

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

### 9. PROPERTY, PLANT AND EQUIPMENT (continued)

#### Specialised land and specialised buildings

The market approach is also used for specialised land, although is adjusted for the community service obligations (CSO) to reflect the specialised nature of the land being valued.

The CSO adjustment is a reflection of the valuer's assessment of the impact of restrictions associated with an asset to the extent that is also equally applicable to market participants. This approach is in light of the highest and best use consideration required for fair value measurement and takes into account the use of the asset that is physically possible, legally permissible and financially feasible. As adjustments of CSO are considered as significant unobservable inputs, specialised land would be classified as Level 3 assets.

For MFB's majority of specialised buildings, the depreciated replacement cost method is used, adjusting for the associated depreciations. As depreciation adjustments are considered as significant, unobservable inputs in nature, specialised buildings are classified as Level 3 fair value measurements.

An independent valuation of MFB's specialised land and specialised buildings was performed by Urbis Valuations Pty Ltd, a VGV appointed valuer. The valuation was performed using the market approach adjusted for CSO. The effective date of the valuation is 30 June 2011.

	Specialised land \$000	Specialised buildings \$000	Heritage asset \$000	Vehicles \$000	Plant and equipment \$000
<b>Reconciliation of Level 3 fair value</b>					
<b>2013</b>					
<b>Opening balance</b>	–	159,478	18,045	60,135	8,012
Purchases (sales)	–	5,605	–	4,695	4,987
Transfers in (out) of Level 3	–	–	–	(1,069)	(10)
Gains or losses recognised in net result					
Depreciations	–	(6,666)	(1,252)	(8,101)	(3,110)
Impairment loss	–	(100)	–	–	–
<b>Subtotal</b>	–	158,317	16,793	55,660	9,879
Gains or losses recognised in other economic flows – other comprehensive income					
Revaluation	–	19,826	–	–	–
<b>Subtotal</b>	–	19,826	–	–	–
<b>Closing balance</b>	–	178,143	16,793	55,660	9,879
Unrealised gains/(losses) on non-financial assets	–	–	–	–	–

# NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

## 9. PROPERTY, PLANT AND EQUIPMENT (continued)

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

	Valuation technique	Significant unobservable inputs	Range (weighted average)	Sensitivity of fair value measurement to changes in significant unobservable inputs
Specialised land	Market approach [adjusted for CSO impact]	Community Service Obligation (CSO) adjustment.	Indefinite life 20% discount for CSO (i)	A significant increase or decrease in the CSO adjustment would result in a significantly lower (higher) fair value.
Specialised buildings	Depreciated replacement cost	Cost consultant's replacement cost per No. Bays stations.  Useful life of specialised buildings.	20 years	A significant increase or decrease in the replacement cost would result in a significantly higher or lower fair value.  A significant increase or decrease in the estimated useful life of the asset would result in a significantly higher or lower valuation.
Heritage asset	Depreciated replacement cost	VGV appointed valuation of site.  Useful life of heritage asset.	40 years	A significant increase or decrease in the independent valuation would result in a significantly higher or lower fair value.  A significant increase or decrease in the estimated useful life of the asset would result in a significantly higher or lower valuation.
Vehicles/emergency appliances	Depreciated replacement cost	Replacement value by appliance type.  Useful life of vehicles.	15 years	A significant increase or decrease in replacement value would result in a significantly higher or lower fair value.  A significant increase or decrease in the estimated useful life of the asset would result in a significantly higher or lower valuation.
Plant and equipment	Depreciated replacement cost	Management determination of current replacement values.  Useful life of plant and equipment.	3–15 years	A significant increase or decrease in management determined current replacement values would result in a significantly higher or lower fair value.  A significant increase or decrease in the estimated useful life of the asset would result in a significantly higher or lower valuation.

(i) CSO adjustments of 20 per cent were applied to reduce the market approach value for MFB's specialised land.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

	2014 \$000	2013 \$000
<b>10. INVESTMENT PROPERTY</b>		
<b>Balance at beginning of financial year</b>	–	–
Additions from subsequent expenditure	–	–
Disposals and property held for sale	–	–
Net gain/loss from fair value adjustments	–	–
Transfers to investment property	9,094	–
<b>Balance at end of financial year</b>	<b>9,094</b>	–

### 10.1 Fair value hierarchy

	Carrying amount as at 30 June 2014 \$000	Fair value measurement at end of reporting period using:		
		Level 1 <sup>(i)</sup> \$000	Level 2 <sup>(i)</sup> \$000	Level 3 <sup>(i)</sup> \$000
Investment property	9,094	9,094	–	–

*(i) Classified in accordance with the fair value hierarchy.*

There have been no transfers between levels during the period. There were no changes in valuation techniques throughout the period to 30 June 2014.

For investment properties measured at fair value, the current use of the asset is considered the highest and best use.

The fair value of MFB investment properties at 30 June 2014 have been arrived at on the basis of an independent valuation carried out by independent valuers, Urbis Valuations Pty Ltd performed in June 2011 and the values remain materially the same. The valuation was determined by reference to market evidence of transaction prices for similar properties with no significant unobservable adjustments, in the same location and condition and subject to similar lease and other contracts.



## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

	2014 \$000	2013 \$000
<b>11. INTANGIBLE ASSETS</b>		
<b>Intangible assets</b>		
Licence agreements at cost	13,243	12,940
Intellectual property – system research	560	560
Less: accumulated amortisation	(6,934)	(5,848)
<b>Total licence agreements</b>	<b>6,869</b>	<b>7,652</b>
Software at cost	17,452	16,333
Less: accumulated amortisation	(13,896)	(12,835)
<b>Total software</b>	<b>3,556</b>	<b>3,498</b>
<b>Total intangible assets</b>	<b>10,425</b>	<b>11,150</b>

Intangible assets referred to above relate to software and licence agreements providing MFB with access to optic fibre communication networks.

Intangible assets are amortised on a straight line basis over the asset life.

### Reconciliations

Reconciliations of the carrying amounts of licence agreements and software at the beginning and end of the financial year are set out below:

	Licence agreements \$000	Intellectual property \$000	Software \$000	Total \$000
<b>2014</b>				
Carrying amount at start of year	7,154	498	3,498	11,150
Additions	303	–	1,266	1,569
Disposals	–	–	(95)	(95)
Amortisation expense	–	(187)	(1,113)	(1,300)
Other economic flows expense	(899)	–	–	(899)
<b>Carrying amount at end of year</b>	<b>6,558</b>	<b>311</b>	<b>3,556</b>	<b>10,425</b>
<b>2013</b>				
Carrying amount at start of year	7,222	–	2,756	9,978
Additions	748	560	1,740	3,048
Disposals	–	–	–	–
Amortisation expense	–	(62)	(998)	(1,060)
Other economic flows expense	(816)	–	–	(816)
<b>Carrying amount at end of year</b>	<b>7,154</b>	<b>498</b>	<b>3,498</b>	<b>11,150</b>

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

### 12. FINANCIAL INSTRUMENTS

#### Financial risk management objectives and policies

MFB's principal financial instruments comprise:

- cash assets
- term deposits
- receivables (excluding statutory receivables)
- investments in equities and managed investment schemes
- debt securities
- payables (excluding statutory payables).

MFB has appropriate policies and processes to manage financial risks associated with financial instruments and the policies are in accordance with the *Borrowing and Investment Powers Act 1987* and within government policy parameters and guidelines in relation to financial asset investment and management. Financial investment strategies are regularly reviewed by the Board in conjunction with VFMC to minimise financial risks and ensure appropriate diversification of investment products across various entities and to ensure earnings and capital growth are maximised and balanced with consideration of associated risks.

Cash and cash deposits and held to maturity investments represent funding provided to MFB for operations and for specific capital works and projects which will be expended in future years.

The Board established the fair value through profit and loss – held for trading investments to primarily fund its employee benefit provisions liability and future capital works programs.

Debt security investments in the held for trading asset present a risk of capital loss. In consideration of this, the VFMC and the investment manager moderate this risk through careful selection of securities within specified limits approved by the Board.

The maximum capital loss is the fair value of the financial instruments. The held for trading investments are primarily in equity and security instruments issued by ASX200 (Australian Stock Exchange) listed companies, as well as investments in equity instruments issued by international listed companies. The investments are in unlisted unit trusts managed by or through VFMC. A significant portion of this investment class is term and fixed interest deposits with TCV.

The VFMC held for trading investment fair value has increased from \$109,275,000 as at 30 June 2013 to \$114,014,000 as at 30 June 2014, this increase reflects the reinvestment of dividends and interest earnings during the reporting period and the net gain or (loss) on financial instruments reported as other economic flows.

The Board regularly reviews the performance, earnings and the asset allocation of the VFMC investments and annually reviews the portfolio and considers the investment asset allocation.

Cash balances and held to maturity investments are invested according to the Department of Treasury and Finance guidelines. As at reporting date, term deposits are invested solely with TCV (AAA rated) and cash balances are with Westpac Banking Corporation, an AA rated institution in accordance with State Treasury Risk Management guidelines.

Receivables have established credit terms and collection processes are applied. Additionally receivables are regularly reviewed for collectability and impairment and appropriate adjustments are made to an allowance account or the receivable is written off if collectability is unlikely.

MFB prepares cash flow forecasts and manages cash flows to ensure its ability to meet all liability obligations as they fall due.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

### 12. FINANCIAL INSTRUMENTS (continued)

	Contractual financial assets/ liabilities designated at fair value through profit/loss \$000	Contractual financial assets/ liabilities held-for- trading at fair value through profit/loss \$000	Contractual financial assets – loans and receivables \$000	Contractual financial liabilities at amortised cost \$000	Total \$000
<b>Categorisation of financial instruments</b>					
<b>2014</b>					
<b>Contractual financial assets</b>					
Cash and deposits	14,235	15,000	–	–	29,235
Receivables (i)	–	–	3,690	–	3,690
Investments and other contractual financial assets:					
Held to maturity term deposit investments (TCV)	–	–	–	–	–
Held for trading investments					
Short term money market (TCV)	96,648	–	–	–	96,648
Infrastructure – unlisted trust	2,062	–	–	–	2,062
Property – unlisted trust	333	–	–	–	333
Balanced fund	14,971	–	–	–	14,971
<b>Total contractual financial assets</b>	<b>128,249</b>	<b>15,000</b>	<b>3,690</b>	<b>–</b>	<b>146,939</b>
<b>Contractual financial liabilities</b>					
Payables – amortised cost (i)	–	–	–	17,536	17,536
<b>Total contractual financial liabilities</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>17,536</b>	<b>17,536</b>
<b>2013</b>					
<b>Contractual financial assets</b>					
Cash and deposits	9,431	–	–	–	9,431
Receivables (i)	–	–	4,200	–	4,200
Investments and other contractual financial assets:					
Held to maturity term deposit investments (TCV)	–	50,000	–	–	50,000
Held for trading investments					
Short term money market (TCV)	93,588	–	–	–	93,588
Infrastructure – unlisted trust	2,063	–	–	–	2,063
Property – unlisted trust	1,534	–	–	–	1,534
Balanced fund	12,090	–	–	–	12,090
<b>Total contractual financial assets</b>	<b>118,706</b>	<b>50,000</b>	<b>4,200</b>	<b>–</b>	<b>172,906</b>
<b>Contractual financial liabilities</b>					
Payables – amortised cost (i)	–	–	–	19,182	19,182
<b>Total contractual financial liabilities</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>19,182</b>	<b>19,182</b>

(i) The total amounts disclosed here exclude statutory amounts (eg amounts owing from the Victorian government and GST input tax credit recoverable and taxes payable).

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

### 12. FINANCIAL INSTRUMENTS (continued)

The fair values and net fair values of financial instrument assets and liabilities are determined as follows:

- Level 1 – the fair value of financial instrument with standard terms and conditions and traded in active liquid markets are determined with reference to quoted market prices;
- Level 2 – the fair value is determined using inputs other than quoted prices that are observable for the financial asset or liability, either directly or indirectly; and
- Level 3 – the fair value is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using unobservable market inputs.

MFB considers that the carrying amount of financial instrument assets and liabilities recorded in the financial statements to be a fair approximation of their fair values, because of the short-term nature of the financial instruments and the expectation that they will be paid in full.

Cash reserves, term investments and held for trading investments are held to fund employee benefit provisions liability and specific capital projects and initiatives including Marine Response.

The following table presents MFB's financial assets and liabilities at fair value as at 30 June 2014:

	Carrying amount as at 30 June 2014 \$000	Fair value measurement at end of reporting period using:		
		Level 1 \$000	Level 2 \$000	Level 3 \$000
<b>Financial assets measured at fair value</b>				
<b>2014</b>				
Fair value through profit/loss investments	114,014	91,604	22,081	329
Held to maturity term deposit investments	–	–	–	–
<b>Total</b>	<b>114,014</b>	<b>91,604</b>	<b>22,081</b>	<b>329</b>

	Carrying amount as at 30 June 2013 \$000	Fair value measurement at end of reporting period using:		
		Level 1 \$000	Level 2 \$000	Level 3 \$000
<b>Financial assets measured at fair value</b>				
<b>2013</b>				
Fair value through profit/loss investments	109,275	93,588	14,153	1,534
Held to maturity term deposit investments	50,000	50,000	–	–
<b>Total</b>	<b>159,275</b>	<b>143,588</b>	<b>14,153</b>	<b>1,534</b>

	Financial assets at fair value through profit/loss Managed investment schemes		Total	Total
	\$000 2014	\$000 2013	\$000 2014	\$000 2013
<b>Reconciliation of Level 3 fair value movements</b>				
<b>Opening balance</b>	<b>1,534</b>	<b>3,749</b>	<b>1,534</b>	<b>3,749</b>
Total gains or losses recognised in:				
Net result	(1,205)	(2,215)	(1,205)	(2,215)
<b>Closing balance</b>	<b>329</b>	<b>1,534</b>	<b>329</b>	<b>1,534</b>
Total gains or losses for the period included in profit or loss for assets held at the end of the period	–	–	–	–

# NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

## 12. FINANCIAL INSTRUMENTS (continued)

### 12.1 Net holding gain/(loss) on financial instruments by category

	Net holding gain/(loss) \$000	Total interest income/(expense) \$000	Fee income/(expense) \$000	Impairment loss \$000	Total \$000
<b>2014</b>					
<b>Contractual financial assets</b>					
Financial assets designated at fair value through profit/loss	4,738	3,046	(119)	–	7,665
Financial assets – loans and receivables	–	1,362	–	–	1,362
<b>Total contractual financial assets</b>	<b>4,738</b>	<b>4,408</b>	<b>(119)</b>	<b>–</b>	<b>9,027</b>

	Net holding gain/(loss) \$000	Total interest income/(expense) \$000	Fee income/(expense) \$000	Impairment loss \$000	Total \$000
<b>2013</b>					
<b>Contractual financial assets</b>					
Financial assets designated at fair value through profit/loss	4,652	3,603	(120)	–	8,135
Financial assets – loans and receivables	–	2,952	–	–	2,952
<b>Total contractual financial assets</b>	<b>4,652</b>	<b>6,555</b>	<b>(120)</b>	<b>–</b>	<b>11,087</b>

The net holding gain/(loss) on financial instruments is calculated by comparing the book value of financial assets held to the fair market value of assets held at the end of the period.

### 12.2 Interest rate risk

Interest rate risk relates to fluctuations in fair values or future cash flows of financial instruments due to changes in market interest rates.

#### 12.2(i) Held for trading financial investment assets

The majority of the held for trading financial investment assets at balance date are interest bearing, short term investments with Treasury Corporation Victoria (TCV) consequently MFB is subject to significant amounts of risk due to fluctuations in the prevailing levels of market interest rates. The interest rate risk exposure at balance date is included in the sensitivity analysis (refer to Note 12.2(iii)) below.

The Board in conjunction with the VFMC considers interest rate risk when reviewing the investment strategy.

#### 12.2(ii) Cash and cash deposits and held to maturity receivables financial assets

MFB is exposed to interest rate risk from its cash flow investments through bills of exchange, bank and money market term deposits. Short term money market deposits are invested for varying terms to meet cash flow requirements and are not hedged.

MFB's exposure to interest rates on these financial assets is detailed in the interest rate sensitivity analysis below (refer to Note 12.2(iii)).

#### 12.2(iii) Interest rate sensitivity

The following interest rate sensitivity analysis has been based on the exposure to interest rates for the above asset classes at reporting date and the change occurring at that time. A 50 basis point change represents management's assessment of a reasonably possible change based upon assessment of official interest rate changes over the past five years and considering published forecasts.

At reporting date if interest rates increased by 50 basis points and all other variables were constant, the impact would be increased interest income of \$629,000 (2013: \$765,000) and an increase by the same amount to equity. Conversely if interest rates decreased by 50 basis points interest income would reduce by (\$629,000) (2013: (\$765,000) and equity would reduce by the same amount.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

### 12. FINANCIAL INSTRUMENTS (continued)

MFB's exposure to interest rate risks and the effective interest rates for financial assets and liabilities at balance date are:

	Weighted average interest rate %	Carrying amount \$000	Fixed interest rate \$000	Variable interest rate \$000	Non-interest bearing \$000
<b>Interest rate exposure of financial instruments</b>					
<b>2014</b>					
<b>Financial assets</b>					
Cash and deposits	2.53	29,235	15,000	14,235	–
Term deposit investments		–	–	–	–
Receivables		3,690	–	–	3,690
Investment financial assets	2.77	114,014	96,648	–	17,366
<b>Total</b>		<b>146,939</b>	<b>111,648</b>	<b>14,235</b>	<b>21,056</b>
<b>Financial liabilities</b>					
Payables		17,536	–	–	17,536
<b>Total</b>		<b>17,536</b>	<b>–</b>	<b>–</b>	<b>17,536</b>
<b>2013</b>					
<b>Financial assets</b>					
Cash and deposits	3.16	9,431	–	9,431	–
Term deposit investments	3.37	50,000	50,000	–	–
Receivables		4,200	–	–	4,200
Investment financial assets	3.37	109,275	93,588	–	15,687
<b>Total</b>		<b>172,906</b>	<b>143,588</b>	<b>9,431</b>	<b>19,887</b>
<b>Financial liabilities</b>					
Payables		19,182	–	–	19,182
<b>Total</b>		<b>19,182</b>	<b>–</b>	<b>–</b>	<b>19,182</b>

#### 12.3 Foreign exchange risk

Foreign exchange risk arises when future transactions and recognised assets and liabilities are denominated in a currency that is not MFB's functional currency (Australian dollar).

MFB has no foreign currency contract obligations as at the end of the financial period.

Foreign exchange risk also impacts MFB's held for trading investments in relation to its investments in international equities in unlisted trusts. The hedged international equity trust maintains foreign exchange hedge positions, subsequently foreign exchange risk is minimal; whereas the unhedged international equity trust is exposed to foreign exchange risk. Foreign exchange risk exposure relating to held for trading investments is managed by the fund managers and exposure risk on international equities trust investments is accounted indirectly in the price risk sensitivity analysis (refer to Note 12.6).

MFB's overall foreign exchange risk management strategy remains substantially unchanged from 2013.

# NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

## 12. FINANCIAL INSTRUMENTS (continued)

### 12.4 Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to MFB. MFB's maximum credit exposure at reporting date is the carrying amount of the financial assets reported in the balance sheet.

#### 12.4(i) Held for trading financial investment assets

Investment controls are in place to minimise credit risk. This includes all security transactions being settled using approved brokers therefore the risk of default is minimal as delivery of the securities sold is not settled until the broker has received payment. Similarly, payment for purchased securities occurs after the securities have been received by the broker.

#### 12.4(ii) Held to maturity investments receivables and cash balances

MFB investment guidelines manage credit risk pertaining to held to maturity investments by ensuring investments are restricted to term deposits with TCV.

#### 12.4(iii) Receivables and other financial assets

MFB minimises credit risk in relation to receivables by applying commercial payment terms and recovery processes with all customers, regular review of doubtful debts and the timely recognition and write-off of bad debts.

Other than the term deposit investments with TCV (AAA credit rating) and financial investment assets which are invested through VFMC in managed funds, MFB has no significant concentration of credit risk in receivables or the other financial asset classes. MFB has no guarantees or securities held against receivables balances.

The Board's overall credit risk management strategy remains substantially unchanged from 2013.

Further information is shown in Note 5 Receivables.

	Financial Institutions (not rated)	Financial Institutions (AA credit rating)	State Government agencies (AAA credit rating)	Total
	\$000	\$000	\$000	\$000
<b>Credit quality of contractual financial assets that are neither past due or impaired</b>				
<b>2014</b>				
Cash and cash deposits	–	14,235	15,000	29,235
Term deposit investments	–	–	–	–
Investment financial assets	*17,366	–	96,648	114,014
<b>Total contractual financial assets</b>	<b>17,366</b>	<b>14,235</b>	<b>111,648</b>	<b>143,249</b>
<b>2013</b>				
Cash and cash deposits	–	9,431	–	9,431
Term deposit investments	–	–	50,000	50,000
Investment financial assets	*15,687	–	93,588	109,275
<b>Total contractual financial assets</b>	<b>15,687</b>	<b>9,431</b>	<b>143,588</b>	<b>168,706</b>

\* Financial investment assets are investments in primarily unlisted managed funds which are not credit rated. The fund managers are reputable well established institutions which are reviewed and approved by VFMC.

Receivables are general invoicing primarily to individuals and organisations which do not generally have recognised credit ratings.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

### 12. FINANCIAL INSTRUMENTS (continued)

#### 12.5 Liquidity risk

Liquidity risk is the risk that MFB would be unable to meet its financial obligations as and when they fall due, the maximum exposure to liquidity risk is the carrying amounts of financial liabilities as disclosed in the face of the balance sheet. MFB operates under the Government fair payments policy of settling financial obligations within 30 days and in the event of a dispute, making payments within 30 days from the date of resolution.

MFB has an appropriate liquidity risk management framework for its short, medium and long-term funding and liquidity management requirements. MFB manages liquidity risk by maintaining adequate reserves, banking facilities and plans its financial obligations based on forecasts of future cash flows and holds investments and other contractual financial assets that are readily tradeable in the financial markets.

The Board's overall liquidity risk management strategy remains substantially unchanged from 2013.

	Carrying amount \$000	Nominal amount \$000	MATURITY DATES					
			< 1 month \$000	1-3 months \$000	3 months - 1 year \$000	1-5 years \$000	5+ years \$000	
<b>Maturity analysis of contractual financial liabilities</b>								
<b>2014</b>								
<b>Financial liabilities</b>								
<b>Payables</b>								
Supplies and services	12,252	12,252	11,542	710	-	-	-	-
Other payables	5,284	5,284	3,742	-	1,542	-	-	-
<b>Total</b>	<b>17,536</b>	<b>17,536</b>	<b>15,284</b>	<b>710</b>	<b>1,542</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>2013</b>								
<b>Financial liabilities</b>								
<b>Payables</b>								
Supplies and services	11,590	11,590	10,189	1,401	-	-	-	-
Other payables	7,592	7,592	7,231	361	-	-	-	-
<b>Total</b>	<b>19,182</b>	<b>19,182</b>	<b>17,420</b>	<b>1,762</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

#### 12.6 Price risk

MFB's held for trading investment has exposure to price risk relating to investments in unlisted trusts which fluctuate with changes in market prices. The maximum loss of capital risk resulting from financial instruments is the fair value of the financial instruments, except for the TCV deposits investments where the principal value is stable.

MFB's market price risk is managed by a significant portion of the VFMC portfolio invested in deposits that are not price sensitive, such as TCV investments. The overall market exposures as at 30 June 2014 are listed in the table below.

#### Price risk sensitivity

At 30 June 2014, MFB's market price risk is affected by three main components: changes in actual market prices, interest rate and foreign currency movements. The following price risk sensitivity analysis has been based upon the investment classes exposed to price risk at the reporting date and the change occurring at that time. A 10 per cent change represents management's assessment of a reasonably possible change based upon assessment of commonly quoted ASX indices changes over the past five years and forecasts by financial institutions.



# NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

## 12. FINANCIAL INSTRUMENTS (continued)

### 12.6 Price risk (continued)

Fair value through profit and loss – held for trading investment in unlisted trusts (by investment category):

	Effective Exposure	+ 10% INCREASE IN UNIT PRICE		-10% DECREASE IN UNIT PRICE	
	\$000	Income impact \$000	Equity impact \$000	Income impact \$000	Equity impact \$000
<b>2014</b>					
Infrastructure	2,062	206	206	(206)	(206)
Property	333	33	33	(33)	(33)
Balanced fund	14,971	1,497	1,497	(1,497)	(1,497)
<b>Total</b>	<b>17,366</b>	<b>1,736</b>	<b>1,736</b>	<b>(1,736)</b>	<b>(1,736)</b>

The effective exposure amounts above reflect the carrying amounts.

Fair value through profit and loss – held for trading investment in unlisted trusts (by investment category):

	Effective Exposure	+ 10% INCREASE IN UNIT PRICE		-10% DECREASE IN UNIT PRICE	
	\$000	Income impact \$000	Equity impact \$000	Income impact \$000	Equity impact \$000
<b>2013</b>					
Infrastructure	2,063	206	206	(206)	(206)
Property	1,534	153	153	(153)	(153)
Balanced fund	12,090	1,209	1,209	(1,209)	(1,209)
<b>Total</b>	<b>15,687</b>	<b>1,568</b>	<b>1,568</b>	<b>(1,568)</b>	<b>(1,568)</b>

The effective exposure amounts above reflect the carrying amounts.

### 12.7 Capital risk

MFB manages its capital and regularly prepares forecasts and analysis to ensure the organisation's ability to continue as a going concern with an optimal balance of debt and equity.

MFB is not subject to externally imposed capital requirements under our banking contract or other third party contracts.

### 12.8 Financial instruments – fair value measurement

MFB considers that the carrying amount of financial assets and financial liabilities recorded in the financial statements reflects their fair values.

The fair values of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices
- the fair value of other financial assets and financial liabilities that are determined in accordance with generally accepted valuation models using inputs observed in active markets
- the fair value of unlisted trusts are based upon the redemption price as advised by the fund manager.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

	2014 \$000	2013 \$000
<b>13. PAYABLES</b>		
<b>Current payables</b>		
Contractual:		
Supplies and services	12,252	11,590
Other payables and accrued expenses	5,284	7,592
	<b>17,536</b>	<b>19,182</b>
Statutory:		
Amounts payable to government and agencies	<b>2,087</b>	<b>1,072</b>
<b>Total</b>	<b>19,623</b>	<b>20,254</b>

MFB applies the Victorian Government Fair Payment Policy on supplier payments. Accordingly, suppliers are paid within 30 days from invoice date unless other agreed contractual or legal terms apply. MFB has procedures in place to ensure that payables are paid within credit timeframes.

Under the Fair Payment Policy MFB may be liable for penalty interest payments on overdue accounts. No interest penalties were incurred during the period under review (2013: Nil).

	Carrying amount \$000	Nominal amount \$000	MATURITY DATES	
			1-3 months \$000	3 months - 1 year \$000
<b>Payables commitment analysis</b>				
<b>2014</b>	<b>19,623</b>	19,623	18,081	1,542
<b>2013</b>	<b>20,254</b>	20,254	19,893	361

Note 12 Financial Instruments outlines the nature and extent of risk arising from payables.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

	2014 \$000	2013 \$000
<b>14. PROVISIONS</b>		
<b>(a) Employee benefits</b>		
<b>Current provisions</b>		
Annual Leave		
Unconditional and expected to be settled within 12 months (i)	17,093	15,957
Unconditional and expected to be settled after 12 months (ii)	11,925	10,653
Accrued Leave		
Unconditional and expected to be settled within 12 months (i)	1,473	384
Unconditional and expected to be settled after 12 months (ii)	3,505	2,837
Long Service Leave		
Unconditional and expected to be settled within 12 months (i)	4,923	4,923
Unconditional and expected to be settled after 12 months (ii)	51,135	49,738
Enterprise agreement determinations (accrued)	–	2,373
	<b>90,055</b>	<b>86,865</b>
Provision for on-costs		
Unconditional and expected to be settled within 12 months (i)	2,506	1,954
Unconditional and expected to be settled after 12 months (ii)	10,833	10,976
	<b>13,339</b>	<b>12,930</b>
<b>Total current provisions</b>	<b>103,394</b>	<b>99,795</b>
<b>Non-current provisions</b>		
Employee benefits – long service leave (ii)	3,617	3,561
On-costs (ii)	667	664
<b>Total non-current provisions</b>	<b>4,284</b>	<b>4,225</b>
<b>Total provisions</b>	<b>107,678</b>	<b>104,020</b>
<b>(b) Movement in provisions</b>		
Opening balance	13,594	12,934
Additional provisions recognised	10,128	9,426
Reductions arising from payments/other sacrifices of future economic benefits	(9,644)	(8,525)
Unwind of discount and effect of changes in the discount rate	(72)	(241)
<b>Closing balance</b>	<b>14,006</b>	<b>13,594</b>

(i) Employee benefits consist of annual leave and long service leave accrued by employees. On-costs such as payroll tax and workers' compensation insurance are not employee benefits and are reflected as a separate provision.

(ii) The amounts disclosed are discounted to present values.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

	2014 \$000	2013 \$000
<b>15. OTHER LIABILITIES</b>		
Current balance	740	490
Non-current balance	1,335	1,650
<b>Total</b>	<b>2,075</b>	<b>2,140</b>

The carrying amounts reflect income received in advance from the CFA for prepaid future access to the optical fibre communications network.

### 16. SUPERANNUATION

MFB employees and members of the Board are entitled to receive superannuation benefits and MFB contributes to both defined benefit and accumulation contribution plans managed by the Emergency Services and State Super superannuation fund (ESSS). The defined benefit plan provides benefits based on years of service and final average salary.

MFB does not recognise any defined benefit liability in respect of the plan because MFB has no legal or constructive obligation to pay future benefits relating to its employees; its only obligation is to pay superannuation contributions as they fall due. The Department of Treasury and Finance discloses the State's defined benefit liabilities in its disclosure for administered items.

However, superannuation contributions paid or payable for the reporting period are included as part of employee benefits in the comprehensive operating statement of MFB.

During the year, MFB made superannuation payments of \$17.6 million (2013: \$17.1 million) primarily to ESSS. In the current year there were no additional payments to superannuation above the contribution rate designated by ESSS for defined benefit members and the super guarantee contribution rate of 9.25 per cent for non-defined benefit plan members.

There were no superannuation contributions outstanding at 30 June 2014 (2013: Nil).

Employer contribution rates were:

#### Accumulation scheme

9.25 per cent of salary for non-operational staff employed after 31 December 1993.

Effective 1 July 2014, the Super Guarantee rate increases to 9.50 per cent and applies to the accumulation scheme members.

#### Defined benefits scheme

The average employer contribution rate for the financial year was 11.0 per cent (2013: 11.0 per cent) of salary for all operational staff as well as for non-operational staff employed prior to 1 January 1994.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

	2014 \$000	2013 \$000
<b>17. COMMITMENTS FOR EXPENDITURE</b>		
The following commitments have not been recognised as liabilities in the financial statements and are exclusive of GST:		
<b>Commitments</b>		
<b>Capital expenditure commitments</b>		
Commitments for the acquisition of property, plant and equipment contracted at reporting date but not recognised as liabilities:		
Payable:		
Within one year	11,732	44,827
<b>Total</b>	<b>11,732</b>	<b>44,827</b>
<b>Operating lease commitments</b>		
Commitments for minimum lease payments in relation to non-cancellable operating leases at the reporting date but not recognised as liabilities:		
Payable:		
Within one year	644	635
Longer than one year but not longer than five years	777	324
Longer than five years	24	–
<b>Total</b>	<b>1,445</b>	<b>959</b>
<b>Recurrent service commitments</b>		
Commitments for the acquisition of recurrent goods and services not recognised as liabilities:		
Payable:		
Within one year	30,738	17,710
Longer than one year but not longer than five years	41,874	44,960
<b>Total</b>	<b>72,612</b>	<b>62,670</b>

A significant proportion of the above recurrent service commitments relate to MFB's obligations under the Statewide Integrated Public Safety and Communications Strategy (SIPSaCS) which covers call taking and dispatch services. There is an ongoing Service Agreement with the Emergency Services Telecommunications Authority (ESTA) for the provision of call taking and dispatch services for the metropolitan district. The ESTA service fees for the year to 30 June 2014 were \$11.3 million (2013: \$11.8 million).

All the expenditure amounts shown in the above commitments note are nominal amounts.

## 18. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

The following matters are subject to legal proceedings and MFB has chosen not to disclose further details due to legal privilege.

### Contingent asset

MFB has a claim with the City of Yarra for the recovery of costs relating to remediation of contamination at the Burnley Complex.

### Contingent liability

A claim against MFB has been registered in relation to overtime payment processing for the Hazelwood coal seam incident, the financial effect of the claim cannot be estimated reliably at the time of preparing these statements.

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

	2014 \$000	2013 \$000
<b>19. EQUITY</b>		
<b>Reserves</b>		
Physical asset revaluation surplus		
<b>Land</b>		
Balance at beginning of financial year	103,352	103,352
Revaluation increments/(decrements)	–	–
<b>Total</b>	<b>103,352</b>	<b>103,352</b>
<b>Buildings</b>		
Balance at beginning of financial year	103,998	84,172
Revaluation increments/(decrements)	–	19,826
<b>Total</b>	<b>103,998</b>	<b>103,998</b>
<b>Plant and equipment</b>		
Balance at beginning of financial year	15,338	15,338
Revaluation increments/(decrements)	–	–
<b>Total</b>	<b>15,338</b>	<b>15,338</b>
<b>Balance at end of financial year</b>	<b>222,688</b>	<b>222,688</b>
<b>Accumulated surplus</b>		
Balance at beginning of financial year	232,234	231,231
Net result	2,047	1,003
<b>Balance at end of financial year</b>	<b>234,281</b>	<b>232,234</b>
<b>Contributed capital</b>		
Balance at beginning of financial year	121,777	121,777
Transactions with owners in their capacity as owners	–	–
<b>Balance at end of financial year</b>	<b>121,777</b>	<b>121,777</b>
<b>Total equity at end of the financial year</b>	<b>578,746</b>	<b>576,699</b>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

	2014 \$000	2013 \$000
<b>20. NOTES TO THE CASH FLOW STATEMENT</b>		
<b>(a) Reconciliation of cash</b>		
For the purposes of the cash flow statement, cash comprises cash on hand, cash at bank, bank overdrafts, deposits at call and highly liquid investments with short periods to maturity that are readily convertible to cash on hand and are subject to an insignificant risk of changes in value. Cash at the end of the financial year as shown in the cash flow statement is reconciled to the balance sheet as follows:		
Total cash and deposits disclosed in the balance sheet	29,235	9,431
<b>Balance as per cash flow statement</b>	<b>29,235</b>	<b>9,431</b>
<b>(b) Reconciliation of net result for the reporting period to cashflows from operating activities</b>		
<b>Net result for the period</b>	<b>2,047</b>	<b>1,003</b>
<b>Non-cash movements</b>		
(Gain)/loss on sale or disposal of non-financial assets	(825)	251
Net loss/(gain) on financial instruments	(11)	382
Unrealised loss on held for trading investments	413	231
Depreciation and amortisation of non-financial assets	23,369	21,005
Impairment of non-financial assets	365	355
(Decrease)/increase in allowance for doubtful debts	(359)	316
(Decrease) in allowance for inventory obsolescence	(42)	(48)
<b>Movements in assets and liabilities</b>		
Decrease/(Increase) in other receivables	2,998	(3,036)
Decrease in inventories	168	10
(Increase) in prepayments	(2,402)	(4,964)
(Decrease)/increase in payables	(631)	1,387
Increase in employee benefits provisions	3,658	5,878
(Decrease) in income received in advance	(65)	(293)
<b>Net cash inflow from operating activities</b>	<b>28,683</b>	<b>22,477</b>

### 21. BANK OVERDRAFT

MFB has an overdraft facility of \$100,000 which is repayable upon demand and may be cancelled at any time upon review by the bank. As at balance date this facility had not been utilised (2013: Nil).

# NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

## 22. 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:

		Period of tenure
Responsible Minister	The Honorable K Wells MP Minister for Police and Emergency Services	01/07/13 – 30/06/14
	The Honorable E O'Donohue MLC Acting Minister for Police and Emergency Services	10/07/13 – 28/07/13
	The Honorable R Clark MP Acting Minister for Police and Emergency Services	20/12/13 – 05/01/14
	The Honorable E O'Donohue MLC Acting Minister for Police and Emergency Services	06/01/14 – 12/01/14
Board Members	M N Comrie AO APM – President	01/07/13 – 30/06/14
	J A Bonnington	01/07/13 – 30/06/14
	K W King	01/07/13 – 30/06/14
	A Long – Retired	01/07/13 – 13/09/13
	S F Alford – Appointed	14/09/13 – 30/06/14
	D Purchase OAM	01/07/13 – 30/06/14
	J Lord AM	01/07/13 – 30/06/14
	T A Ryan – Appointed	20/08/13 – 30/06/14
Accountable Officers	J Higgins ASM – Chief Executive Officer	28/04/14 – 30/06/14
	R Eddington – Acting Chief Executive Officer/ Executive Director	24/12/13 – 03/01/14
	R Eddington – Acting Chief Executive Officer/ Executive Director	08/02/14 – 17/04/14
	N Easy – Chief Executive Officer	01/07/13 – 07/02/14
	P Rau – Acting Chief Executive Officer/Chief Officer	18/04/14 – 27/04/14

### Related parties

M N Comrie is the Victorian Bushfire Royal Commission Implementation Monitor, Chair of Ministerial Community Advisory Committee on Corrections and Chairman DrinkWise Australia.

J A Bonnington is a Non-Executive Director – Utilities Trust of Australia and HESTA Superannuation. Community Non Executive Director – Deakin University Council and Director JS Bonnington & Associates Pty Ltd.

K W King is a Board Member – Natural Resources Conservation League; Australian Research Centre for Urban Ecology and Director Habitat Melbourne Trust.

D Purchase is Executive Director of the Victorian Automobile Chamber of Commerce.

J Lord is a Member of Ministerial Community Advisory Committee on Corrections.

T A Ryan is Chair of the Advisory Committee of the Office of Correctional Services Review; a Non-Executive Director of Victorian Managed Insurance Authority and a Board Member of Yarra Valley Water and VicForests.

S F Alford is a Board Member Eastern Health, Audit Committee member Victorian Curriculum and Assessment Authority, Chair Audit Committee – Australian Accounting Standards Board and Auditing and Assurance Standards Board.

J Higgins is a Director of the Emergency Services Foundation, Fellow – Australian College of Ambulance Professionals. Trustee Member, Committee for Economic Development of Australia. Member, Institute of Public Administration of Australia.

N Easy had a voting right on the Australasian Fire and Emergency Service Authorities Council and was a Director of the Emergency Services Foundation.

All services and transactions were conducted at arms' length with the MFB Board and at normal commercial terms.



## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

	2014 Number	2013 Number
<b>22. RESPONSIBLE PERSONS (continued)</b>		
<b>Remuneration of responsible persons</b>		
The number of Responsible Persons is shown below in their relevant income bands:		
<b>Remuneration Band</b>		
\$ 0 – \$ 9,999	1	–
\$ 10,000 – \$ 19,999	5	4
\$ 20,000 – \$ 29,999	1	1
\$ 50,000 – \$ 59,999	1	1
	<b>8</b>	<b>6</b>
	<b>\$000</b>	<b>\$000</b>
Total remuneration of Responsible Persons other than the Responsible Minister:	<b>175</b>	<b>159</b>
The remuneration of the Responsible Minister is reported separately in the financial statements of the Department of Premier and Cabinet.		
Remuneration received by Accountable Officers in connection with the management of MFB during the reporting period was in the following ranges:		
	2014 Number	2013 Number
<b>Remuneration Band</b>		
\$ 10,000 – \$ 19,999	–	1
\$ 50,000 – \$ 59,999	1	–
\$250,000 – \$259,999	1	–
\$370,000 – \$379,999	–	1
	<b>2</b>	<b>2</b>
	<b>\$000</b>	<b>\$000</b>
Total remuneration of Accountable Officers:	<b>312</b>	<b>391</b>

During the current period, the following personnel performed as Acting Chief Executive Officer:

Russell Eddington Executive Director Corporate Services	24/12/2013 – 03/01/2014
Russell Eddington Executive Director Corporate Services	08/02/2014 – 17/04/2014
Peter Rau Chief Officer	18/04/2014 – 27/04/2014

Accountable Officer remuneration includes all remuneration including salary, salary sacrifice, fringe benefits applicable, leave entitlements paid and applicable performance bonus paid during the period. The above amounts record payments made in each year, accordingly accrued remuneration pertaining to 2013 was included in 2014.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

### 23. REMUNERATION OF EXECUTIVE OFFICERS AND PAYMENTS TO OTHER PERSONNEL

The number of executive officers, other than Ministers and Accountable Officers and their total remuneration during the reporting period is recorded in the first two columns in the table below in their relevant income bands. These tables include staff who are placed on a short-term basis in executive positions temporarily when the positions are vacant due to retirement, long service leave and similar. The base remuneration of executive officers is recorded in the third and fourth columns. Base remuneration is exclusive of bonus payments, long service leave payments, redundancy payments and retirement benefits.

Several factors have affected total remuneration payable to executives over the financial year, primarily bonus payments based upon individual employment contracts, payments taken in lieu of leave and the duration of employment during the financial year.

A number of executive officers retired or resigned in the past year. This impacted on both the total number of executives included below and on total remuneration figures due to the inclusion of annual leave and long-service leave payments. Additionally, part year employment arrangements and short term placement into executive positions are accounted for in the total number of executives and annualised employee equivalent numbers represented below.

	Total remuneration		Base remuneration	
	2014 No.	2013 No.	2014 No.	2013 No.
<b>Executive Officers</b>				
<b>Remuneration Band</b>				
\$ 0 – \$ 99,999*	8	4	11	9
\$ 100,000 – \$ 109,999	1	3	1	2
\$ 110,000 – \$ 119,999	–	1	2	3
\$ 120,000 – \$ 129,999	1	1	3	1
\$ 130,000 – \$ 139,999	2	1	–	2
\$ 140,000 – \$ 149,999	1	–	3	2
\$ 150,000 – \$ 159,999	1	2	6	5
\$ 160,000 – \$ 169,999	3	4	3	1
\$ 170,000 – \$ 179,999	3	5	4	15
\$ 180,000 – \$ 189,999	2	7	13	2
\$ 190,000 – \$ 199,999	3	3	2	–
\$ 200,000 – \$ 209,999	8	4	–	–
\$ 210,000 – \$ 219,999	3	1	–	–
\$ 220,000 – \$ 229,999	3	4	2	2
\$ 230,000 – \$ 239,999	3	1	–	1
\$ 240,000 – \$ 249,999	2	–	–	–
\$ 250,000 – \$ 259,999	1	1	–	–
\$ 260,000 – \$ 269,999	2	–	–	–
\$ 270,000 – \$ 279,999	1	1	–	–
\$ 280,000 – \$ 289,999	1	–	–	–
\$ 290,000 – \$ 299,999	1	–	–	–
\$ 300,000 – \$ 309,999	–	1	–	–
\$ 340,000 – \$ 349,999	–	1	–	–
<b>Total number of executive officers</b>	<b>50</b>	<b>45</b>	<b>50</b>	<b>45</b>
<b>Total annualised employee equivalent (AEE) (i)</b>	<b>42</b>	<b>37</b>	<b>42</b>	<b>37</b>
<b>Total remuneration (\$000)</b>	<b>9,215</b>	<b>8,059</b>	<b>7,017</b>	<b>6,240</b>

(i) Annualised employee equivalent is based on paid working hours of 38 ordinary hours per week over the 52 weeks for a reporting period.

(ii)\* A number of executives received base and total remuneration in the 2012/13 financial year below \$100,000 due to part year employment and short term placements in executive positions.

#### Correction of Prior Reporting Period Error

The 2012–13 comparative information has been restated. The data for the prior year was collated manually from the payroll system and had inaccuracies whereas a report has since been created to detail all executives and persons acting in the role of a vacant executive position and more reliably provides the data for the current and prior reporting periods.

The restatement resulted in total base remuneration altering from \$6.906 million to a revised \$6.240 million; total remuneration was revised from \$7.880 million to \$8.059 million. AEE reduced from 38 to 37.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

	2014 \$000	2013 \$000
<b>23. REMUNERATION OF EXECUTIVE OFFICERS AND PAYMENTS TO OTHER PERSONNEL (continued)</b>		
The above remuneration amounts include leave or termination payments of:		
<b>Remuneration Band</b>		
\$ 0 – \$ 99,999	1	67
\$100,000 – \$109,999	–	74
\$130,000 – \$139,999	–	121
\$190,000 – \$199,999	–	12
\$220,000 – \$229,999	–	116
\$230,000 – \$239,999	–	56
\$270,000 – \$279,999	101	–
\$290,000 – \$299,999	106	–
\$340,000 – \$349,999	–	307
<b>Total</b>	<b>208</b>	<b>753</b>

### Payments to other personnel (i.e. contractors with significant management responsibilities)

There were no payments made to other personnel in 2014 (2013: Nil).

### 24. REMUNERATION OF AUDITORS

Total remuneration payable to the Auditor-General for auditing the financial statements for the year ended 30 June 2014 was \$100,350 (2013: \$100,350).

### 25. SUBSEQUENT EVENTS

There are no other material subsequent events since reporting date.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

### 26. GLOSSARY OF TERMS AND STYLE CONVENTIONS

#### Amortisation

Amortisation is the expense which results from the consumption, extraction or use over time of a non-produced physical or intangible asset. This expense is classified as an other economic flow.

#### Comprehensive result

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

#### Commitments

Commitments include those operating, capital and other outsourcing commitments arising from non-cancellable contractual or statutory sources.

#### Depreciation

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

#### Effective interest method

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

#### Employee benefits expenses

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

#### Ex-gratia expenses

Ex-gratia expenses mean the voluntary payment of money or other non-monetary benefit (eg: a write-off) that is not made either to acquire goods, services or other benefits for the entity or to meet a legal liability, or to settle or resolve a possible legal liability or claim against the entity.

#### Financial asset

A financial asset is any asset that is:

- (a) cash;
- (b) an equity instrument of another entity;
- (c) a contractual or statutory right:
  - to receive cash or another financial asset from another entity; or

- to exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity; or

(d) a contract that will or may be settled in the entity's own equity instruments and is:

- a non-derivative for which the entity is or may be obliged to receive a variable number of the entity's own equity instruments; or
- a derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments.

#### Financial instrument

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

#### Financial liability

A financial liability is any liability that is:

- (a) A contractual or statutory obligation:
  - (i) to deliver cash or another financial asset to another entity; or
  - (ii) to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the entity; or
- (b) A contract that will or may be settled in the entity's own equity instruments and is:
  - (i) a non-derivative for which the entity is or may be obliged to deliver a variable number of the entity's own equity instruments; or
  - (ii) a derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments. For this purpose the entity's own equity instruments do not include instruments that are themselves contracts for the future receipt or delivery of the entity's own equity instruments.

#### Financial statements

A complete set of financial statements comprises:

- (a) a balance sheet as at the end of the period
- (b) a comprehensive operating statement for the period
- (c) a statement of changes in equity for the period

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

- (d) a cashflow statement for the period
- (e) notes, comprising a summary of significant accounting policies and other explanatory information
- (f) comparative information in respect of the preceding period as specified in paragraphs 38 of AASB 101 *Presentation of Financial Statements*
- (g) a statement of financial position as at the beginning of the preceding period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements in accordance with paragraphs 41 of AASB 101.

### Intangible assets

Intangible assets represent identifiable non-monetary assets without physical substance.

### Interest expense

Costs incurred in connection with the borrowing of funds includes interest on bank overdrafts and short-term and long-term borrowings, amortisation of discounts or premiums relating to borrowings, interest component of finance leases repayments and the increase in financial liabilities and non-employee provisions due to the unwinding of discounts to reflect the passage of time.

### Interest income

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

### Net acquisition of non-financial assets (from transactions)

Purchases (and other acquisitions) of non-financial assets less sales (or disposals) of non-financial assets less depreciation plus changes in inventories and other movements in non-financial assets. It includes only those increases or decreases in non-financial assets resulting from transactions and therefore excludes write-offs, impairment write-downs and revaluations.

### Net result

Net result is a measure of financial performance of the operations for the period. It is the net result of items of income, gains and expenses (including losses) recognised for the period, excluding those that are classified as 'other economic flows – other comprehensive income'.

### Net result from transactions /net operating balance

Net result from transactions or net operating balance is a key fiscal aggregate and is income from transactions minus expenses from transactions. It is a summary measure of the ongoing sustainability of operations.

It excludes gains and losses resulting from changes in price levels and other changes in the volume of assets. It is the component of the change in net worth that is due to transactions and can be attributed directly to government policies.

### Net worth

Assets less liabilities, which is an economic measure of wealth.

### Non-financial assets

Non-financial assets are all assets that are not 'financial assets'. It includes inventories, land, buildings, infrastructure, road networks, land under roads, plant and equipment, investment properties, cultural and heritage assets, intangible and biological assets.

### Non-produced assets

Non-produced assets are assets needed for production that have not themselves been produced. They include land, subsoil assets and certain intangible assets. Non-produced intangibles are intangible assets needed for production that have not themselves been produced. They include constructs of society such as patents.

### Other economic flows included in net result

Other economic flows are changes in the volume or value of an asset or liability that do not result from transactions. It includes:

- gains and losses from disposals, revaluations and impairments of non-financial physical and intangible assets
- fair value changes of financial instruments.

### Other economic flows – other comprehensive income

Other economic flows – other comprehensive income comprises items (including reclassification adjustments) that are not recognised in net result as required or permitted by other Australian Accounting Standards.

The components of other economic flows – other comprehensive income include:

- (a) changes in physical asset revaluation surplus;
- (b) share of net movement in revaluation surplus of associates and joint ventures; and
- (c) gains and losses on re-measuring available-for-sale financial assets.

### Payables

Includes short and long term trade debt and accounts payable, grants and interest payable.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

### Receivables

Includes short and long term trade credit and accounts receivable, accrued investment income, grants, taxes and interest receivable.

### Sales of goods and services

Refers to income from the direct provision of goods and services and includes fees and charges for services rendered, sales of goods and services, fees from regulatory services and work done as an agent for private enterprises. It also includes rental income under operating leases and on produced assets such as land. User charges includes sale of goods and services income.

### Supplies and services

Supplies and services generally represent cost of goods sold and the day-to-day running costs, including maintenance costs, incurred in the normal operations of MFB.

### Transactions

Transactions are those economic flows that are considered to arise as a result of policy decisions, usually an interaction between two entities by mutual agreement. They also include flows in an entity such as depreciation where the owner is simultaneously acting as the owner of the depreciating asset and as the consumer of the service provided by the asset. Transactions can be in kind (e.g. assets provided/given free of charge or for nominal consideration) or where the final consideration is cash. In simple terms, transactions arise from the policy decisions of the government.

### Style conventions

Figures in the tables and in the text have been rounded. Discrepancies in tables between totals and sums of components reflect rounding. Percentage variations in all tables are based on the underlying unrounded amounts.

The notation used in the tables is as follows:

–	zero, or rounded to zero
xxx.x)	negative numbers
201x	year period
201x–1x	year period

The financial statements and notes are presented based on the illustration for a government department in the 2013–14 *Model Report for Victorian Government Departments*. The presentation of other disclosures is generally consistent with the other disclosures made in earlier publications of MFB's annual reports.

## RESPONSIBLE PERSONS' AND CHIEF FINANCE AND ACCOUNTING OFFICER'S DECLARATION

We certify that the attached financial statements have been prepared for the Metropolitan Fire and Emergency Services Board in accordance with Standing Direction 4.2 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 accompanying notes forming part of the financial statements presents fairly the financial transactions during the year ended 30 June 2014 and financial position of the Metropolitan Fire and Emergency Services Board as at 30 June 2014.

At the time of signing, we are not aware of any circumstance which would render any particulars included in the financial statements to be misleading or inaccurate.

We authorise the attached financial statements for issue on 12 August 2014.



Neil Comrie AO, APM  
President  
Melbourne  
12 August 2014



James Higgins ASM  
Chief Executive Officer  
Melbourne  
12 August 2014



Russell Eddington  
Executive Director, Corporate Services  
Melbourne  
12 August 2014

## INDEPENDENT AUDITOR'S REPORT

### To the Board Members, Metropolitan Fire and Emergency Services Board

#### *The Financial Report*

The accompanying financial report for the year ended 30 June 2014 of the Metropolitan Fire and Emergency Services Board which comprises the comprehensive operating statement, balance sheet, statement of changes in equity, cash flow statement, notes comprising a summary of significant accounting policies and other explanatory information, and the responsible persons and chief finance and accounting officer's declaration has been audited.

#### *The Board Members' Responsibility for the Financial Report*

The Board Members of the Metropolitan Fire and Emergency Services Board are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards, and the financial reporting requirements of the *Financial Management Act 1994*, and for such internal control as the Board Members determine is necessary to enable the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error.

#### *Auditor's Responsibility*

As required by the *Audit Act 1994*, my responsibility is to express an opinion on the financial report based on the audit, which has been conducted in accordance with Australian Auditing Standards. Those standards require compliance with relevant ethical requirements relating to audit engagements and that the audit be planned and performed to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The audit procedures selected depend on judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, consideration is given to the internal control relevant to the entity's preparation and fair presentation of the financial report 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 entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the Board Members, as well as evaluating the overall presentation of the financial report.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.



## Independent Auditor's Report (continued)

### *Independence*

The Auditor-General's independence is established by the *Constitution Act 1975*. The Auditor-General is not subject to direction by any person about the way in which his powers and responsibilities are to be exercised. In conducting the audit, the Auditor-General, his staff and delegates complied with all applicable independence requirements of the Australian accounting profession.


### *Opinion*

In my opinion, the financial report presents fairly, in all material respects, the financial position of the Metropolitan Fire and Emergency Services Board as at 30 June 2014 and of its financial performance and its cash flows for the year then ended in accordance with applicable Australian Accounting Standards, and the financial reporting requirements of the *Financial Management Act 1994*.

### *Matters Relating to the Electronic Publication of the Audited Financial Report*

This auditor's report relates to the financial report of the Metropolitan Fire and Emergency Services Board for the year ended 30 June 2014 included both in the Metropolitan Fire and Emergency Services Board's annual report and on the website. The Board Members of the Metropolitan Fire and Emergency Services Board are responsible for the integrity of the Metropolitan Fire and Emergency Services Board's website. I have not been engaged to report on the integrity of the Metropolitan Fire and Emergency Services Board's website. The auditor's report refers only to the subject matter described above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of the financial report are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited financial report to confirm the information contained in the website version of the financial report.

MELBOURNE  
12 August 2014

  
for John Doyle  
Auditor-General

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MFB Headquarters, 456 Albert Street,  
East Melbourne Victoria 3002 Australia.  
Telephone +61 3 9662 2311  
Facsimile +61 3 9665 4244  
[www.mfb.vic.gov.au](http://www.mfb.vic.gov.au)  
ABN 28 598 558 561



