Metropolitan Fire and Emergency Services Board

ANNUAL REPORT 2014-2015

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Safer and more resilient communities

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To provide a world class fire and emergency service for Melbourne and Victorians

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Build a safer community
Achieve organisational excellence

Letter to the Minister

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

Dear Minister,

I have much pleasure in submitting the 2014-15 Annual Report of the Metropolitan Fire and Emergency Services Board in accordance with the *Financial Management Act 1994 (Vic)*.

Yours sincerely

Dr Andi Diamond
President

President's foreword

I feel privileged and honoured to be appointed as the new President of the Metropolitan Fire and Emergency Services Board.

MFB is an organisation with a proud history and it leads the way on emergency management. While new to MFB, I am impressed with the passion and determination of its people. The MFB people I have worked with so far show a keen commitment to community safety and protection. This is an organisation that has a strong ethos of service and I am looking forward to being a part of the Board and leading the organisation into the future.

I'd first like to thank Neil Comrie AO, APM, who as retiring President has worked so hard to take MFB to its current position as a dynamic service organisation delivering world class performance in a complex and demanding environment.

This is an exciting time for MFB with the Victorian Government setting clear goals of recruiting more firefighters, lifting services for the community and diversifying the organisation.

Victoria's emergency services sector is now midway through its Reform Action Plan and both the types of services and the way they are delivered by MFB and our partner agencies are changing markedly.

This is part of the expansion of all-round emergency service roles that will continue as the Government's reforms bed down. For MFB staff it means increasing specialisation and diversity. MFB has always had a tradition of care and support for those affected by disaster and is in a good position to build the skills we need to deliver a broader version of response and recovery.

From what I have experienced of the organisation, I can already say that MFB has the capabilities, knowledge and skills required to take us forward as we add to the absolute imperative of community safety, with a greater focus on community resilience.

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 emergency management.

While there is a need for positive cultural change that can release a greater 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 to the people we serve and protect.

I would like to thank all MFB employees for their work throughout the year. We have a strong management team and a highly qualified Board. I look forward to working with Jim Higgins, the executive leadership team and my fellow Board members. I have the sense that we face a number of complex challenges, but I am confident we have the capability and commitment necessary to deliver outstanding safety outcomes for our community.

Dr Andi Diamond
President

CEO's report

The 2014-15 financial year has been a year of defining change for the Metropolitan Fire Brigade (MFB). The year presented a number of significant challenges, but importantly it also delivered some crucial advances that will position MFB for success well into the future.

While we faced a number of challenges, including a long period of strained workplace relations related to enterprise bargaining, we have made considerable progress during this year in our journey to reposition MFB as a lead organisation in providing an 'all hazards, all agencies' approach to emergency management in Victoria.

Importantly, our work this year has resulted in MFB setting a strong new strategic direction that focuses on our strengths; the importance of working collaboratively with our partners; delivering exceptional services; and, of course, keeping our people safe and returning them home safely every day. These themes will form the basis of our Corporate Plan over the next few years.

Safety is, in fact, at the core of everything that MFB stands for and, while the organisation has made important progress in this area, much more still needs to be done. Critical challenges ahead include the fact that MFB has an ageing workforce and a lost time injury frequency rate that remains very high. It is essential that we achieve significant improvements in this vital area to ensure our people are 'always safe'.

Another area where improvement is required is the systems and tools used by our people. A number of our systems are out-dated and often inhibit our ability to deliver exceptional service. A key area of focus this year has been the identification and planning for improvements that are needed to support a contemporary emergency service organisation like MFB. The community and our people can expect to see key advances in areas such as mobile data and our dispatch technology in coming years.

2014-15 also saw the first full year of operations at the new Victorian Emergency Management Training Centre at Craigieburn. This leading facility provides for MFB and our sector partners an outstanding facility to support the training and development of firefighters and emergency services personnel well into the 21st century. This is an achievement we can all be immensely proud of and I would like to record my appreciation to all of the staff involved in turning this important vision into reality.

Consistent with our proud tradition of service, MFB managed a number of complex incidents this year; from major church fires to factory fires and hazardous materials incidents. The Lacrosse Fire in the Docklands presented a firefighting and community safety incident not previously encountered in Australia. MFB's response to this incident, both to the initial fire and to the subsequent post-incident analysis, gives the community great cause for confidence and demonstrates the incredible expertise that exists right across our organisation.

The past year and our future direction are strongly driven by sector reform and the driver to be an agency that can respond to all hazards, anywhere and at any time. MFB has the skills and resources to be a significant influence on successful collaboration and interoperability between agencies for the benefit of the entire Victorian community.

I would like to take this opportunity to acknowledge the fine work that has been done by people from across every part of MFB over the course of this year. Our firefighters do an outstanding job of supporting the safety of Victorians each and every day. They are supported by our hardworking corporate and workshop staff who are fundamental to making sure that our frontline firefighters are able to deliver their services 24 hours a day, seven days a week. It is this commitment that will ensure that MFB continues to deliver world class emergency services to Melbourne and Victorians in the years ahead.

Jim Higgins ASM
Chief Executive Officer

About us

WHAT WE DO

Our 2220 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 an area of over 1,000 square kilometres. Our significant resources can also be called on to support emergency management anywhere in Victoria. In addition, specialist operational support is provided across Australia and internationally as required.

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.

OUR VALUES

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
- aims for continuing, measurable improvement in our workplace culture

MFB upholds the Victorian Government Public Sector Values:

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

OUR WORK

MFB works to the prevention, preparedness, response and recovery model.

Prevention

MFB aims to eliminate or reduce the incidence or severity of emergencies. Activities can be physical or legal measures, such as Total Fire Ban days or requiring smoke alarms in premises. MFB works with the community, other emergency management agencies, government and the private sector to ensure the knowledge, behaviours and regulatory and legislative frameworks exist to protect life and minimise injury and damage to assets.

Preparedness

MFB works to ensure that should an emergency occur, individuals, communities, resources and services are able to cope with the impact. Preparedness activities include ensuring response plans and arrangements are in place before emergencies occur. This may include conducting assessments of risks (likelihood and severity), 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 support. MFB delivers a highly skilled response to about 37,000 calls each year, including 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 assist their social, economic and physical wellbeing. MFB works with its partners and government to ensure that the community and its key resources are protected and assisted to recover following an incident.

About us

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.

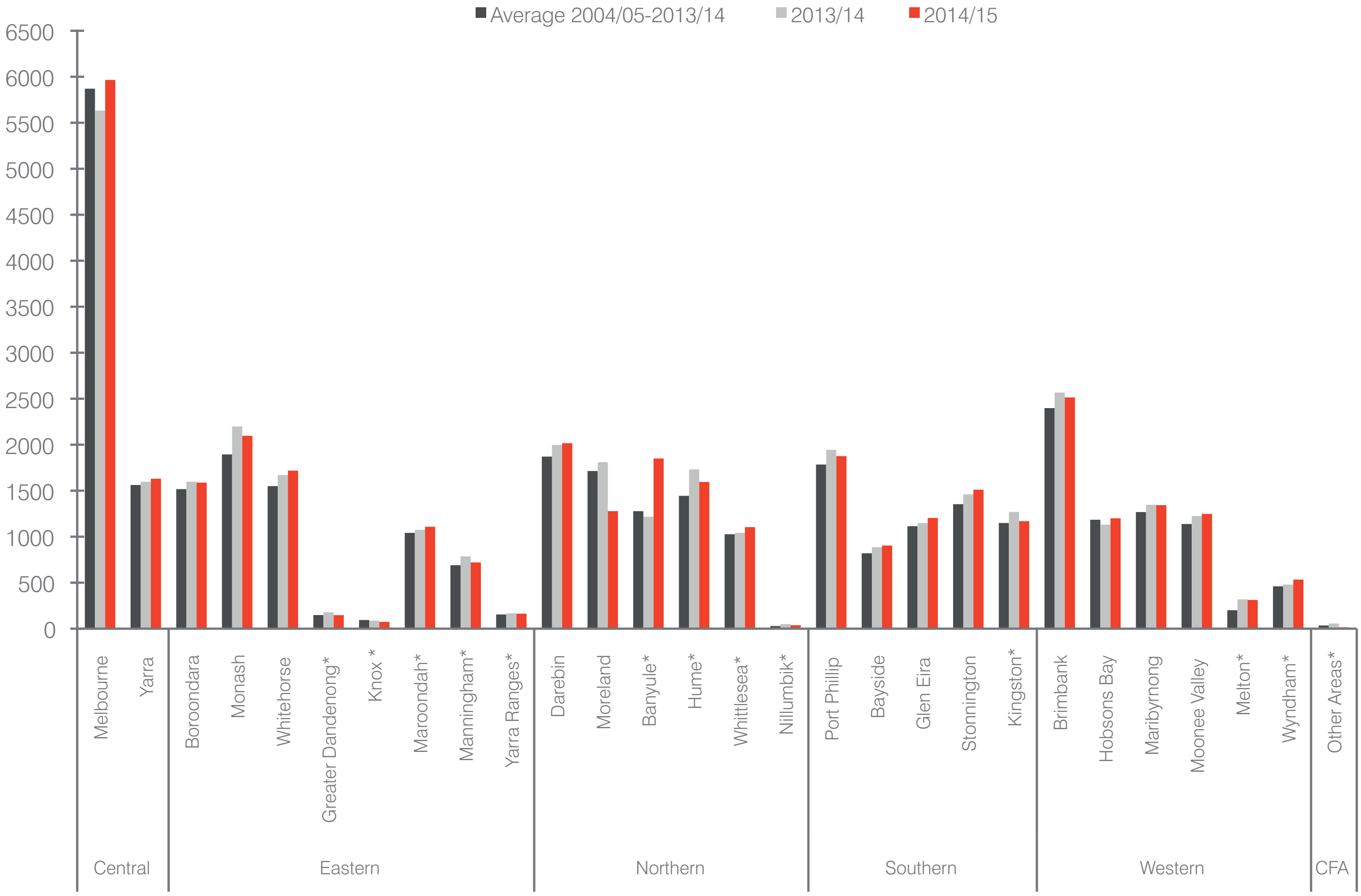
Our regional model supports MFB's role in the State Control Centre and regional control centres, with regional controllers from all agencies working together on emergencies in their areas of responsibility.

MFB Region and District Structure for Response

MFB will also respond beyond the Metropolitan District

Number of calls by Local Government Areas (Metropolitan District and Country Fire Authority areas)

2004/05 - 2014/15



Note: This chart shows all calls attended by MFB. Local Government Areas crossing the Metropolitan District boundary are denoted by a star (*).

The Board

Dr Andi Diamond
President

Appointed May 2015
Appointed President May 2015

Andi is the Chief Executive of Monash Council, one of Victoria's most populous municipalities, where she has been for three years. In this role she oversees a $160 million budget and a workforce of 770 equivalent full time staff. Prior to her current role she served as CEO of Yarra Council for four years. She holds a BA Social Work, Master of Business Administration and a Doctorate of Business and Graduate of the Australian Institute of Company Directors.

Andi started her career as a social worker, working as part of Victoria's first sexual assault team. She went on to train both child protection workers and Victoria Police officers in interview techniques.

Her career in local government grew after Andi took on manager and director roles at Boroondara Council, Shire of Melton and Monash Council.

Andi is Deputy Chair Regional Development Australia Melbourne East Committee.

Ken King
Deputy President

Appointed July 2008
Appointed Deputy President July 2011

Ken served as a member of the CFA Board from 2003 to 2012 and had 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 and in Australia with the Transfield Group, as CFO/ Finance Director of Yallourn Energy Ltd, and the National Electricity Market Management Company. She then moved into financial services and became CEO of a national not-for-profit organisation.

Jay now serves as a professional non-executive company director on a number of boards, including Utilities of Australia and the Australian Rail Track Corporation. In addition, she serves on several community boards, including as Deputy Chair of The Lord Mayor's Charitable Foundation and Deakin University Council. She is on the Advisory Board and is Independent Chair of the Audit/ Risk Committee of the Salvation Army's Southern Territory.

David Purchase OAM
Board Member

Appointed July 2011

After graduating with a law degree from Melbourne University in 1972, 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 served as Executive Director of Victorian Automobile Chamber of Commerce (VACC) from 1997 to 2014. 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.

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 non-executive director of Burson Group Limited, Victorian Managed Insurance Authority, VicForests, Yarra Valley Water, Good Shepherd Australia New Zealand and a trustee director of WA Super. 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. 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.

Stuart Alford
Board Member

Appointed September 2013

Stuart joined the MFB Board 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. Stuart is a fellow of the Institute of Chartered Accountants in Australia and a member of the Australian Institute of Company Directors.

Lieutenant General (Retired)
Des Mueller AO
Board Member

Appointed to the Board July 2014

Des served as an Australian Army officer for more than 37 years after graduating from the Royal Military College, Duntroon in 1964. As a senior officer he filled a number of command, force development and logistic appointments. These included Director General Force Development (Land), General Officer Commanding Logistic Command and Commander Support Australia after the merger of Navy, Army and Air Force logistics. In 2000, he was promoted to Lieutenant General and became Vice Chief of the Defence Force until his retirement in 2002.

Des was appointed a Member of the Order of Australia (AM) in 1993 and was appointed an Officer of the Order of Australia (AO) in 1998.

Since retirement he has been involved in part time activities including as an Adjunct Professor at the University of Canberra and La Trobe University. He is a former member of the Serco Asia Pacific Strategic Advisory Group and the Victorian Defence Industry Advisory Council. During 2003-2009 he lectured in strategic leadership and strategic management at the Australian Defence College.

Retired Members

Neil Comrie AO, APM
Former President

Appointed President June 2010

Neil brought significant emergency management experience to MFB. 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 the eighteenth Chief Commissioner of Victoria Police. He retired in 2001. Neil served as 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 – Victoria Floods Review. He has undertaken various sensitive and significant inquiries and projects on behalf of the Commonwealth and Victoria Governments, and internationally, and was appointed as the Hazelwood Mine Fire Inquiry Implementation Monitor in October 2014.

Neil retired from the Board 17 December 2014.

John Lord AM
Former 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 and corporate governance advice to the commercial sector, specialising in international relations, government business and the maritime industries. He served with the Royal Australian Navy for more than 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.

John retired from the Board in July 2014.

Executive Leadership Team

MFB comprises seven directorates and an office supporting the CEO.

Chief Executive Officer
Jim Higgins ASM

Chief Officer
Peter Rau

Executive Director Emergency Management
Deputy Chief Officer Paul Stacchino

Executive Director People and Culture
Danielle Byrnes

Executive Director Corporate Services
Russell Eddington

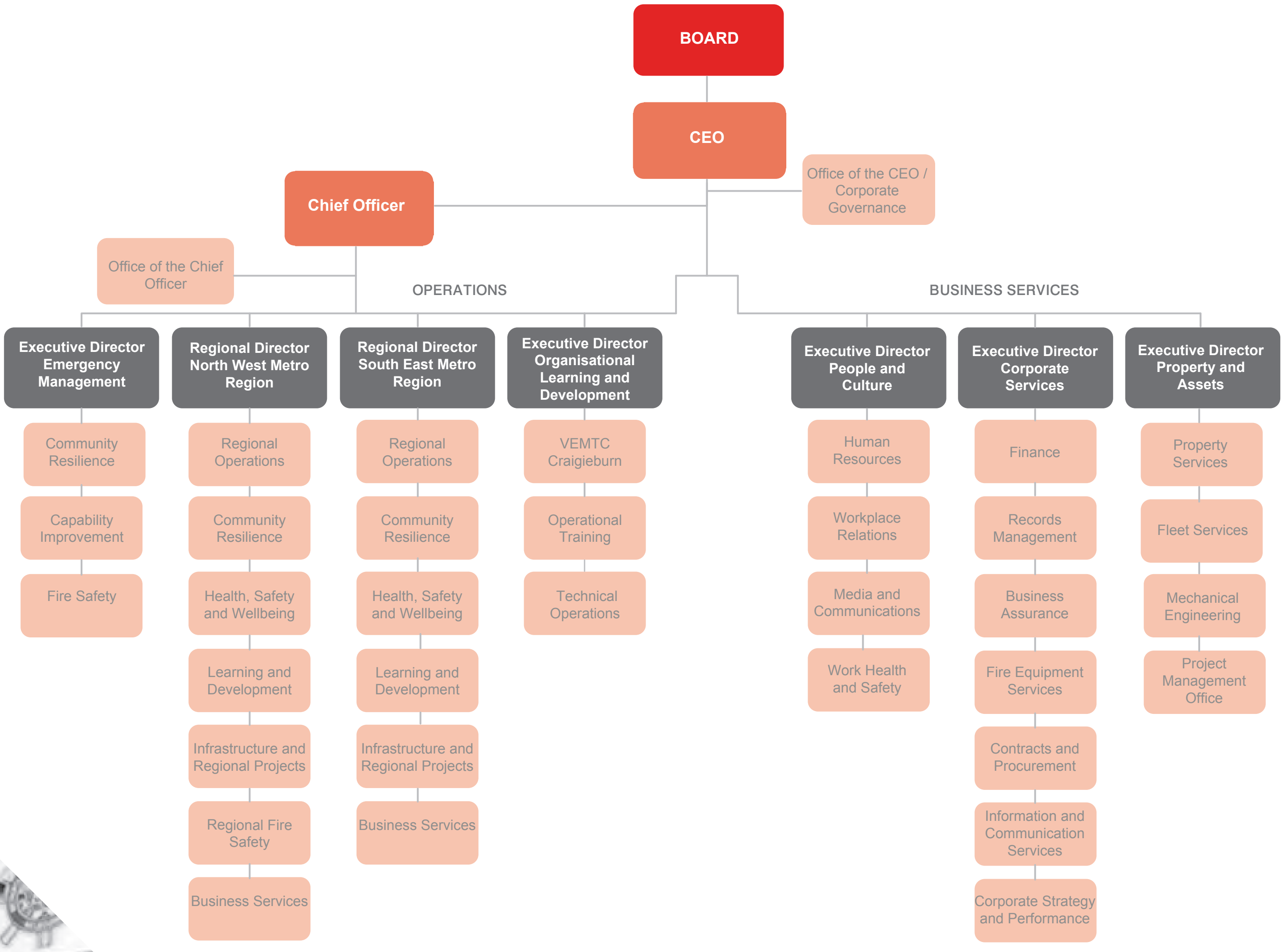
Executive Director Property and Assets
Craig Lloyd

Executive Director Organisational Learning and Development
Deputy Chief Officer Greg Leach

Regional Director North West Metro Region
Deputy Chief Officer David Youssef

Regional Director South East Metro Region
Deputy Chief Officer David Bruce

Organisational structure



Our performance

MFB contributes to the Victorian Government's Budget Papers within the Emergency Management Capability output. This forms part of the Department of Justice and Regulation's State's Fire and Emergency Services Output Group. The Budget Papers report state-wide performance.

MFB sets additional performance measures to those outlined in Budget Paper 3 in our Strategic and Business Plan 2011 – 14. The measures (key performance indicators) 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.

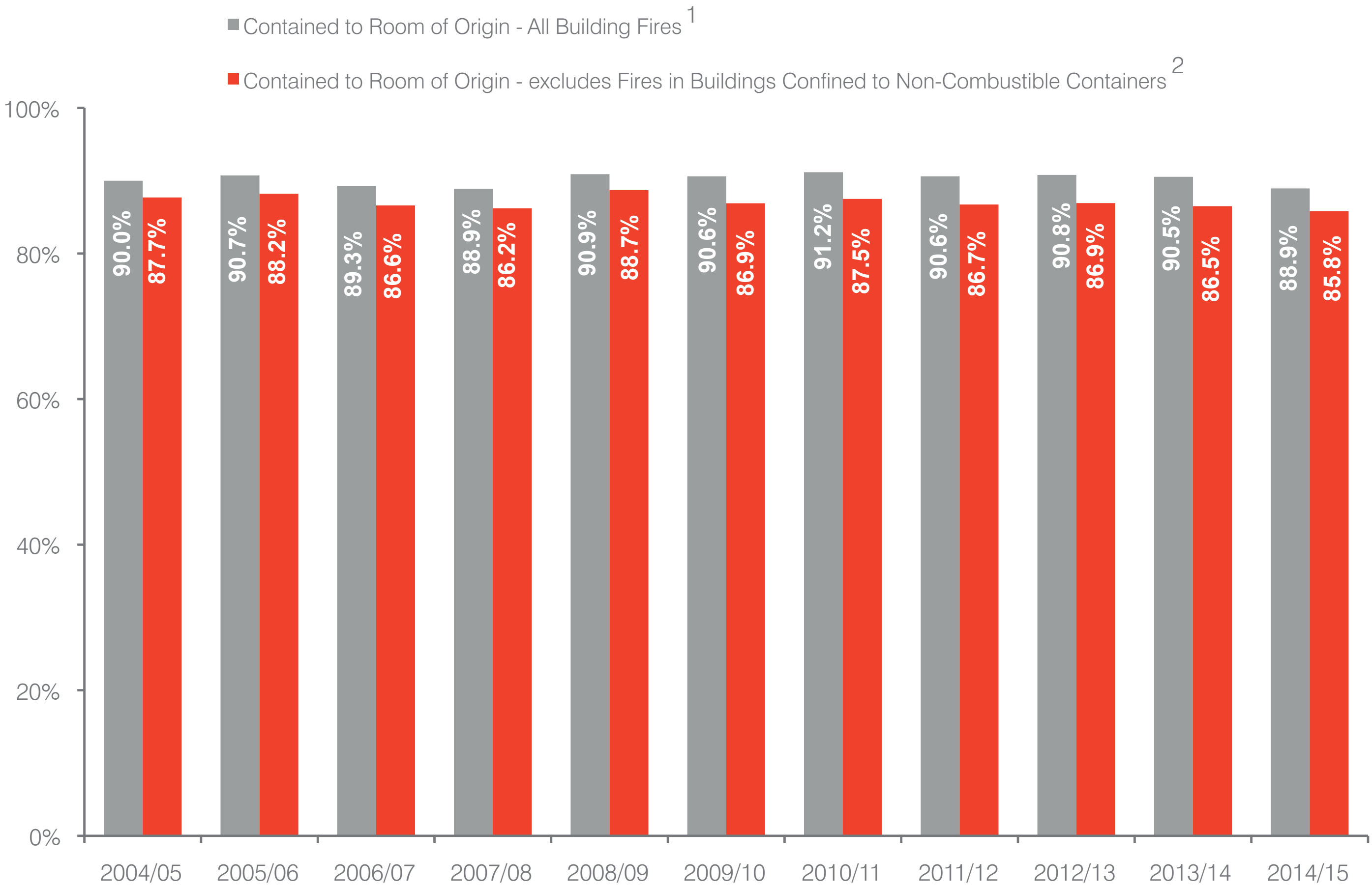
Table 1

Major Outputs/Deliverables		2014-15 Target	2014-15 Outcome	Notes
Performance Measures	**Unit of Measurement**			
KPI 1 - Reduce the number of fires per 100,000 population	Per cent change from previous year	-2%	-8%	
KPI 2 - Minimise residential structure fires per year with no smoke alarm present	Per cent	13%	14%	
KPI 3 - Targeted interactions with senior Victorians living independently in their homes	Number	3200	3736	
KPI 4 - Meet Budget Paper 3 targets	Per cent	100%	63%	
KPI 5 – Capital program within forecast budget	Per cent	100%	90%	
KPI 6 - Operating costs within government benchmark	Per cent	100%	98%	(4)
KPI 7 – Complete scheduled skills maintenance drills	Per cent	90%	96%	
KPI 8 - Reduce lost time injury frequency rate (LTIFR) by 2 per cent	Number	40	37.5	(3)
KPI 9 - Risk assessments and OHS inspections completed	Per cent	100%	140%	
KPI 10 - Unplanned leave taken*	Hours per FTE	120	141	
BP3 (1) - Permanent operational staff	Number	1845	1877	(2)
BP3 (2) - Permanent support staff	Number	340	339	(2)
BP3 (3) - Road crash rescue accredited brigades/units	Number	5	5	
BP3 (4) - Level 3 Incident Controller trained staff	Number	80	85	
BP3 (5) - Structural fires contained to room or object of origin (excluding fires in buildings confined to non-combustible containers)	Per cent	90%	86%	(1)
BP3 (6) - Emergency response times meeting benchmarks - structural fires (7.7 minutes)	Per cent	90%	88%	
BP3 (7) - Emergency response times meeting benchmarks - road accident rescue response (13.5 minutes)	Per cent	90%	88%	
BP3 (8) - Emergency response times meeting benchmarks - emergency medical response (9.2 minutes)	Per cent	90%	94%	

(1) 80% is the state-wide target. MFB performance is consistently higher than the state-wide target.
(2) Staff numbers were provided to Emergency Management Victoria for 2014-15 of 1,860 operational staff and 360 support staff. However, MFB uses budgeted headcount for internal targets of 1,845 operational staff and 340 corporate staff.
(3) MFB has historically calculated LTIFR using planned hours plus overtime. This method has included all leave that has been taken. This has resulted in an overstatement of hours worked and therefore an understatement of the LTIFR by approximately 25 per cent in previous years. From 2015-16, MFB will use this revised methodology for LTIFR.
(4) MFB achieved a comprehensive operating result surplus of $2.509m in 2014-15.
* Operational staff only.

Table 2: Containment of Structure Fires to the Room of Origin

2004/05 - 2014/15



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

MFB service delivery

In 2014-15 MFB attended 36,918 callouts in the Metropolitan District, as well as providing support to other agencies on bush and grass fires outside the district. This total number was the highest in the past ten years and is a reflection of Melbourne's growing population.

MFB attended 36,923 calls in 2014-15; an increase of 0.7 per cent compared to 2013-14.

The increase was driven by increases in emergency medical responses (four per cent), false alarms (three per cent), rescues and other medical assistance (eight per cent) and service calls (three per cent).

These increases were partially offset by decreases in fires and explosions (minus five per cent), hazardous conditions (not a fire) (minus four per cent) and calls to CFA areas (-12 per cent).

There were three preventable fire-related deaths in 2014-15, compared with five the previous year and the 10-year average of 6.1 (see Figure 4).

The emergency medical response (EMR) program continues to grow with a total of 4978 incidents where MFB assisted Ambulance Victoria. MFB also performed 3763 rescues and other medical assistance in 2014-15.

A number of incidents required a large MFB response and a prolonged allocation of resources. Figure 5 illustrates the type and number of major incidents classed as third alarm and above. A first alarm incident normally involves two appliances. This increases incrementally. A fifth alarm involves specialist appliances and senior command.

Figure 1: Number of calls attended **2004/05 - 2014/15**

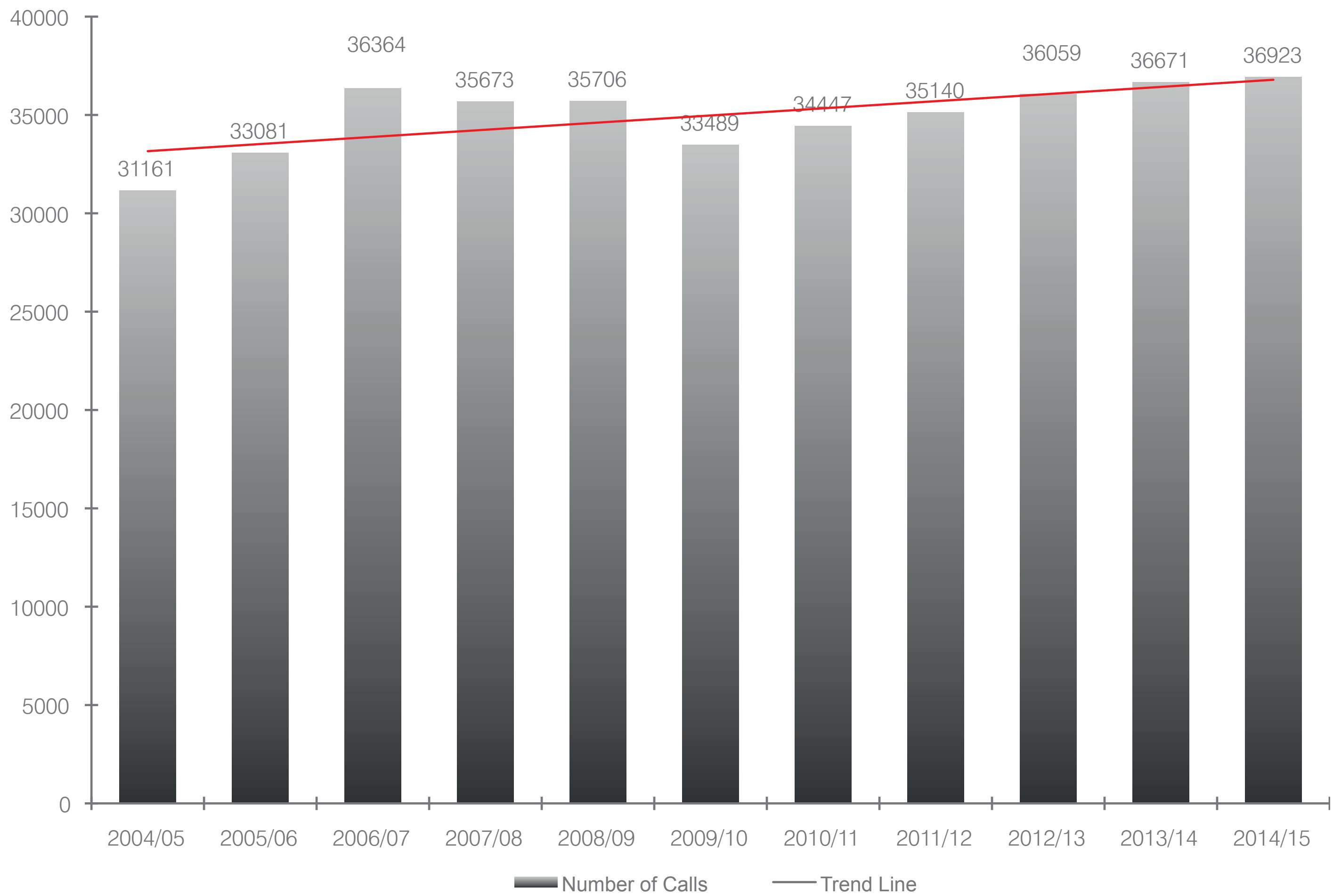
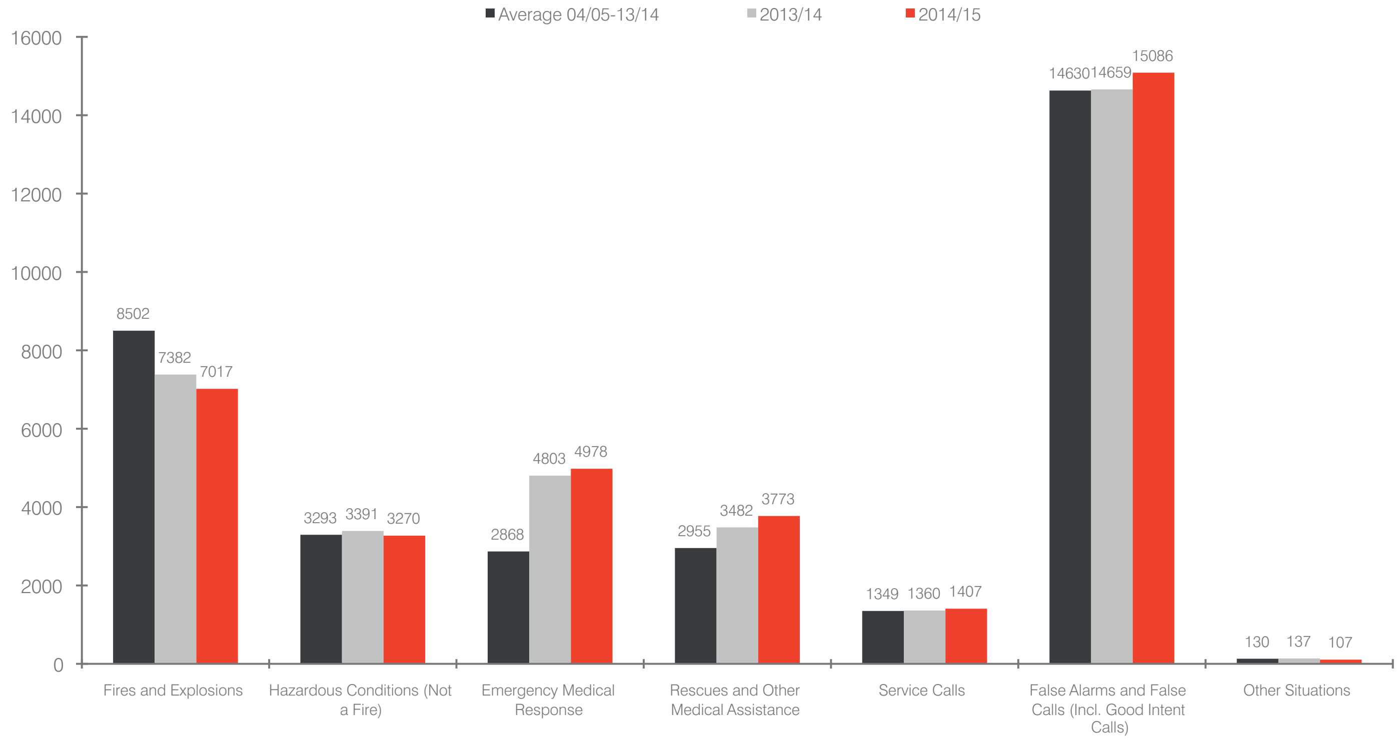
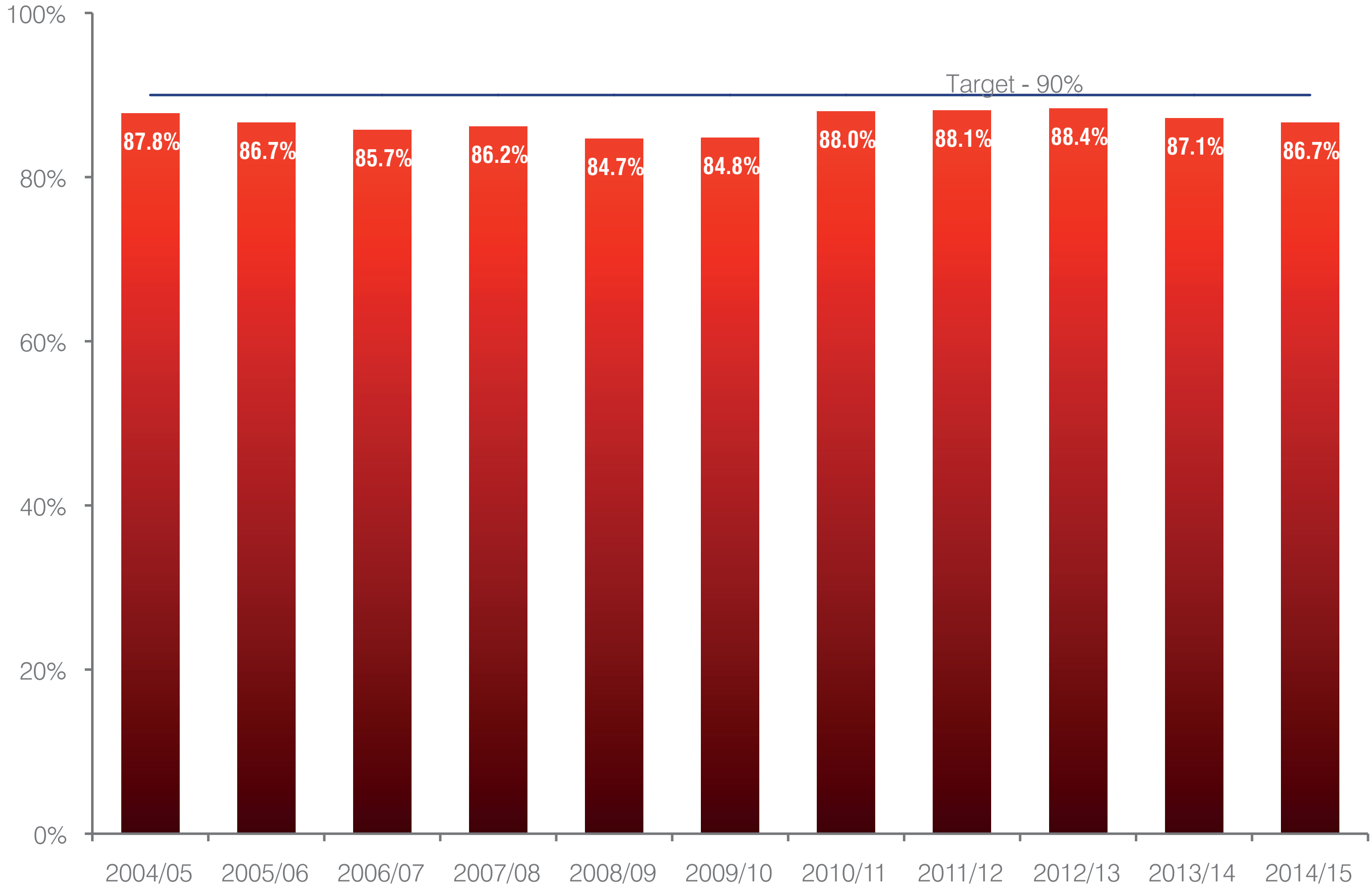


Figure 2: Breakdown of Calls Attended by Type of Incident (MD only) 2004/05 - 2014/15



Australasian Incident Reporting System data was affected by Industrial Bans Sep'05, Jan-Mar'06 (this does not affect the total number of incidents reported but dis

Figure 3: Emergency Response Times Meeting Benchmarks **2004/05 - 2014/15**



Note: Numbers have been slightly revised based on previous years - a correction in the calculation has been made following the Victorian Auditor - General's Office audit of response times

Figure 4: Preventable Fire-related Fatalities **2005/05 - 2014/15**

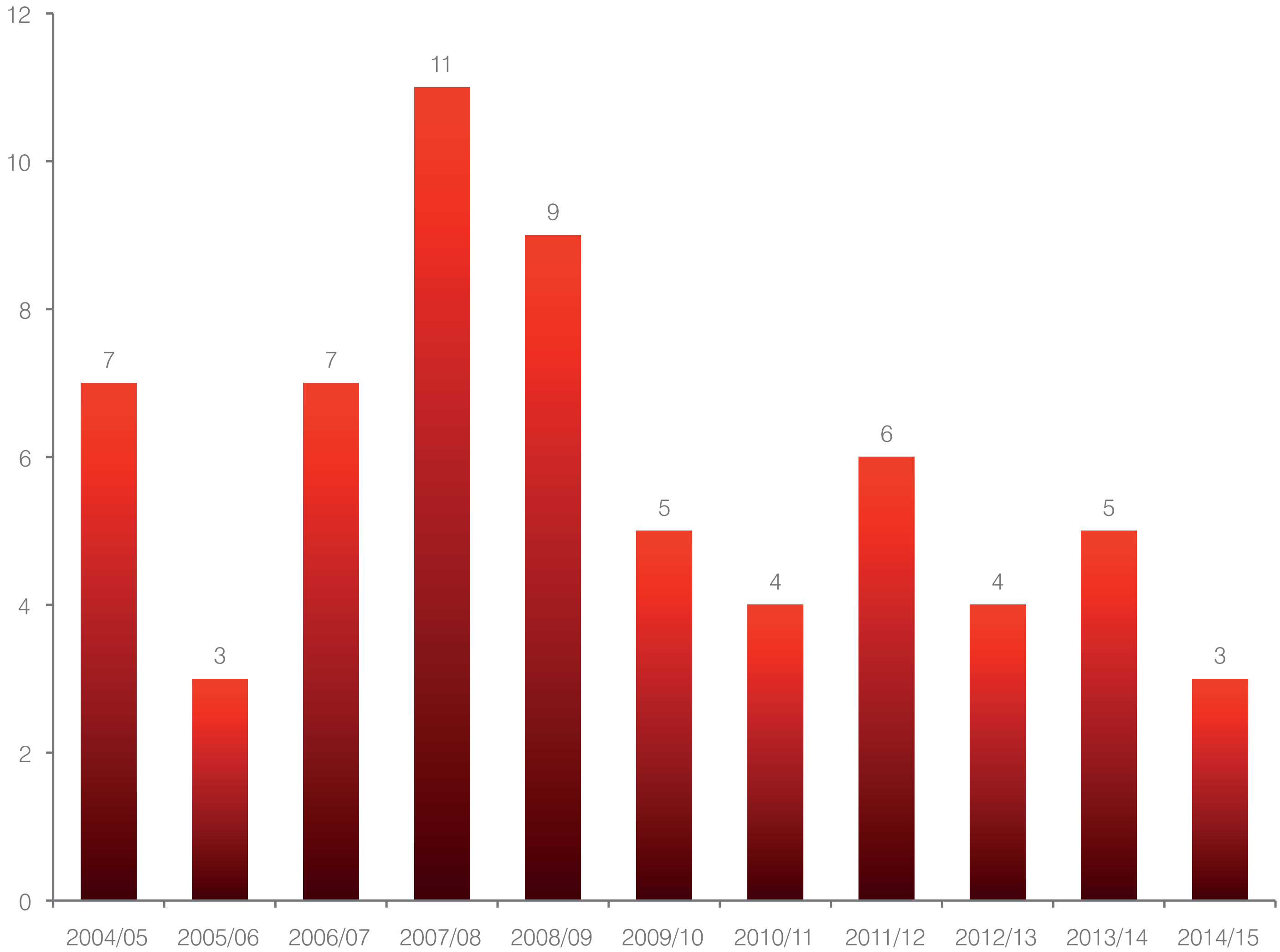
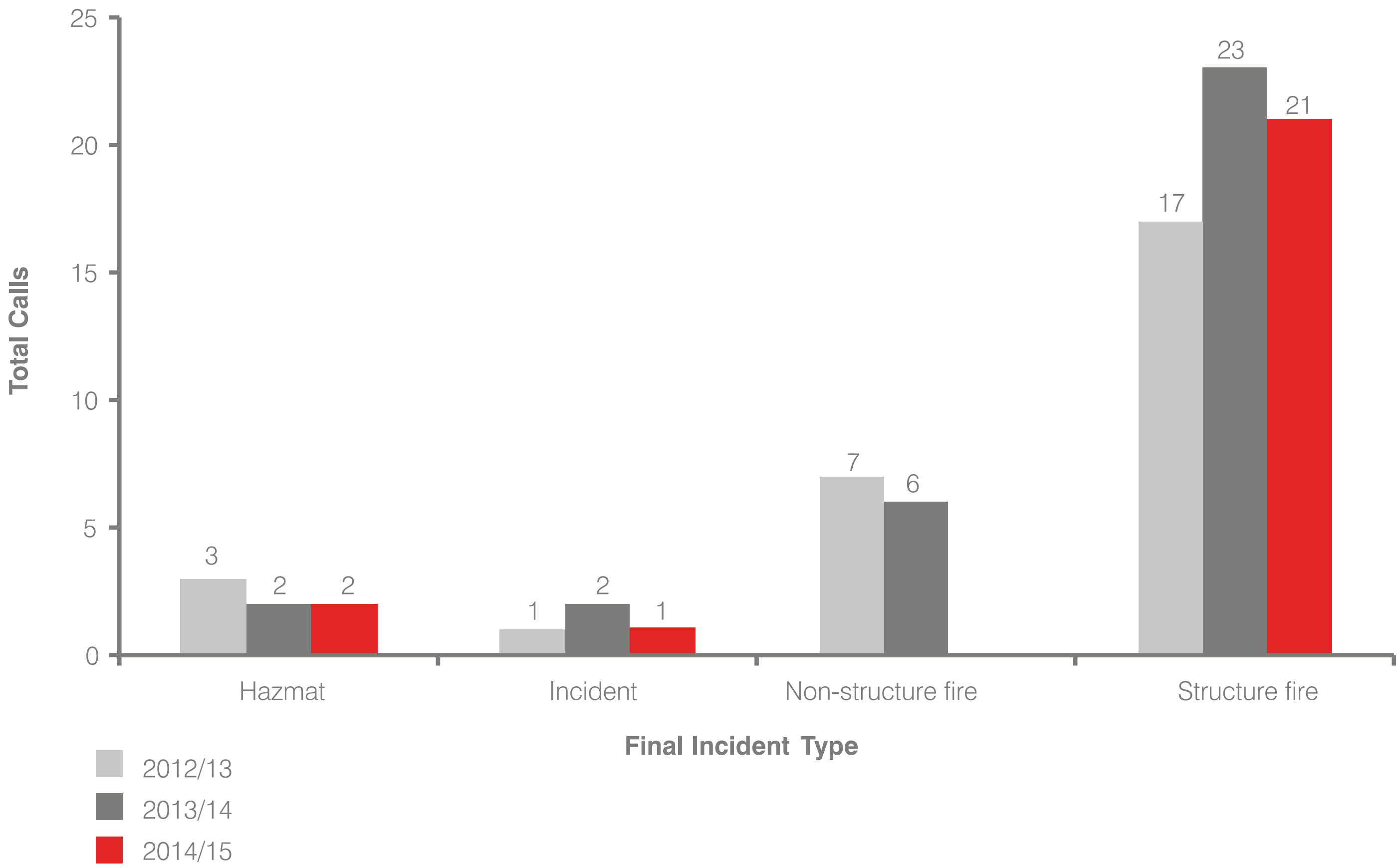


Figure 5: Level 3 and above Alarms attended by the MFB in the MD **2012/13 - 2014/15**



*This chart only displays calls that were determined to be third alarm or greater during the incident. Last year's chart included incidents with a similar response profile to third alarm incidents.

Significant incidents

The following incidents show the breadth of services provided by MFB and the complexities of the challenges presented.

Suspicious fires in North Fitzroy and Port Melbourne

On Sunday 6 July 2014 a suspicious fire occurred at the former Il Globo Italian newspaper office in North Fitzroy. The unoccupied two-storey building, which was due to be demolished, suffered extensive damage. Special asbestos procedures were enacted for the safety of crews and the community. A Community Warning was issued due to the large pall of smoke produced.

On Sunday 14 September 2014 firefighters attended a fire near Station Pier, Port Melbourne, which caused an estimated $1 million damage. More than 20 appliances and 70 firefighters worked both from the air and on the ground to stop the fire from spreading. One firefighter sustained minor injuries due to the collapse of the ceiling and received treatment on scene from Ambulance Victoria.

Hazardous materials incident at Chadstone Shopping Centre

On Friday 26 September 2014 firefighters and police were called to the Chadstone Shopping Centre after shoppers reported a strong smell of gas. Construction works had ruptured a large gas main in the car park. Crews created an exclusion zone, evacuating 1500 people. Hazmat specialists maintained continual air monitoring to ensure responder and community safety. Three people experiencing dizziness were treated by Ambulance Victoria.

Two Laverton North factory fires

More than 60 firefighters battled a blaze at a paper factory in Laverton North on Sunday 28 September 2014 when a large stack of paper rolls, weighing approximately 2.5 tonnes, caught fire. MFB and CFA crews took three hours to control the fire, initially with 20 fire trucks dispatched to the factory and MFB firefighters monitoring it from a police helicopter. High winds blew embers and smoke towards homes around Altona, prompting a Community Warning. Workers from six factories were evacuated following fears of exposure, but the fire was prevented from spreading to the factories. MFB also used its newly-commissioned Unmanned Aerial Vehicle to help remotely determine the spread of the fire and detect any 'hot spots' within the nearby stacks of paper.

The following Tuesday, 30 September, a call was received to a large pile of wooden pallets on fire at a commercial premises in Laverton North. A 30 x 15 metre stack of pallets was totally involved in fire, threatening a large storage warehouse. This fire, which MFB investigators believed was started by a discarded cigarette, was also fuelled by strong winds. Large volumes of smoke prompted a Community Warning. Fifty-five firefighters took 50 minutes to control the fire, which destroyed five forklifts and severely damaged the warehouse wall.

Lacrosse, Docklands Fire

On 25 November 2014 MFB firefighters were challenged in a way that firefighters had not previously experienced in Australia with a fire at the Lacrosse Apartments in the Docklands.

The fire was a rare and challenging incident for MFB, in part due to the demands placed on our people by the extraordinary speed and vertical travel of the fire. It spread from the sixth floor all the way to the twenty-first floor in a matter of minutes.

MFB safely evacuated the entire building and was instrumental in providing care for more than 400 people in the adjoining Etihad Stadium.

Following the fire, many weeks were spent examining the cause of the fire and the contributing factors, including the combustibility of the external cladding. In late April MFB released its post-incident analysis.

MFB is now working with a number of authorities, including the Victorian Building Authority, the City of Melbourne and the Australasian Fire and Emergency Services Council, to ensure that as much as possible can be learnt from the fire.

MFB believes the fire was a significant incident with national implications and subsequently requested the Victorian Coroner conduct a formal investigation to investigate the following areas:

- the origin and circumstances of this fire;
- the external cladding used, its compliance with Australian standards and related issues about the type, flammability and regulation of this cladding and similar products in construction proposals requiring Type A construction;
- options for improving fire safety in buildings where such cladding has been used, including retrofitting another form of cladding, improved fire suppression systems and research into improving the fire safety of the existing products in use;
- the role of building surveyors, the building industry and the Victorian Building Authority including clarity of their respective roles and duties, and what would represent appropriate regulatory practice to ensure risk issues are appropriately addressed and regulated; and
- fire safety systems for Class 2 buildings including whether amendment of AS25118.1 to increase sprinkler protection on balconies is desirable.

MFB has also asked the Coroner to look at occupancy levels in high-rise apartments as they relate to fire safety and occupational health and safety for firefighters.

MFB is partnering with the Australasian Fire and Emergency Services Council in communicating the lessons learnt from this fire with emergency services and building practitioners though the capital cities of Australia.

As a result of the MFB investigation and actions the Federal Government Senate announced an inquiry into non-conforming building products. The inquiry, due to report by 12 October 2015, will investigate the reasons for the proliferation of materials in the building chain which do not meet local standards, or which may conform but are used inappropriately.

Two significant church fires

Between October 2014 and March 2015 there were four church fires in Melbourne, three of which occurred over a period of 48 hours.

On Saturday 18 October, firefighters attended St Jude's Church of England, Carlton. The deliberately-lit fire involved the basement and roof of the recently renovated heritage-listed building. Forty-six firefighters fought the blaze, evacuating uninjured residents of the adjoining house. The damage bill was estimated at $500,000.

On Monday 30 March, crews were called to a suspicious fire at the heritage-listed 123-year-old bluestone and sandstone-walled St James Church in Brighton. Due to fear of a wall collapsing, MFB firefighters fought the fire externally and used an aerial appliance to extinguish the fire. The fire produced significant embers and firefighters worked to prevent the fire spreading to neighbouring houses and gardens. The church was largely destroyed.

Emergency Medical Response (EMR) activity for 2014-15

Demand for MFB's Emergency Medical Response service remains strong. During the past year MFB crews responded to 7190 EMR calls. In 2013-14 this figure was 7176 and 5745 in 2012-13. Of this total, crews arrived on scene and assisted Ambulance Victoria at 4978 calls compared to 4803 calls in 2013-14.

Sixty patients were transported to hospital after MFB arrived first on scene and provided cardiopulmonary resuscitation (CPR) and defibrillation with Ambulance Victoria. Of these, 15 patients were confirmed "full recovery" and left hospital, an increase from two patients in 2013-14. Twenty-six patients' conditions were unconfirmed due to privacy laws compared to 27 patients in 2013-14.

MFB also assisted Ambulance Victoria with CPR on another 145 occasions that resulted in the patient being transported to hospital, up from 133 in 2013-14.

Goal 1 - Engage our people

This is the first goal from the MFB Corporate Plan for 2014-15. Our passionate staff members enable MFB to provide our world class emergency services to the state of Victoria. MFB strives to build a respectful and achievement-oriented culture, a safe workplace and an agile and engaged workforce.

Work health and safety

MFB works to reduce the number and severity of health and safety incidents using systems and programs to achieve better outcomes.

There was a 13.7 per cent reduction in the number of WorkCover claims compared to the previous year. However 322 claims is excessive. MFB's weighted industry rate for workers' compensation is 1.6947. This means our performance is 69.47 per cent worse than the Victorian emergency service sector's performance.

MFB has approximately nine per cent of its operational workforce at any time (160 employees) on WorkCover or long-term sick/injured. Return-to-work program results have improved over the past year, with employees returning to work on alternate duties more quickly following injury and illness. MFB has continued to utilise proactive strategies such as the Keiser Functional Rehabilitation Program and early physiotherapy treatment to assist employees with returning to, or remaining at, work.

MFB has achieved a 14 per cent reduction in the number of lost time injuries, with an overall reduction in the total number of days lost. The severity rate, which means how many days absent from work, has increased by 0.8 days (3.1 per cent increase) when compared with 2013-14. Our Lost Time Injury Frequency Rate *(LTIFR) is unacceptably high at 37.5 lost time injuries per million hours worked. MFB has set itself a target of reducing this by 25 per cent over the 2015 -18 corporate plan period.

Knee, lower back and shoulder injuries remain the most prevalent. There is a focus on ensuring that all appliances, equipment and process improvements consider the OH&S implications and strive to have the best available controls for the safety of our staff and the community.

The past year has also seen the development of a targeted 'Top 5 hazard priority program' which aims to reduce the injuries caused by the most prevalent hazards by creating awareness and implementing higher order controls.

Additionally, a range of programs and services designed to support and enhance the physical fitness and psychological resilience of our workforce has been provided. The roll-out of the 'Active for Life' program has continued to promote greater self-awareness of the risks of ageing and sedentary lifestyles and has contributed to an increase in voluntary uptake of other services.

The health and wellbeing team has continued the delivery of comprehensive activities addressing the mental health and resilience of our employees. This year has seen an increased focus on resilience training and education. MFB Employee Support has highlighted an increased need to raise awareness and understanding about post-traumatic stress and critical incident stress management.

**LTIFR is the number of injuries that have incurred the loss of a complete shift/workday per one million hours worked.*

During 2014 - 15 the methodology was amended to remove the leave hours from LTIFR calculation.

WorkCover and injury data

Year	Claims	Days lost	Number of lost time injuries	Severity rate (Average number of days lost per lost time injury)
(days lost per injury)				
2014-15	322	4852	189	25.7
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

Always Safe

The safety of our staff is MFB's first priority and the organisation is constantly looking to improve our health and safety performance.

The Working Safely Framework has been the primary plan for improving health and safety performance since 2013. In an effort to accelerate the rate of improvement, a refreshed plan called the *Always Safe* Action Plan commenced in July 2015, with the aim that everyone always returns home safe.

This three-year transformation plan is focussed on whole-of-organisation improvement and has a suite of safety projects to:

- further develop leaders and organisational behaviours;
- refresh the management system to provide greater organisational learning; and
- deliver health and wellbeing programs to ensure we have a resilient workforce.

A culture of communication

With a clear organisational emphasis on valuing our people and creating a collaborative culture, MFB has established a communications plan that will help tell our story to internal and external audiences. At the core of this plan is an approach that uses the way we communicate to improve employee engagement, as well as the content of what we communicate.

MFB will continue to communicate its purpose, changes and achievements more consistently. We are equipping our senior leaders with the skills and tools they need to communicate the organisation's direction and achievements through face-to-face engagement. Externally MFB is taking a more proactive role as a leading voice in the community on safety.

Leadership development

Phase Two of the MFB Senior Leadership Program, which concluded in October 2014, built significant group cohesion and engagement in our senior leaders. Action Learning projects, were undertaken, focusing on the themes of Trust, Moral Courage, Accountability and Communication. Participants chose four priority projects critical to their performance as a senior team of people leaders within MFB: a) synergy - better interaction and understanding between operational and corporate areas of MFB; b) continuous improvement – introducing a processes and system improvement focus; c) communication – skills to tell the story about MFB and the case for change; and d) accountability – embedding and rewarding leadership and personal accountability. All four projects contributed to building our desired organisational culture and promoting constructive behaviours. In the next 12 months MFB will build on this success through the development of a middle level leader program.

MFB is measuring its cultural development using the Organisational Culture Inventory, as well as participating in the Victorian public sector's People Matter Survey which allows us to track employee engagement and satisfaction.

Professional development
MFB regularly reviews its learning programs against identified needs and adapts its suite of in-house learning and development courses. The most successful course continues to be the Retirement Readiness Seminar, which aims to raise participant awareness and confidence in transitioning into their next life phase.

MFB also continues to offer an extensive range of post graduate courses and further education opportunities for its staff in the emergency services sector and beyond.

Paypoint progression 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. Seventy-eight per cent of corporate and technical staff now have performance plans in place, a positive result given that the scheme has only been in place for two years. Strong business partnering and online resources have driven the high uptake. Recent People Matter Survey results show that MFB staff reported on average a 20 per cent increase on the previous year in both informal and formal performance feedback from their manager. Performance plans for operational staff remains a matter for enterprise bargaining.

Table - Honours and awards
• Commander Graeme Gant - Australian Fire Service Medal, Australia Day Honours
• Station Officer Paul Rowe - Australian Fire Service Medal, Queens Birthday Honours
• Leading Firefighter Stephen O'Malley AFSM - Chief Officer's Scholarship 2014 for establishing an integrated approach for emergency services to prevent violence against women
• Station Officer Timothy Wadsworth - Chief Officer's Scholarship 2014 to research how Unmanned Aerial Vehicle technology can improve intelligence gathering and situational awareness at incidents
• Fire Station 30 C Platoon – CEO's Special Recognition Award 2014 for their outstanding achievement in the areas of team work, community service and leadership within the emergency services sector
• Station Officer Rodney Egglestone - CEO's Safety Award 2014 for fostering leadership in building the safety culture and improving the mental health and wellbeing within MFB
• Rehabilitation Officer Chloe Henderson - CEO's Commendation for providing life-saving first aid to a woman experiencing a seizure in the CBD
• Leading Firefighter Robert Lambert, Leading Firefighter Robert Wilcox, Leading Firefighter Stefan Larsson, Leading Firefighter Raymond Carr and Leading Firefighter Bart Williams (who tragically passed away earlier in 2014) - Chief Officer's Commendation in recognition of the professionalism and actions that were demonstrated by the MFB members on scene in the successful High Angle Rescue of a person from a disused gold mine at Diamond Creek
• St Albans Fire Station 41 C Platoon – Station Officer Dean Opie, Leading Firefighter Ross Wenlock, Leading Firefighter Robert Thomas and Firefighter Michael Poore - Chief Officer's Commendation for their heroism, saving a Melbourne family from their deliberately lit burning home
• Commander George Arnold, Station Officer Anita Carlin, Senior Station Officer Greg Plier, Station Officer Matt Burr, Leading Firefighter Wayne Hammond, and Patrick Slavich (structural engineer) - Humanitarian Overseas Service Medal for being part of the Victorian contingent that participated in Australia's response to the devastating Christchurch earthquake of 2011
• Victorian Emergency Management Training Centre (VEMTC) Craigieburn - Project of the Year, the Victorian Australian Institute of Project Management Project Management Achievement Awards
• Victorian Emergency Management Training Centre (VEMTC) Craigieburn - Construction/Engineering in Excess of $100,000, the Victorian Australian Institute of Project Management Project Management Achievement Awards
• Smoke Alarms – Advocacy and practice for 'at risk' groups - 2014 Fire Awareness Awards Aged and Disability Award
• Eastern Metro Burmese Communities Fire Engagement Project, collaboration including MFB - 2014 Fire Awareness Awards Multicultural Award
• Leading Firefighter Andrew Wood - Victoria Police Citizen's Commendation in recognition of his assistance and response in administering first aid to police members injured in an explosion in Middle Park
• 2014 Safe Mistakes Zone campaign (MFB and CFA) - Association of Public-Safety Communications Officials Australasia (APCO Australasia) Communications Award for outstanding dedication and implementation of emergency management communication was received on stage by MFB's Meg Rayner and CFA's Chris Barber

Promotions	
Deputy Chief Officer	1
Commanders	10
Station Officers	25
Leading Firefighters	44

Appointments	
Deputy Chief Officer	1
Directors	3
Corporate (administrative, technical, clerical)	15
Recruit Firefighters	72

Long Service and Good Conduct Award recipients in 2014:	
45 years	1
40 years	13
35 years	49
30 years	80
25 years	102
20 years	3
15 years	32
10 years	76

Diversity and inclusion

MFB maintains a Diversity and Inclusion Action plan to underpin fairness and workplace equity.

Initiatives this year included further implementation of a Koori Inclusion Action Plan (KIAP) to meet the requirements of the Department of Justice and Regulation and also a new Women's Employment Action Plan to attract, engage and retain female operational staff.

The implementation of a KIAP will assist MFB to be better positioned to engage with Koori communities and embed cultural awareness into an employee's ongoing training and development.

Fire Services globally are challenged in their ability to attract and retain female operational employees but some have been very successful, for example 6.5 per cent at the London Fire Brigade and 15 per cent at San Francisco Fire Department. MFB's current 3.5 per cent female operational workforce is certainly not reflective of the communities we serve.

The Women's Employment Action Plan demonstrates MFB's aim to be a contemporary employer. Initiatives include removing artificial barriers to entry and ensuring an inclusive culture and flexible work practices. Senior leader workshops are aiming to ensure that inclusive thinking starts from the top. The overall target of the Action Plan is to achieve five per cent female representation amongst MFB operational staff over the next five years. MFB is also actively engaged in diversity initiatives being sponsored by Emergency Management Victoria.

MFB staff gender and age breakdown

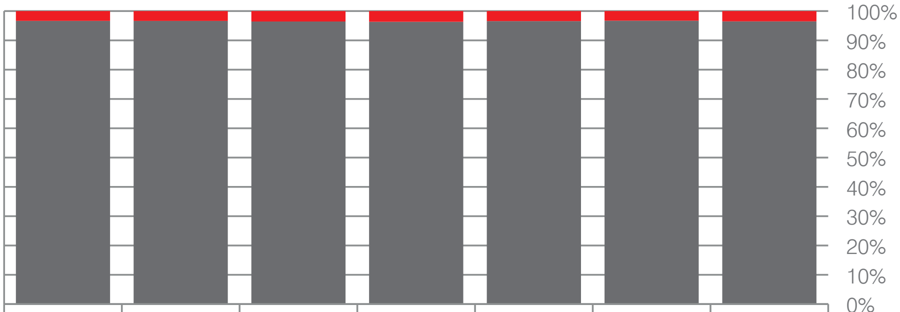
			2015			2014
	Total	Ongoing	Temporary	Total	Ongoing	Temporary
Gender Total	2220	2206	14	2197	2189	8
Female	222	213	9	209	205	4
Male	1,998	1,993	5	1,988	1,984	4
Age Total	2,220	2,206	14	2,197	2,189	8
Under 25	10	10	0	12	12	0
25-34	372	365	7	356	352	4
35-44	486	483	3	465	462	3
45-54	781	777	4	851	850	1
55-64	535	535	0	479	479	0
Over 64	36	36	0	34	34	0

A sustainable workforce

An ageing workforce and the increasing pace of change in technology, community demographics and society expectations places increasing demands on MFB's workforce. To respond to this a strategic workforce plan has been developed to ensure that MFB has the right people, with the right capabilities, both now and into the future.

Phase 1 of this plan has seen the implementation of a three-year recruitment and promotions agenda, which will also support interoperability, joint recruit courses and secondment programs with CFA. Future phases will address the acquisition and maintenance of the many skills and qualifications required to support the community; and consider what changes may occur to the role of the firefighter over time.

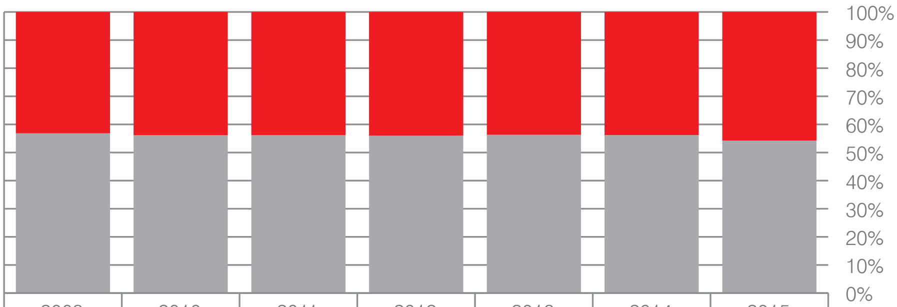
Operational gender by percentage 2009 - 2015



2009	2010	2011	2012	2013	2014	2015
3.3%	3.4%	3.6%	3.7%	3.4%	3.3%	3.5%
96.7%	96.6%	96.4%	96.3%	96.6%	96.7%	96.5%

Operations Female
Operations Male

Corporate gender by percentage 2009 - 2015



2009	2010	2011	2012	2013	2014	2015
43.2%	43.9%	43.8%	44.0%	43.7%	43.8%	45.7%
56.8%	56.1%	56.2%	56.0%	56.3%	56.2%	54.3%

Corporate Female
Corporate Male

Audit of unplanned leave

In 2013, the Victorian Auditor General's Office (VAGO) released a report examining the level of unplanned leave among Victoria's emergency services. In the report, the Auditor-General made a series of recommendations, all of which were accepted by MFB. The main emphasis of the recommendations was the need to create accountability for attendance management at station level.

MFB's operational enterprise agreement limits management approaches to this issue and our leave management 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. MFB has implemented a range of improvements including:

- more resources to assist injured or ill workers back to work,
- improved reporting and detailed information to staff on leave balances,
- encouraging staff to participate in MFB's health monitoring program.

MFB Unplanned absences							
Year	Sick leave %	Family leave %	Sick and family leave %	Hours per FTE	Target hours per FTE	WorkCover %	Total unplanned absences %
2014-15	4.36	1.92	6.28	132	<120	2.20	8.47
2013-14	4.20	2.10	6.30	138	<120	2.16	8.46
2012-13	4.00	2.10	6.10	128	<120	2.08	8.18

MFB staff numbers 2014-2015									
		Total	Budgeted	Total Permanent	Perm Full Time	Perm Part Time	Total Temporary	Temp Full Time	Temp Part Time
Total	Headcount	2,216	2185	2,202	2,175	27	14	11	3
	FTE	2,204.52	2185	2,190.72	2,175.00	15.72	13.80	12.00	1.80
Corporate Staff	Headcount	339	340	325.00	300	25	14.00	11	3
	FTE	327.47	340	314.67	300.00	14.67	12.80	11.00	1.80
Operations Staff	Headcount	1,877	1845	1,877	1,875	2	0	0	0
	FTE	1,877.05	1845	1,876.05	1,875.00	1.05	1.00	1.00	0.00

MFB staff numbers 2013-2014									
		Total	Budgeted	Total Permanent	Perm Full Time	Perm Part Time	Total Temporary	Temp Full Time	Temp Part Time
Total	Headcount	2,197	2185	2,189	2,164	25	8	7	1
	FTE	2,182.27	2185	2,174.67	2,161.00	13.67	7.60	7.00	0.60
Corporate Staff	Headcount	338	340	330.00	306	24	8.00	7	1
	FTE	323.74	340	316.14	303.00	13.14	7.60	7.00	0.60
Operations Staff	Headcount	1,859	1845	1,859	1,858	1	0	0	0
	FTE	1,858.53	1845	1,858.53	1,858.00	0.53	0.00	0.00	0.00

Emergency response workload

The table below provides overtime costs (in dollars) for operational staff. Overtime is made up of a number of components, including training, recall, incidents and travel. Total overtime has decreased by 8.9 per cent from the previous year. The overtime is generated as a result of maintaining staff numbers, entitlements and training. These requirements are prescribed in the Operational Enterprise Agreements.

Actual ($)	Total overtime	Recall overtime	Maintain strength overtime	Fire call	Muster and dismissed	Standby and dismissed	Excess travel	Other
2014-15	16,112,579	7,137,759	4,527,131	874,451	509,799	357,795	1,300,891	1,404,753
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

Goal 2 - Build a safer community

The safety of our staff and the community we serve is at the forefront of everything that MFB does. During the year MFB continued to deliver programs to build the community's capacity to respond to and recover from emergency incidents.

State Fire and Emergency Services Training Framework

Emergency Management Victoria has developed a State Fire and Emergency Services Training Framework to lay the foundations of a unified approach to training and exercising across Victoria's fire and emergency services and set out the future direction of joint actions. It is designed to help identify common training needs and increase collaboration in delivering training across the emergency services sector.

A major component of the training framework is a strategy for the Victorian Emergency Management Training Centre (VEMTC) sites, of which VEMTC Craigieburn (owned and operated by MFB) is one. This VEMTC Strategy supports collaboration and consistency in the delivery of training across the various VEMTC sites across Victoria and MFB is a key participant in delivering the strategy.

Victorian Built Environment Risk Assessment Process

In 2014-15 MFB committed to lead the development of a process to bring about consistency of approach and process to structural fire and hazardous material risk assessment in the built environment.

As project leader, MFB's Community Resilience Emergency Management department successfully submitted the Victorian Built Environment Risk Assessment Process (V-BERAP) to the State Fire Management Planning Committee (SFMPC) in May 2015.

The 10 steps of the V-BERAP will become the definitive risk management process for structure fire and HAZMAT incidents in Victoria.

With the endorsement of the SFMPC, MFB has now committed to workshops with its partners to implement the V-BERAP. This will involve five pilot workshops with local government partners in 2015-16, with a roll-out across the whole metropolitan district in the following two years.

While the V-BERAP will be the underpinning framework, the overall goal is a quality risk management process through discussion with responsible and support agencies. This aims to bring community resilience principles to the forefront of risk management planning at the community level.

The next steps of the process include the development of the Victorian Emergency Risk Management System (VERMS). VERMS aims to be a comprehensive, simple-to-use web-based risk management system founded on the V-BERAP framework. It will accommodate a range of hazards in any geographical area and the aim is to make it available to all Victorian emergency management planning committees.

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 assessed 15,083 false alarms, 474 Hazmat incidents and conducted salvage at 76 incidents in the past 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 1.34 false alarms for each piece of alarm signalling equipment (ASE). This is a slight reduction from last year's figure of 1.44/ASE. There are about 6900 ASEs in Melbourne.

Compliance and advice services

Department	Service	2014-15
Dangerous goods	Written advice	303
BCA and audits	Modifications	29
	Letters of advice	949
	309 Applications	717
	1003 Variations	376
	Fire safety assessment	6
Community Safety Technical	Fire engineering briefs	456
	Letters of advice	24
	Fire engineering reports	403
Fire Investigation and Analysis	Accidental fires attended	69
	Suspicious fires attended	39
	Electrical fires attended	89
	Undetermined fires attended	4
	Fatal (non-preventable)	4
	Fatal (preventable)	3
	Actual loss	$56,077,000
	Potential loss	$535,895,000
Building inspections and compliance	Class 1B – A single dwelling being a detached house or one or more attached dwellings	3
	Class 2 – A building containing two or more sole occupancy units each being a separate dwelling	34
	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	14
	Class 5 – An office building used for professional or commercial purposes, excluding buildings of Class 6, 7, 8 or 9	12
	Class 6 – A shop or other building for the sale of goods by retail or the supply of services direct to the public	26
	Class 7 – A building which is a car park or is for storage or display of goods or produce for sale by wholesale	10
	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 of produce is carried on for trade, sale or gain	8
	Class 9A – A health care building	4
	Class 9B – An assembly building in a primary or secondary school, but excluding any other parts of the building that are of another class	11
	Class 9C – An aged care building	3

Unmanned aerial vehicles

MFB has recently introduced Unmanned Aerial Vehicles (UAV) to complement the work that is being done on the ground and to rapidly gather a more complete overview of an emergency situation.

This improves firefighter safety and enables incident controllers increased knowledge of a situation and the positioning of MFB firefighters and resources.

A 12-month trial of the UAV program was completed in August 2014 and after an assessment the program was fully implemented in January 2015.

The UAVs have been used in more than 20 incidents, including being called on to assist Victoria Police and CFA, and are an asset for emergency services throughout the state.

State-wide smoke alarm buyers group

To support government-funded community aged care providers (including local government and not-for-profit) to meet both coronial recommendations and their responsibilities under the Aged Care Act 1997, MFB established and co-ordinates the State-wide Smoke Alarm Buyers Group.

Now in its third year, MFB coordinates the purchase of photoelectric smoke alarms with a built-in 10-year long life lithium battery as part of best and sustainable practice. During 2014-15, 3880 smoke alarms were ordered at $16.50 per unit ex GST representing a saving to the sector of $77,018.00. With total savings to date of approximately $281,099, this strategy delivers an improved safety outcome for care recipients, workers and providers.

The State Wide Buyers Group program was one component of a broader MFB at risk group intervention strategy for which MFB Community Resilience Emergency Management received a 2014 Fire Awareness Award in the Aged and Disability Category.

Fleet services

During 2014-15, nine Pumpers, one new Pumper Tanker and two Ladder Platforms were commissioned.

Tender processes were completed for three contracts for new appliance builds.

These are:

- Six Pumper Tankers with Euro6 emissions standards and Electronic Stability Program (ESP)
- One prototype Ultra Large Pumper with Euro6, ESP and compressed air foam system
- One 44-metre Ladder Platform with Euro6.

These projects are expected to be completed in 2016.

Property and assets

During 2014-15 construction of the Altona fire station was finished. Major refurbishments at Sunshine, Bundoora, Keilor, Newport and Greensborough fire stations also took place. The new Glen Iris fire station is 90 per cent complete. Major refurbishment of the Burnley complex was undertaken to house the special operations department.

Safe mistake zone

MFB and CFA work together each year to deliver the Home Fire Safety campaign, focussing on general fire safety in the home and high-risk activities.

2014 saw a change in direction with the launch of the Safe Mistake Zone campaign, which uses humour and an increased focus on social media, greatly extending the campaign's impact.

The 2014 campaign reached 3.2 million people on Facebook alone over a 10-week period and increased campaign web traffic by 900 per cent. Importantly, of the people who saw the campaign, 79 per cent took action to make their home more fire safe.

On 29 April 2015, MFB and CFA were awarded the 2015 Association of Public Safety Communications Officials Australasia Communications Award for the campaign.

In 2015 the Safe Mistake Zone campaign was rolled out for a second year running from May to August.

State capacity and capability project

MFB was involved in developing the Victorian Emergency Management (EMV) Capability Blueprint, which outlines the current and desired future state for Victoria's emergency management capability.

The Blueprint is the strategic document aligned to the priorities of the EMV Strategic Action Plan (SAP). The overall aim of the SAP is to build an effective emergency management capability across Victoria that can meet current and future needs.

As well as measuring the State's current capability and capacity, the Blueprint identifies current gaps and reinvestment opportunities.

Hoarding notification system

Hoarding and squalor leads to an increased fire risk for affected people, neighbours and responding firefighters due to the increased fuel loads and other hazards at these properties. MFB attends an incident of this type every five to six days.

MFB has conducted world-first research on hoarding incidents (1999-2015), including the most recent (2012 -2015) state-wide study of hoarding properties undertaken in partnership with CFA.

MFB has developed evidence-based risk reduction advice for all internal and external stakeholders which has been adopted by other fire services.

MFB also developed the Hoarding Notification System - where an electronic alert is placed on an affected property. This activates if firefighters are dispatched to an identified hoarding address to increase firefighters' preparedness and safety. With hoarding predicted to affect three to five per cent of the population, new referrals are received weekly.

Goal 3 - Achieve organisational exellence

Innovation and initiative drive MFB towards providing a world class emergency management service. MFB achieves this through constantly looking at ways to improve how we operate and how we can work collaboratively with other members of the emergency management sector. During the year our premier training facility completed its first full year of operation, increasing training with other agencies, introduced new skills throughout the organisation, and improved underlying systems of work.

Victorian Emergency Management Training Centre (VEMTC)

Victorian Emergency Management Training Centre (VEMTC) Craigieburn is a state-of-the-art purpose-built training facility, managed and operated by MFB, which replicates complex live incidents designed to enhance and test the skill of our operational personnel. The entire training facility was built to world class environmental standards to maximise resource sustainability and minimise environmental impact. This included allowing runoff water to be harvested, captured and treated across the site for reuse.

The state-of-the-art centre provides realistic emergency scenarios tailored to Melbourne's unique urban landscape, including laneways, rail tunnels and tram stops.

The primary focus of VEMTC Craigieburn is to provide MFB firefighters with access to consistent, high quality, cost effective training that maximises the safety of the community and fire fighters.

The quality of training provided significantly enhances the skills and confidence of our people when responding to the varied and complex incidents that present ongoing challenges to our community and our emergency services personnel.

VEMTC Craigieburn also provides access to training across the Emergency Services Sector, symbolising the start of an exciting new chapter in collaborative emergency sector training.

VEMTC Craigieburn hosted several events during the year including the Ministerial Opening and Public Open Day, an MFB Family Day and the first ever CFA/ MFB Recruit Course Graduation.

The first 12 months of operation of VEMTC Craigieburn has seen the successful delivery of numerous MFB and sector training programs as per the attached table.

Course	Courses Delivered	Total Participants	Total Training Days
Organisational			
MFB/CFA Recruit Course	1	24	85
MFB Recruit Course	2	60	170
CFA Recruit Course	2	60	170
Continuation/Retention	3	36	24
Leading Firefighter	12	48	48
Station Officer	2	42	150
Commander	1	10	55
MFB/CFA Secondment	1	12	15
Operational			
Fire Service Communication Controller	1	4	30
Trench Rescue	12	96	48
HAZMAT Technician	2	32	30
Confined Space Rescue	4	32	32
Ship to Ship Transfer	9	82	45
Atmospheric Monitoring	10	60	20
Ladder Platform	1	4	10
Ladder Platform Conversion	11	44	22
Mechanical Loader	12	48	36
Bushfire Administration Officer	4	16	16
Compartment Fire Behaviour (CFBT)	44	404	88
CFBT Instructors	1	10	15
Hostile Act Readiness Drill	4	300	4
Driver Training	18	108	144
External			
SES - Safe Work at Heights	1	30	1
CFA BA Course for Volunteer Firefighters	2	60	2
SARDA Search and Rescue Course	1	40	4
Victoria Police - Tactical Rescue	1	32	1
Victoria Police - USAR Cat 1	3	24	3
Total	**165**	**1718**	**1268**

Registered training organisation

MFB is a registered training organisation (RTO) and is committed to meeting the requirements of the Australian Quality Training Framework standards for RTOs.

In the past year, MFB managed the transition to the latest version of the Public Safety Training Package 'Fire Sector' and facilitated the introduction of Emergency Medical Response training for CFA Recruit Courses.

MFB continues to develop high quality training programs, issuing qualifications from Certificate II to Advanced Diploma. Recently developed programs include Marine Response, Safe Work Around Water and Asbestos Awareness.

Emergency medical response training

During this year, 2313 monthly EMR Continuing Educational (CE) sessions were provided for operational staff at fire stations and day work locations.

- There were 48 two day recertification days conducted at the Burnley Complex
- Two recruit courses received stage one EMR training. One course completed stage two training at retention.
- Total training participation:
  - 468 participants attended the recertification program
  - EMR trained personnel attended the 2313 CE sessions on 12,165 occasions.

Hostile act drills

MFB conducted four operational drills relating to our response to a hostile act. Conducted at VEMTC Craigieburn during October and November 2014, the primary aim of the drills was to enhance firefighter safety through practising drills related to hostile incidents that could occur in the Melbourne Underground rail loop.

Each drill simulated an explosion and gave firefighters and Command staff the opportunity to implement a range of mitigation strategies, including bomb procedures and mass decontamination.

FIRECOM replacement

The FIRECOM system takes dispatch data from the Emergency Services Telecommunication Authority (ESTA) into the MFB network and feeds a number of MFB applications, including the system that notifies firefighters to turn out to an emergency. The FIRECOM system is reaching the end of its service life and a project to replace the system was initiated in 2014.

Stage one of this project was completed during 2014-15 and defined the functionality of FIRECOM and the station turnout applications and their relationship with the ESTA call-taking facility. The second stage is currently implementing an integration platform and connecting a small number of critical systems onto it, eliminating the reliance of critical systems on very old legacy hardware.

Just as stage one included significant consultation with numerous stakeholders, stage two will require engagement and support to implement this successfully. This integration platform will provide the centrepiece for MFB's business systems integration going forward.

SAP upgrade

The planned upgrade of the SAP Enterprise Resource Planning (ERP) package has been delayed pending a direction from the whole-of-Victorian-Government ERP Project, which is examining financial and human resources system needs across state government.

In the meantime, to reduce risk MFB is replacing the IBM platform on which SAP runs (for MFB, CFA and SES). This is underway, with the hardware being commissioned and the migration of systems scheduled for the second half of 2015.

Data centre upgrades

MFB runs two data centres that house all computer servers and communications switches and storage. These data centres are in the Melbourne CBD and Richmond and are integral to keeping fire stations, corporate offices and control centres communicating effectively with sector partners and the community. Upgrades in air conditioning and uninterruptible power supplies achieved in the previous year were leveraged in this past year, with projects to upgrade old switching equipment and servers to contemporary standards.

A program of works to refresh MFB's legacy server environment that hosts essential business systems was successfully completed. The refresh and upkeep of the server environment with current and up-to-date equipment is an important component in meeting the expectations of the community. The refresh provides a higher degree of resilience, reliability and security compared to the existing environment while reducing the risk associated with using older obsolete technology.

Combined telephony

The Combined Telephony Upgrade / Replacement Program comprises of several projects that maintain and enhance MFB's telephony systems. It is designed to maintain compatibility of the MFB telephone system with that used by the CFA and the State Control Centre through extension-to-extension dialling between agencies and the replacement of obsolete telephony systems at fire stations.

All old analogue phones at fire stations have now been replaced.

Records digitisation plan

The Public Record Office Victoria (PROV) issues standards governing Victorian public sector recordkeeping. The PROV Standard (PROS 11/07 – Capture) provides guidelines for agencies to follow when undertaking the process of digitising their business records.

In May 2015, MFB commenced the important project of implementing a Records Digitisation Plan to gradually reduce the management and use of paper and ensure compliance with the PROV Standard. There are currently four pilot digitisation projects underway.

The process will include reviewing recordkeeping practices within pilot areas, reducing the dependence on paper-based record keeping activities and establishing more effective overall recordkeeping practices within the organisation.

Marine response project – launch of Fireboat 2

MFB's marine response capability increased markedly during 2014-15 with the delivery and launch of the new 12-metre rapid response fireboat (Fireboat 2). This highly capable vessel is designed to respond to incidents in the Docklands precinct and throughout Port Philip Bay and will significantly enhance and support the capability currently delivered by Fireboat 1.

The vessel, which is fully compliant with Australian marine regulations, is powered by a twin water-jet propulsion system and is capable of carrying either a firefighting or command and control crew of eight, at speeds in excess of 33 knots. Fully fitted with a suite of modern electronic systems, the vessel can employ a combination of its four firefighting monitors, as well as a foam generating system, to deal with incidents. It can deliver approximately 16,000 litres of water per minute. Secondary roles include medical response and hazmat incident.

Respiratory protection equipment for Victoria's fire services

The joint procurement for the replacement of respiratory protection equipment project will replace outdated respiratory protection equipment for CFA and MFB firefighters and other State Government partners.
On average 36 people in Victoria are rescued annually through the use of respiratory protection equipment. Without respiratory protection equipment it's likely these rescues could not have occurred.

A key feature of this procurement is that all the agencies will be able to purchase and implement standardised equipment and methods of use. This is a joint procurement with CFA, Ambulance Victoria, Victoria Police and other State Government agencies.

The tender for the replacement of Breathing Air Cylinders has been completed and the contract has been awarded. Under the contract, CFA and MFB will procure almost 7000 cylinders and associated items over the next 12 months. Other Victorian Government agencies, such as Ambulance Victoria and Victoria Police, may also seek to procure through this contract.

The next stage of the project will be to tender for new respiratory protection equipment.

Environmental performance

MFB has a responsibility to reduce the impact of its operations on the environment. Our commitment to providing our services in a sustainable manner is formalised within MFB's environment policy, and implemented through our environment strategy and environmental management system. This year we have seen the results of earlier efforts implementing the environment strategy and have pushed forward with new initiatives. Highlights include:

- Water use was reduced by 15 per cent for our existing sites by fixing leaks and preventing unnecessary irrigation through better automatic irrigation management. However once our new training site Victorian Emergency Management Training Centre Craigieburn (VEMTC) is included, our water use is up 62 per cent from the previous year, as our training water use is metered for the first time.
- Water reuse at VEMTC has commenced, with 3687ML (51 per cent) treated to potable standard and then reused in the January – March quarter.
- Our greenhouse gas emissions increased by nine per cent, despite activities to reduce energy use in existing sites. This was due to no longer sourcing from renewable sources (GreenPower) and the commencement of operation of VEMTC.
- MFB has implemented a $1.6 million investment in energy and water efficiency in buildings through the Efficient Government Buildings program. This project is to be completed early in 2015-16 and a 13 per cent reduction in emissions is expected compared to our pre-VEMTC consumption. As part of this project we installed 270kW of renewable electricity generating capacity this year, bringing us to 279kW capacity in total.
- MFB's recycling rate increased to 43 per cent, assisted by audit results and a waste trial in operations to identify effective methods to reduce generation and improve recycling.
- MFB moved to 100 per cent post-consumer waste recycled paper.
- MFB enhanced its capital and procurement process by better identifying and quantifying environmental opportunities in project development and evaluation.
- Reviewed the environment strategy and began development of a sustainability strategy incorporating social and economic elements.

Environmental Indicator Report (FRD24c)[1]

Reporting period Apr 2014-Mar 2015

Environmental Indicator	Unit of Measure	2005-06 baseline	2012-13	2013-14	2014-15
Water[2]					
Total metered consumption	kL	29,171	32,284	30,031	48,263
Consumption per FTE[3]	kL per FTE	15.7	14.6	13.5	21.7
Non-incident hydrant use (est.)	kL	No data	No data	10,987	8,874
Energy (Electricity and Gas)[4]					
Energy consumption	GJ	44,788	51,634	48,555	48,475
Energy Consumption per FTE	GJ per FTE	24.1	24.2	21.8	21.8
Per cent Green Power purchased	Percentage	15 per cent	25 per cent	8 per cent	0 per cent
Greenhouse Emissions[5]					
-waste disposal6	tCO_2-e	2,407	2,365	2,096	1,810
-electricity use	tCO_2-e	8,219	8,712	10,141	11,710
-gas use	tCO_2-e	1,177	1,151	1,034	1,059
-vehicle use	tCO_2-e	2,978	3,192	3,123	3,081
-air travel (flights)[7]	tCO_2-e	No data	166	156	127
Total MFB Greenhouse emissions	tCO_2-e	14,782	15,566	16,544	18,043
Paper[8]					
Total Use	Reams	9,028	7,647	7,718	7,279
Use per FTE	Reams per FTE	4.9	3.6	3.5	3.3
Average recycled content per cent	Percentage	No data	48	51	50
Waste and recycling[9]					
Total waste generation	m^3	7,060	7,902	7,109	6,996
Waste generated per FTE	m^3 per FTE	3.8	3.7	3.2	3.1
Recycling rate	Percentage	25	34	35	43
Transportation[10]					
Total fuel consumption	GJ	40,762	42,628	41,682	41,117
Consumption per FTE	GJ per FTE	22.0	19.7	18.6	18.5
Total distance travelled	kilometres	5,313,338	5,986,691	5,431,954	5,491,737
Total travel per FTE	kilometres per FTE	2,861	2,766	2,430	2,470

[1]MFB facilities do not undertake office based activities in isolation of operational activities (i.e. vehicle maintenance, firefighting and skills maintenance occur at sites undertaking administration and office based activity). Data is reported for all MFB facilities (fire stations, offices and training facilities) for the reportable period of April 2014 to March 2015 and excludes all usage and waste associated with activities directly on the fire ground.

[2]Water use data is metered potable water for all MFB sites and does not include water used on the fire ground or during training from hydrants (apart from VEMTC).

[3]FTE (full time equivalent) staff was 2,223 on average for the reportable period.

[4]Energy use includes electricity and natural gas consumed at MFB sites.

[5]Greenhouse gas emissions are reported using scope 1, 2 & 3 emission factor calculations from the Australian Government's National Greenhouse Accounts Factors 2014. Greenhouse emissions from operational fleet include emissions from use of fire trucks.

[6]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.

[7]Flight greenhouse gas emissions have been calculated in accordance with the Greenhouse Gas Protocol 2006. In 2015 we relied on emissions data provided by our flight partners, which are still based on the Protocol and other recognised sources.

[8]One Ream is equivalent to 500 sheets of A4 paper. Recycled content is calculated as the average percentage of recycled content of paper purchased.

[9]Waste and recycling is based on volume of bins collected from MFB sites (m3).

[10]Transportation includes all vehicles, including firefighting appliances as well as commander, department and training vehicles. Fuel from boat use has been excluded, but will be reported on in future. Vehicles are used for both operational and office-based activities.

Corporate governance statement

This statement outlines MFB's Corporate Governance practices.

Responsible Minister

The responsible Minister is the Minister for Emergency Services.

Functions and Powers

MFB is a statutory body established in Victoria pursuant to the *Metropolitan Fire Brigades Act 1958* (Vic) ('the MFB Act'). MFB derives its operational powers from the MFB Act, the Metropolitan Fire Brigades (General) Regulations 2005 ('the MFB Regulations'), 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 *Coroners Act 2008*, 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 contained within 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 (Vic)* became law and commenced operation on 1 July 2014. The Act amends but does not replace the *Emergency Management Act 1986 (Vic)*. The introduction of the Act is a further step in the overall reform of the Emergency Services sector in Victoria following the publication of the White Paper.

MFB corporate governance framework

MFB's corporate governance framework comprises a range of documents and practices that 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; and
- policies addressing operational matters periodically approved by management.

The Corporate Governance Charter, policy framework and hierarchy of documents have been reviewed and updated in 2014-15 to strengthen MFB's corporate governance framework.

The Board of Management

The Board of Management 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 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:

- Andi Diamond (President) Commenced May 2015
- Ken King (Deputy President)
- Stuart Alford
- Jay Bonnington
- David Purchase
- Therese Ryan
- Des Mueller Commenced July 2014
- John Lord (retired from the Board July 2014)
- Neil Comrie (former President) (retired December 2014)

The Board met on 12 occasions in 2014-15. 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 Victorian Public Sector Commission.

The Board complies with provisions of Section 21 of the MFB Act that ensures 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 Sections 7 and 8 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 business operations. 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/ conferences on current operational and governance issues.

Board performance

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

Board committees

The Board's committee structure is set out below -

Audit, Risk and Compliance 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 of MFB. The Committee does not relieve any Board members of their responsibilities for these matters. The Committee's name was recently amended to acknowledge the Committee's compliance responsibilities.

Membership for 2014-15

- Jay Bonnington (Chair)
- Stuart Alford
- David Purchase
- Andi Diamond *(ex officio)*

Strategy, Planning and Resources Committee

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

Membership for 2014-15

- Ken King (Chair)
- Stuart Alford
- Jay Bonnington
- Therese Ryan
- Des Mueller
- Andi Diamond *(ex officio)*
- John Lord (retired July 2014)

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 for 2014-15

- Therese Ryan (Chair)
- Ken King
- David Purchase
- Des Mueller
- Andi Diamond (ex officio)
- John Lord (former Chair, retired July 2014)
- 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.

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

	Board	Audit, Risk and Compliance Committee	Strategy, Planning and Resources Committee	Health and Safety Committee	Executive Remuneration Committee
Number of meetings to 30 June 2015	12	5	4	4	2
A Diamond (commenced May 2015)	2/2		1/1		
K King	10/12		4/4	3/4	2/2
S. Alford	12/12	5/5	3/4		1/2
J. Bonnington	11/12	4/5	3/4		2/2
D Purchase	11/12	4/5		3/4	2/2
T. Ryan	11/12		3/4	4/4	2/2
D Mueller	12/12		3/4	4/4	2/2
N Comrie	2/4	2/3	1/2	2/2	1/2

Internal control

The Board acknowledges that it is responsible for oversight of MFB's overall internal control framework. To assist in discharging this responsibility the Board has overseen 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 Audit, Risk and Compliance 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

MFB's Risk Management Framework was reviewed during 2014-15. The refreshed framework supported the MFB's capacity to comply with the new Victorian Government Risk Management Framework (VGRMF) and embeds risk management into the strategic planning process of the MFB.

During 2014-15 MFB worked with the Victorian Managed Insurance Authority (VMIA) to develop a risk management improvement plan to lay a risk improvement road map for the next three years.

Attestation of compliance with the Victorian Government Risk Management Framework

- Under the Victorian Government Risk Management Framework there is a requirement for all government agencies and departments to enter a statement in their Annual Report attesting to the effectiveness of three key elements of the organisational Risk Framework.
- Direction 4.5.5 'Risk Management Compliance' of the Standing Direction of the Minister for Finance (the Standing Direction) requires the application of the Victorian Risk Management Framework by departments and agencies meeting the "public bodies" definition (Section 3 of the Financial Management Act 1994) and reports in the Annual Financial Report for the State of Victoria.
- The following standard Risk Attestation Statement was presented to the Risk and Audit Committee at the meeting 26 May 2015. This statement is consistent with the template detailed in the Victorian Government Risk Management Framework.

Attestation of compliance with the Victorian Government Risk Management Framework

I, Andi Diamond, 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 enables 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 with the Insurance Management Policy for General Government Sector issued by the Victorian Government, the VMIA manages a portfolio of insurance policies on behalf of the Board. These policies are reviewed annually by both MFB and VMIA for their adequacy when measured against the MFB service delivery activities and residual risk profile.

Although VMIA provides a claim service, the majority of losses and claims, in particular motor vehicle incidents, are handled internally, as they are usually below policy deductibles. This arrangement is the most cost efficient in terms of both claims management and insurance premium 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

In 2014-15, there were four consultants engaged where the fees for each consultant were less than $10,000. The aggregate amount for these consultancies was $25,290. All figures are excluding GST.

Details of consultancies over $10,000

Consultant	Purpose of consultancy	Start Date	End Date	Total approved project fee (excluding GST)	Expenditure 2014-15 (excluding GST)	Future expenditure (excluding GST)
There Communications	Communications expert advice and assistance	Jun-14	Dec-14	$27,500	$27,500	0
I4analysis Pty Ltd	Develop a fleet strategy project plan	Oct-14	Nov-14	$10,200	$10,200	0
Deloitte Touche Tohmatsu	Evaluation of strategies and Business operations (People/Culture)	Aug-14	Sep-14	$33,000	$33,000	0
Cohga Pty Ltd	perform road network analysis using a road network create an user interface to display results of network	Aug-14	Jan-15	$12,800	$12,800	0
Deloitte Touche Tohmatsu	VEMTC detailed costing Analysis	Jan-14	Sep-14	$15,200	$15,200	0
The trustee for Index Consultants	ICT Business improvement , SLA reporting, ITIL assist and service catalogue	Aug-14	Apr-15	$200,000	$200,000	0
ENABLEEA Pty Ltd	ICT architecture function, enterprise architecture & blueprint, arch principles and technical standards	Jan-15	May-15	$175,000	$175,000	0
Cameron Ralph Pty Ltd	Board self-evaluation review	Jul-14	Nov-14	$16,750	$16,750	0
Deloitte Touche Tohmatsu	ICT technical advice	Sep-14	Nov-14	$50,000	$50,000	0
the trustee for eCentricInnovations	Sharepoint Environment review	Nov-14	Dec-14	$18,000	$18,000	0
Westbay Consulting Services	Quantity surveyor expert advice on building plans.	Aug-14	Jan-15	$25,000	$25,000	0

Advance Property Consultants	Cleaning service review	Nov-14	Nov-14	$17,000	$17,000	0
KPMG	Board strategy facilitation	Nov-14	Nov-14	$56,000	$56,000	0
KPMG	Executive team strategy facilitation	Feb-15	Feb-15	$22,000	$22,000	0
Project Health Pty Ltd	Health Standard review	Mar-15	Aug-15	$180,000	$50,000	$130,000
Records Solutions	Preparation of Records Digitisation Plan	Jul-14	Feb-15	$42,000	$42,000	0
Deloitte Touche Tohmatsu	Fire Communication system current state and initiation review		Oct-14	$301,254	205,000	0
Mingara Australasia Pty Ltd	Fleet review	May-15	Jun-15	$22,929	$22,929	
		Total:		**$1,201,704**	**$975,450**	

Major contract compliance

During 2014-15, 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 in accordance with Victorian Government Purchasing Policy.

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 2014-15, one contract was entered into by MFB that exceeded $3 million. The contract was for the manufacture, supply and delivery of six Pumper Tanker Fire Appliances.

Compliance with the Building Act 1993

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

National Competition Policy

The relevant part of the policy contained in Part IV (Restrictive Trade Practices) of the *Competition and Consumer Act 2010 (Cth)* has been implemented. 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 1982* must be made 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 $27.20 application fee (as at 1 July 2015). General enquiries relating to Freedom of Information can be made by contacting the Freedom of Information Officer on telephone 9662-2311 between 8.30am and 5.00pm, Monday to Friday.

Enquiries in relation to 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.

2014-15 FOI Statistics

During the year MFB received 409 requests for access to documents under the *Freedom of Information Act.*

Requests received	409
Access granted	1
Part access	385
Denied	0
Applicant did not proceed (including s25A decisions)	15
Not finalised as at 30 June 2015	8
Appeal Avenues:	
FOI Commissioner	0
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*. Ms Militsa Toskovska is the Protected Disclosure Officer.

Disclosure under s58 of the *Protected Disclosure Act 2012*

In accordance with the requirements of section 58 of the *Protected Disclosure Act 2012*, MFB established a policy and guidelines for responding to disclosures lodged. These are available on the MFB website www.mfb.vic.gov.au

Disclosures	2014-15	2013-14
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	0

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 the freedom of information requirements, if applicable):

(a) a statement that declarations of pecuniary interests have been duly completed by 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 the activities of the Department 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; and
(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 - 2015

Management Discussion and Analysis

Comprehensive Operating Statement

MFB continues to deliver a balanced financial outcome whilst maintaining a strong focus on improving the financial sustainability of the organisation. The net and comprehensive result for 2014-15 was a surplus of $2.5 million which compares to a $2.0 million surplus in 2013-14.

Through increased cost efficiencies and optimising other income sources, MFB has been able to continue to provide a balanced financial out-come, in a financially constrained environment. This outcome demonstrates our commitment to delivering an efficient fire and emergency service to the community.

Income

The major source of income for MFB is provided by the Fire Services Property Levy. Total operating transactional income for 2014-15 was $364.9 million, a decrease of $10.6 million from the previous financial year. The decrease reflects that the prior year included a Treasurer's Advance of $12.6 million relating to MFB participation with joint agencies at regional and interstate incidents, particularly the Hazelwood coal seam fire. In the current financial year the Treasurer's Advance totalled $0.5 million.

Sales of goods and services increased $2.2 million due to primarily increased false alarm calls which resulted in additional $1.9 million income. Interest income reduced by $1.8 million due to reduced market interest rates coupled with reduced working capital balances. Increased dividends of $0.5 million resulted from improved equities market performance and changes made to the long term investment portfolio.

Expenses

Total operating transactional expenses for the financial year decreased from $373.4 million (2013-14) to $372.5 million (2014-15), a decrease of $0.9 million. Overtime expenditure decreased $2.5 million compared to the previous year, which reflects that the prior financial year included overtime expense of $6.7 million incurred at the extended Hazelwood coal seam fire and regional fires. After adjusting for this additional overtime, effectively overtime expense in 2014-15 year increased by $4.1 million primarily driven by extensive recruit and operational training courses held jointly for MFB and CFA. Operating expenses reflect increased depreciation of $2.2 million as a result of the full year depreciation on the Craigieburn training complex and other operating expenditure was lower by $2.0 million.

Other Economic Flows included in Net Result

Included in the comprehensive surplus were net gains pertaining to other economic flows of $10.1 million, representing a gain on non-financial assets of $0.4 million consisting of a net gain on disposal of property, plant and equipment offset by the amortisation of optic fibre licence agreements, a revaluation gain of $2.5 million in employee leave provisions caused by changes in long term discount rates, and a revaluation gain on financial investments reflecting the year end fair market valuations of $7.2 million.

In accordance with accounting standards, all property, plant and equipment classes were reviewed for impairment and for fair value. There were no revaluations required in 2014-15 or 2013-14, as the reported values materially reflected fair values. The Department of Treasury and Finance require periodic five year independent revaluations of non-financial physical assets which will occur in the 2015-16 financial year.

Management Discussion and Analysis

Balance Sheet

Total assets as at 30 June 2015 were $718.7 million, which is an increase of $10.0 million compared to the previous financial year. Significant capital investment was made during the year in new appliances, including a ladder platform vehicle, marine response, newly commissioned stations and refurbishments, new and upgraded ICT systems and hardware, investment in the Efficient Government Buildings program ($1.3 million) and new equipment including breathing apparatus, defibrillators and rescue tools.

Financial assets

Financial assets increased by $12.1 million on the prior financial year with operating bank deposits higher by $5.2 million with term deposit investments held with Treasury Corporation Victoria unchanged. The investment portfolio managed by Victorian Funds Management Corporation increased due to reinvested earnings and market valuations by $4.9 million to a total investment of $118.9 million as at 30 June 2015.

Non-financial assets

Non-financial assets remained relatively steady with a minor decrease of $2.0 million in comparison to 2013-14. The most significant change was the reclassification of certain property, plant and equipment assets to the held for sale classification.

Total liabilities

Total liabilities as at 30 June 2015 were $135.2 million, an increase of $5.8 million on the prior financial year. The increase in provisions reflects an increase in payables of $2.4 million due to increased salary accruals and increased accounts payable balances. Provisions increased by $1.7 million as a result of employee leave provisions affected by a reduction in the discount rate applied which inversely impacts the net present value of leave liabilities. Other liabilities increased by $1.7 million reflecting a 7 year loan from the Department of Treasury and Finance for investment in environmental initiatives at MFB properties.

Net Assets as at 30 June 2015 were $583.5 million as compared to $579.3 million as at 30 June 2014. The increase accounts for the positive comprehensive result of the $2.5 million surplus and an increase in State Government contributed capital to MFB of $1.7 million for the joint respiratory replacement program with CFA.

Pages 58 – 59 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 financial year ended 30 June 2015

	Notes	2015 $000	2014 $000
Income from transactions			
Grants	2	325,705	329,695
Contributions	2	-	1,739
Sales of goods and services	2	34,272	32,041
Other income	2	4,950	12,007
Total income from transactions		**364,927**	**375,482**
Expenses from transactions			
Employee expenses	3	262,785	264,027
Depreciation and amortisation	3, 10, 12	24,792	22,471
Other operating expenses	3	84,911	86,902
Total expenses from transactions		**372,488**	**373,400**
Net result from transactions		**(7,561)**	**2,082**
Other economic flows included in net result			
Net gain / (loss) on non-financial assets	4	378	(439)
Net gain / (loss) on financial instruments	4	7,198	(197)
Net gain/ (loss) from revaluation of employee leave liabilities	4	2,494	601
Total other economic flows included in net result		**10,070**	**(35)**
Net Result	20	**2,509**	**2,047**
Other economic flows – other comprehensive income			
Total other economic flows – other comprehensive income		-	-
Comprehensive Result		**2,509**	**2,047**

The comprehensive operating statement should be read in conjunction with the notes to the financial statements included on pages 64 to 124.

Balance sheet as at 30 June 2015

	NOTES	2015 $000	2014 $000
Assets			
Financial assets			
Cash and deposits	13, 21	34,437	29,235
Receivables	6	9,184	7,146
Investments	13	118,876	114,014
Total financial assets		**162,497**	**150,395**
Non-financial assets			
Inventories	5,7	1,525	1,424
Non-financial assets held for sale	8	13,464	3,284
Other non-financial assets	9	1,386	4,111
Investment properties	11	9,051	9,094
Property, plant and equipment	10	521,526	529,934
Intangible assets	12	9,291	10,425
Total non-financial assets		**556,243**	**558,272**
Total assets		**718,740**	**708,667**
Liabilities			
Payables	14	22,094	19,623
Provisions	15	109,368	107,678
Other liabilities	16	3,742	2,075
Total liabilities		**135,204**	**129,376**
Net assets		**583,536**	**579,291**
Equity			
Accumulated surplus (i)	20	237,335	234,826
Physical asset revaluation surplus	20	222,688	222,688
Contributed capital	20	123,513	121,777
Net worth		**583,536**	**579,291**
Commitments for expenditure	18		
Contingent assets and contingent liabilities	19		

(i) The 30 June 2014 comparative has been adjusted to reflect a prior period correction to inventory at 30 June 2013, refer Note 5

The balance sheet should be read in conjunction with the notes to the financial statements included on pages 64 to 124.

Statement of changes in equity for financial year ended 30 June 2015

	Notes	Physical Asset Revaluation Surplus $000	Accumulated Surplus $000	Contributed Capital $000	Total $000
Balance at 30 June 2013 (i)	5	**222,688**	**232,779**	**121,777**	**577,244**
Net result for the year		-	2,047	-	2,047
Other comprehensive income for the year		-	-	-	-
Balance at 30 June 2014	20	**222,688**	**234,826**	**121,777**	**579,291**
Net result for the year		-	2,509	-	2,509
Contributions by State Government		-	-	1,736	1,736
Balance at 30 June 2015	20	**222,688**	**237,335**	**123,513**	**583,536**

(i) The 30 June 2014 comparative has been adjusted to reflect a prior period correction to inventory at 30 June 2013, refer Note 5

The statement of changes in equity should be read in conjunction with the notes to the financial statements included on pages 64 to 124.

Cash flow statement for the financial year ended 30 June 2015

	Notes	2015 $000	2014 $000
Cash flows from operating activities			
Receipts			
Receipts from Government		325,230	329,695
Receipts from other entities		41,109	43,297
Interest received		3,243	5,089
Dividends received		2,648	2,095
Goods and services tax recovered from the ATO (i)		7,881	14,901
Total receipts		**380,111**	**395,077**
Payments			
Payments to suppliers and employees including legislative payments and tax		(349,242)	(366,394)
Total payments		**(349,242)**	**(366,394)**
Net cash flows from / (used in) operating activities	21(b)	**30,869**	**28,683**
Cash flows from investing activities			
Payments for investments		(6,073)	(10,216)
Proceeds from sale of investments		2,016	55,076
Purchases of non-financial assets		(29,613)	(58,466)
Sales of non-financial assets		4,602	4,727
Net cash flows from / (used in) investing activities		**(29,068)**	**(8,879)**
Cash flows from financing activities			
Owner contributions by State Government		1,736	-
Loan from Government energy efficiency program		1,665	-
Net cash flows from / (used in) financing activities		**3,401**	**-**
Net increase in cash and cash equivalents		5,202	19,804
Cash and cash equivalents at beginning of financial year		29,235	9,431
Cash and cash equivalents at end of financial year	21(a)	**34,437**	**29,235**
Non-cash transactions	21(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 in pages 64 to 124.

Notes to the financial statements for the financial year ended 30 June 2015

Notes to the financial statements for the financial year ended 30 June 2015

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 (the MFB) for the period ended 30 June 2015. The purpose of the report is to provide users with information about the 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) and applicable 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 28.

These annual financial statements were authorised for issue by the Board on 11 August 2015.

(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));
- unearned income;
- asset useful lives and asset impairment; and
- equities and managed investment schemes classified at Level 3 of the fair value hierarchy (refer Note 13).

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 a non-financial physical 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); and
- certain liabilities that are calculated with regard to actuarial assessments.

Consistent with AASB 13 *Fair Value Measurement*, the 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.

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; and
- 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, the 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, the 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 the MFB's independent valuation agency.

The 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.

The 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 or annual building cost indices 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 the MFB as an individual reporting entity. The 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 the MFB.

Objectives and Funding

The organisation provides comprehensive fire, rescue and emergency response services including community resilience and educative programs 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. The organisation works closely and jointly with other organisations in the emergency services sector.

The Fire Services Levy is the prime sourcing of grant income, whereby property owners, including local municipal councils, remit the levy to the State Revenue Office. The State Government determine the annual grant funding for the MFB which is detailed in this report.

Further details of the 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.

'Other economic flows' are changes arising from market remeasurements. They include:

- gains and losses from disposals of non-financial assets;
- revaluations and impairments of non-financial physical and intangible assets;
- remeasurements arising from defined benefit superannuation plans;
- fair value changes of financial instruments and
- depletion of natural assets (non-produced) from their use or removal.

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 are disclosed in the notes, where relevant. In general, non-current assets or liabilities are expected to be recovered or settled more than 12 months after the reporting period, except for the provisions of employee benefits, which are classified as current liabilities if the MFB does not have the unconditional right to defer the settlement of the liabilities within 12 months after the end of the reporting period.

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 2014-15 reporting period the new Standards were assessed to see whether or not they applied to MFB. Whilst there was no changes to the accounting policies, the following new and revised Standards have been adopted in the current period with their financial impact detailed as below.

AASB 10 *Consolidated Financial Statements*

AASB 10 provides a new approach to determine whether an entity has control over an entity, and therefore must present consolidated financial statements. The new approach requires the satisfaction of all three criteria for control to exist over an entity for financial reporting purposes:

(a) The investor has power over the investee;
(b) The investor has exposure, or rights to variable returns from its involvement with the investee; and
(c) The investor has the ability to use its power over the investee to affect the amount of investor's returns

Based on the new criteria prescribed in AASB10, the MFB has reviewed the existing arrangements and determined there are no entities that need to be consolidated into the group.

AASB 11 *Joint Arrangements*

In accordance with AASB 11, there are two types of joint arrangements, i.e. joint operations and joint ventures. Joint operations arise where the investors have rights to the assets and obligations for the liabilities of an arrangement. A joint operator accounts for its share of the assets, liabilities, revenue and expenses. Joint ventures arise where the investors have rights to the net assets of the arrangement; joint ventures are accounted for under the equity method. Proportionate consolidation of joint ventures is no longer permitted.

The MFB has reviewed its existing contractual arrangements with other entities to ensure they are aligned with the new classifications under AASB 11. It has concluded that there are no current joint operations nor joint ventures involving the MFB.

AASB 12 *Disclosure of Interests in Other Entities*

AASB 12 *Disclosure of Interests in Other Entities* prescribes the disclosure requirements for an entity's interests in subsidiaries, associates, joint arrangements and extends to the entity's association with unconsolidated structured entities.

The MFB has no interests in associates or joint ventures during this or the prior reporting period.

The MFB has also reviewed its current contractual arrangements to determine if there are any unconsolidated structured entities that the MFB has involvement with. It has not identified any unconsolidated structured entities during the assessment.

(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 the MFB's major activities as follows:

Grants

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

For reciprocal grants (i.e. equal value is given back by the MFB to the provider), the MFB is deemed to have assumed control when the MFB has satisfied its performance obligations under the terms of the grant. For non-reciprocal grants, the 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

Effective 1 July 2013, the Fire Services Levy is collected through council rates and on-forwarded to MFB from the State government. 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; and
- it is probable that the economic benefits associated with the transaction will flow to the 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:

- the MFB no longer has any of the significant risks and rewards of ownership of the goods transferred to the buyer;
- the 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; and
- it is probable that the economic benefits associated with the transaction will flow to the 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. Dividends represent the income arising from the MFB's investment in financial assets.

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.

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, fringe benefit tax, 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 (i.e. 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

The amount recognised in the comprehensive operating statement is the employer contributions for members of the defined benefit superannuation plan and superannuation guarantee accumulation plans, 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:

	2015
Buildings	40 years
Victorian Emergency Management Training Centre (VEMTC)* Training Props	20 years
Plant and Equipment	3 – 15 years

*Victorian Emergency Management Training Centre.

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 depreciated as an expense from transactions on a straight-line basis over the asset's useful life. Depreciation 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:

	Average Life	2015 Remaining Life	2014 Remaining Life
Optic fibre licence agreements:	15 years	5years	6 years
Software:	5-7 years	1-5 years	1-5 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.

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)); and
- 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. The impairment loss is reversed 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. 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(H)); and
- disposals 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 long service leave liability due to changes in the bond interest rates; and
- reclassified amounts relating to available for sale financial instruments from the reserves to net result due to a disposal or derecognition of the financial instrument. This does not include reclassification between equity accounts due to machinery of government changes or 'other transfers' of assets.

(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 the 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 the 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 the 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 the MFB intends to hold to maturity.

Held-to-maturity financial assets relate to investments which the MFB have the intention to hold to maturity. AASBs require specific treatment should the 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. The 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 VFMC for the 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.

The MFB uses Victorian Funds Management Corporation (VFMC) as the fund manager of its investment portfolio. VFMC adopts a centralised asset management approach to develop individual investment strategies to maximise the probability of meeting the 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 28).

Financial instrument liabilities measured at amortised cost include all of the 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, the 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; and
- 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(I) *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, and
- held-to-maturity.

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

Impairment of financial assets

At the end of each reporting period, the 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.

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 classified as held for sale

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.

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 the 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 the MFB.

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 lease 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 the 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; and
(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 the MFB prior to the end of the financial year that are unpaid and arise when the MFB becomes obliged to make future payments in respect of the purchase of those goods and services; and
- 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(J)). 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 the MFB's optical fibre communications network.

Provisions

Provisions are recognised when the 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 the MFB does not have an unconditional right to defer settlements of these liabilities.

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

- Undiscounted value – if the MFB expects to wholly settle within 12 months; or
- Present value – if the 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 the 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 the MFB expects to wholly settle within 12 months; and
- Present value – if the 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. The 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; or
- 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% (2014: 4.44%) and 4.44% on long service leave which also covers seniority, promotion and other relevant factors (2014: 4.44%). The average end of year discount rate applied was 3.03% (2014: 3.57%). 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% 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.

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 18 *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 19 *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 the 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.

(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 2015 reporting period. The Department of Treasury and Finance assesses the impact of these new standards and advises the MFB of their applicability and early adoption where applicable.

In accordance with FRD 7A *Early adoption of authoritative accounting pronouncements*, and the Minister of Finance approval for Victorian Not-for-Profit public sector entities the option to early adopt the amending accounting standard AASB 2015-7 *Amendments to Australian Accounting Standards – Fair Value disclosures of Not-for-Profit Public Sector Entities*; the MFB has exercised the option to early adopt this amending standard. Exercising this option provides limited exemption in relation to fair value disclosures for the 2014-15 reporting period.

Notes to the financial statements for the financial year ended 30 June 2015

As at 30 June 2015, 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:

The table below outlines the accounting standards that have been issued but not effective for 2014-2015, which may result in potential impacts on public sector reporting for future reporting periods.

Topic	Key requirements	Effective date	Impact on MFB Financial Statements
AASB 15 *Revenue from Contracts with Customers*	The core principle of AASB 15 requires an entity to recognise revenue when the entity satisfies a performance obligation by transferring a promised good or service to a customer.	1 January 2017 (Exposure Draft 263 – potential deferral to 1 Jan 2018)	The changes in revenue recognition requirements in AASB 15 may result in changes to the timing and amount of revenue recorded in the financial statements. The Standard will also require additional disclosures on service revenue and contract modifications. A potential impact will be the upfront recognition of revenue from licenses that cover multiple reporting periods such as the optic fibre agreement. Revenue that was deferred and amortised over a period may now need to be recognised immediately as a transitional adjustment against the opening retained earnings if there are no former performance obligations outstanding.
AASB 9 *Financial Instruments*	The key changes include the simplified requirements for the classification and measurement of financial assets, a new hedging accounting model and a revised impairment loss model to recognise impairment losses earlier, as opposed to the current approach that recognises impairment only when incurred.	1 January 2018	The assessment has identified that the financial impact of available for sale (AFS) assets will not 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 14 *Regulatory Deferral Accounts*	AASB 14 permits first-time adopters of Australian Accounting Standards who conduct rate–regulated activities to continue to account for amounts related to rate regulation in accordance with their previous GAAP.	1 January 2016	The assessment indicates no impact on MFB accounts.
AASB 2014 1 *Amendments to Australian Accounting Standards [Part E Financial Instruments]*	Amends various AASs to reflect the AASB's decision to defer the mandatory application date of AASB 9 to annual reporting periods beginning on or after 1 January 2018; as a consequence of Chapter 6 Hedge Accounting, and to amend reduced disclosure requirements.	1 January 2018	This amending standard will defer the application period of AASB 9 to the 2018-19 reporting period in accordance with the transition requirements.
AASB 2014 4 *Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation* [AASB 116 & AASB 138]	Amends AASB 116 *Property, Plant and Equipment* and AASB 138 *Intangible Assets* to: • establish the principle for the basis of depreciation and amortisation as being the expected pattern of consumption of the future economic benefits of an asset; prohibit the use of revenue-based methods to calculate the depreciation or amortisation of an asset, tangible or intangible, because revenue generally reflects the pattern of economic benefits that are generated from operating the business, rather than the consumption through the use of the asset.	1 January 2016	The assessment has indicated that there is no expected impact as the revenue-based method is not used for depreciation and amortisation.
AASB 2015-6 *Amendments to Australian Accounting Standards – Extending Related Party Disclosures to Not-for-Profit Public Sector Entities* [AASB 10, AASB 124 & AASB 1049]	The Amendments extend the scope of AASB124 *Related Party*. Disclosures to not-for-profit public sector entities. A guidance has been included to assist the application of the Standard by not-for-profit public sector entities.	1 January 2016	The amending standard will result in extended disclosures on the entity's key management personnel (KMP), and the related party transactions.

Notes to the financial statements for the financial year ended 30 June 2015

In addition to the new standards and amendments adjacent, the AASB has issued a list of other amending standards that are not effective for the 2014-15 reporting period (as listed below). In general, these amending standards include editorial and references changes that are expected to have insignificant impacts on public sector reporting.

AASB 2013-9 *Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments*

AASB 2014-1 *Amendments to Australian Accounting Standards* [PART D – Consequential Amendments arising from AASB 14 *Regulatory Deferral* Accounts only]
AASB 2014-3 *Amendments to Australian Accounting Standards* – Accounting for Acquisitions of Interests in Joint Operations [AASB 1 & AASB 11]

AASB 2014-5 *Amendments to Australian Accounting Standards arising from AASB 15*
AASB 2014-7 *Amendments to Australian Accounting Standards arising from AASB 9 (December 2014)*

AASB 2014-8 *Amendments to Australian Accounting Standards arising from AASB 9 (December 2014) – Application of AASB 9 (December 2009) and AASB 9 (December 2010)* [AASB 9 (2009 & 2010)]
AASB 2015-2 Amendments to Australian Accounting Standards – Disclosure Initiative: *Amendments to AASB 101* [AASB 7, AASB 101, AASB 134 & AASB 1049]

AASB 2015-3 *Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality*

Notes to the financial statements for the financial year ended 30 June 2015

		2015 $000	2014 $000
2.	**Income from transactions**		
(a)	**Grants**		
	Department of Justice and Regulation – Grants	325,230	317,093
	Treasurers advance (i)	475	12,602
	Total grants	**325,705**	**329,695**
(b)	**Contributions**		
	Brokers and owners (ii)	-	1,739
	Total contributions	**-**	**1,739**
(c)	**Sales of goods and services**		
	False alarm charges	8,423	6,509
	Fire suppression equipment sales and servicing	18,398	18,400
	Other sales	7,451	7,132
	Total sales of goods and services	**34,272**	**32,041**
(d)	**Other Income**		
	Interest		
	Interest on bank deposits	677	487
	Interest – held to maturity investments	1,006	1,362
	Interest – held for trading investments	1,409	3,046
	Total interest	**3,092**	**4,895**
	Dividends		
	Dividends – held for trading investments	2,648	2,095
	Total dividends	**2,648**	**2,095**
	Realised gain/(loss) on financial instruments		
	Gain/(loss) – held for trading investments	(6,655)	10
	Total Realised gain/(loss) on financial instruments	**(6,655)**	**10**
	Income – sundry		
	Workers' compensation recovered	3,103	2,978
	Property rental	447	506
	Contribution penalties	-	8
	Other	2,315	1,515
	Total income – sundry	**5,865**	**5,007**
	Total other income	**4,950**	**12,007**
	Total income from transactions	**364,927**	**375,482**

(i) The Treasurers Advance received via the Department of Justice and Regulation is the State Government's reimbursement of costs incurred in assisting regional fire strike teams, 2014 included re-imbursement for 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 2015

		2015 $000	2014 $000
3.	**Expenses from transactions**		
(a)	**Employee expenses**		
	Salaries (i)	201,722	199,562
	Overtime (i)	16,450	18,952
	Movement in employee benefit provisions (excluding impact of present value discount rate changes)	5,185	5,632
	Superannuation – defined benefit fund (iii)	15,642	15,950
	Superannuation – defined contribution fund (iii)	1,796	1,687
	Payroll tax	11,454	11,582
	Workers' compensation	9,356	9,600
	Fringe benefits tax	1,180	1,062
	Total employee expenses	**262,785**	**264,027**
(b)	**Depreciation and amortisation**		
	Buildings	12,340	10,114
	Plant and equipment	11,070	11,057
	Amortisation of intangible assets	1,382	1,300
	Total depreciation and amortisation	**24,792**	**22,471**
(c)	**Other operating expenses**		
	Contract services – other (ii)	15,879	18,938
	Contract services – government	18,399	18,921
	Property utilities, rates and maintenance	10,256	11,170
	Supplies and consumables	3,745	3,610
	Motor vehicle maintenance and fuel	5,044	4,545
	Plant and equipment maintenance	5,652	4,730
	Information technology	3,796	3,426
	Uniforms	4,639	3,658
	Travel	3,019	2,725
	Training and development	2,447	3,011
	Communications	2,114	1,750
	Legal	4,497	4,313
	Insurance	1,050	1,013
	Advertising and promotion	157	81
	Internal audit and compliance audits	331	328
	Consultants	746	874
	Property lease	607	1,237
	Cost of goods sold	482	487
	Other	2,051	2,085
	Total other operating expenses	**84,911**	**86,902**
	Total expenses from transactions	**372,488**	**373,400**

(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 in 2013/14 include the significant unplanned expenditure (approximately $4.7 million on asbestos control, removal and remediation at the Eastern Hill and Thornbury locations).
(iii) the allocation of superannuation expense for 2013/14 has been re-allocated to correct the prior year misreporting, total superannuation expense reported in 2013/14 was correct, but a portion relating to the defined benefit fund was inadvertently reported against the defined contribution fund.

Notes to the financial statements for the financial year ended 30 June 2015

		2015 $000	2014 $000
4.	**Other economic flows included in net result**		
(a)	**Net gain/(loss) on non-financial assets**		
	Impairment of property	-	(365)
	Amortisation of non-produced intangible assets (i)	(919)	(899)
	Net gain/(loss) on disposal of property, plant and equipment	1,297	825
	Total net gain/(loss) on non-financial assets	**378**	**(439)**
(i) This is amortisation of non-produced intangible assets with finite useful lives.			
(b)	**Net gain/(loss) on financial instruments**		
	Net gain/(loss) arising from revaluation of financial assets at fair value – market risk (ii)	7,460	(413)
	Net (increase)/decrease in receivables doubtful debt provision	(262)	216
	Total net gain/(loss) on financial instruments	**7,198**	**(197)**
(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.			
(c)	**Other gains/(losses) from other economic flows**		
	Net gain/(loss) arising from revaluation of leave liabilities	2,494	601
	Total other gains/(losses) from other economic flows	**2,494**	**601**
	Total other economic flows included in net result	**10,070**	**(35)**
5.	**Correction of prior period error**		

Certain operating stores items have been historically expensed when purchased and the items stored; these items are now accounted for as inventory.
The majority of these items were purchased in years prior to 2013-14, therefore to account for this adjustment, a credit was posted to Accumulated Surplus and debit to inventory with an effective posting date of 30 June 2013:

	30 June 2014	Error	**Restated 2014**
	$000	**$000**	**$000**
Inventory	**879**	545	**1,424**
Accumulated Surplus	**234,281**	545	**234,826**

		2015 $000	2014 $000
6.	**Receivables**		
	Current receivables		
	Contractual:		
	Sales of goods and services	6,125	3,608
	Other receivables	74	82
		6,199	**3,690**
	Statutory:		
	Sales of goods and services	2,231	2,662
	GST Input tax credit recoverable	1,191	1,196
	Provision for doubtful statutory receivables	(437)	(402)
		2,985	**3,456**
	Total	**9,184**	**7,146**

The 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.

The MFB has allowed for doubtful receivables based on a detailed review of outstanding accounts and their estimated recoverable amounts.

Ageing analysis of contractual financial assets

			Past due but not impaired		
	Carrying amount	**Not past due and not impaired**	**Less than 1 month**	**1 – 3 months**	**3 months – 1 year**
2015	**$000**	**$000**	**$000**	**$000**	**$000**
Receivables (i)	6,199	3,494	1,432	1,161	112
Total	**6,199**	**3,494**	**1,432**	**1,161**	**112**
2014					
Receivables (i)	3,690	3,056	475	72	87
Total	**3,690**	**3,056**	**475**	**72**	**87**

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

Movement in the provision for doubtful contractual financial assets:	2015 $000	2014 $000
Balance at beginning of the year	**405**	**761**
Amounts written off during the year	(231)	(144)
Amounts recovered during the year	4	4
(Decrease)/Increase in allowance recognised in the net result	259	(216)
Balance at the end of the year	**437**	**405**

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 the 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 $231,000 (2014: $144,000).

Note 13 Financial Instruments outlines the nature and extent of risk arising from contractual receivables.

		Notes	2015 $000	2014 $000
7.	**Inventories**			
	Current - inventories			
	Supplies, parts and security spares at cost	5	1,787	1,690
	Less: allowance for obsolescence		(262)	(266)
	Total		**1,525**	**1,424**

		2015 $000	2014 $000
8.	**Non-financial assets classified as held for sale**		
	Current assets:		
	Balance at beginning of financial year	**3,284**	**-**
	Transfers from investment properties	924	3,284
	Transfers to held for sale from freehold property	11,440	-
	Disposals	(2,184)	-
	Total physical assets classified as held for sale (i)	**13,464**	**3,284**

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

Notes to the financial statements for the financial year ended 30 June 2015

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

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

	Carrying amount as at 30 June 2015	Fair value measurement at end of reporting period using:		
	$000	**$000**	**$000**	**$000**
		Level 1(ii)	**Level 2**(ii)	**Level 3**(ii)
Freehold land held for sale	13,308	-	13,308	-
Freehold buildings held for sale	156	-	156	-
Total	**13,464**	**-**	**13,464**	**-**

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

(ii) Classified in accordance with the fair value hierarchy, using valuations performed in December 2014 by Charter Keck Cramer, November 2014 by Knight Frank Australia Pty Ltd and June 2015 by Urbis Valuations Pty Ltd (Valuer-General Victoria appointed valuers) see Note 1 (B).

		2015 $000	**2014 $000**
9.	**Other non-financial assets**		
	Current other assets		
	Prepayments	1,196	4,111
	Total current other assets	**1,196**	**4,111**
	Non-current other assets		
	Prepayments	178	-
	Security deposits	12	-
	Total non-current other assets	**190**	**-**
	Total other assets	**1,386**	**4,111**

	2015 $000	2014 $000
10. Property, plant and equipment		
Public Safety and Environment Purpose Group		
Freehold land		
At fair value - management valuation	169,127	181,448
Total land	**169,127**	**181,448**
Buildings		
At fair value - management valuation	290,976	280,482
Less: accumulated depreciation	(22,453)	(9,918)
Total buildings	**268,523**	**270,564**
Total land and buildings	**437,650**	**452,012**
Plant and equipment		
At fair value - management valuation	121,882	123,100
Less: accumulated depreciation	(57,423)	(57,453)
Total plant and equipment	**64,459**	**65,647**
Assets under construction at cost		
Buildings	11,126	4,627
Plant and equipment	8,291	7,648
Total assets under construction at cost	**19,417**	**12,275**
Total property, plant and equipment	**521,526**	**529,934**

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 (VGV) 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.

Annually management perform fair value assessments and material changes are recorded in the accounts. Since the last independent valuation of land and buildings as at 30 June 2011, management brought to account a building class revaluation increment based upon VGV valuation indices applicable at the time, which was recorded in the accounts as at 30 June 2013.

Fair value assessments of property, plant and equipment were performed by management as at 30 June 2015. Land valuations were determined by management using the independent valuation values performed by Urbis Valuations Pty Ltd as at 30 June 2011 and adjusting these values annually by the relevant valuation indices published by the Valuer-General Victoria. Building valuations were determined by management using the depreciated replacement cost method resolved no material change in fair value as at 30 June 2015 and revaluation was not required.

Vehicles are valued using the depreciated replacement cost method. The 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 the 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 2015.

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, consequently these asset classes were not revalued as at 30 June 2015.

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
2015					
	$000	**$000**	**$000**	**$000**	**$000**
Opening balance	**181,448**	**270,564**	**65,647**	**12,275**	**529,934**
Additions	-	-	4,661	23,758	28,419
Disposals	-	(56)	(1,040)	-	(1,096)
Net revaluations increment	-	-	-	-	-
Impairment	-	-	-	-	-
Transfers from construction work in progress	-	10,355	6,261	(16,616)	-
Transfers to non-financial assets held for sale	(11,440)	-	-	-	(11,440)
Transfers to investment property	(881)	-	-	-	(881)
Depreciation expense	-	(12,340)	(11,070)	-	(23,410)
Closing balance	**169,127**	**268,523**	**64,459**	**19,417**	**521,526**

	Freehold land	Buildings	Plant and equipment	Construction work in progress	Total
2014					
	$000	**$000**	**$000**	**$000**	**$000**
Opening balance	**193,752**	**194,936**	**65,539**	**53,349**	**507,576**
Additions	-	-	3,479	53,420	56,899
Disposals	-	-	(627)	-	(627)
Net revaluations increment	-	-	-	-	-
Impairment	(365)	-	-	-	(365)
Transfers from construction work in progress	-	86,181	8,313	(94,494)	-
Transfers to non-financial assets held for sale	(3,284)	-	-	-	(3,284)
Transfers to investment property	(8,665)	(439)	-	-	(9,094)
Depreciation expense	-	(10,114)	(11,057)	-	(21,171)
Closing balance	**181,448**	**270,564**	**65,647**	**12,275**	**529,934**

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.

Notes to the financial statements for the financial year ended 30 June 2015

Impairment of property, plant and equipment

Management review of physical non-financial assets for impairment determined no impairment as at 30 June 2015. In 2014 an impairment loss of $365,000 was recorded 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.

Restricted assets

The MFB holds $14,631,589 (written down book value 30 June 2015) 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 2015				
	Carrying amount as at 30 June 2015	Fair value measurement at end of reporting period using:		
	$000	**$000**	**$000**	**$000**
		Level 1(i)	**Level 2**(i)	**Level 3**(ii)
Land at fair value	169,127	-	169,127	-
Buildings at fair value	268,523	-	-	268,523
Plant, equipment & vehicles (ii) at fair value	64,459	-	-	64,459
Total	**502,109**	**-**	**169,127**	**332,982**

Fair value measurement hierarchy for property, plant and equipment assets as at 30 June 2014				
	Carrying amount as at 30 June 2014	Fair value measurement at end of reporting period using:		
	$000	**$000**	**$000**	**$000**
		Level 1(i)	**Level 2**(i)	**Level 3**(ii)
Land at fair value	181,448	-	181,448	-
Buildings at fair value	270,564	-	-	270,564
Plant, equipment & vehicles (ii) at fair value	65,647	-	-	65,647
Total	**517,659**	**-**	**181,448**	**336,211**

(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.

Notes to the financial statements for the financial year ended 30 June 2015

Reconciliation of level 3 fair value					
2015	**Specialised land**	**Specialised buildings**	**Heritage asset**	**Vehicles**	**Plant and equipment**
	$000	**$000**	**$000**	**$000**	**$000**
Opening balance	**-**	**255,023**	**15,541**	**57,953**	**7,694**
Purchases (sales)	-	9,989	366	6,047	4,875
Transfers in (out) of Level 3	-	(56)	-	(932)	(108)
Gains or losses recognised in net result					
Depreciations	-	(11,064)	(1,276)	(8,327)	(2,743)
Impairment loss	-	-	-	-	-
Subtotal	**-**	**253,892**	**14,631**	**54,741**	**9,718**
Gains or losses recognised in other economic flows – other comprehensive income					
Revaluation	-	-	-	-	-
Subtotal	**-**	**-**	**-**	**-**	**-**
Closing balance	**-**	**253,892**	**14,631**	**54,741**	**9,718**
Unrealised gains/(losses) on non-financial assets	-	-	-	-	-

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, specialized 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 the 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.

Notes to the financial statements for the financial year ended 30 June 2015

Reconciliation of level 3 fair value					
2014	**Specialised land**	**Specialised buildings**	**Heritage asset**	**Vehicles**	**Plant and equipment**
	$000	**$000**	**$000**	**$000**	**$000**
Opening balance	**-**	**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	-	-	-	-	-
Subtotal	**-**	**255,023**	**15,541**	**57,953**	**7,694**
Gains or losses recognised in other economic flows – other comprehensive income					
Revaluation	-	-	-	-	-
Subtotal	**-**	**-**	**-**	**-**	**-**
Closing balance	**-**	**255,023**	**15,541**	**57,953**	**7,694**
Unrealised gains/(losses) on non-financial assets	-	-	-	-	-

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% were applied to reduce the market approach value for the MFB's specialised land.

Notes to the financial statements for the financial year ended 30 June 2015

	2015 $000	2014 $000
11. Investment properties		
Balance at beginning of financial year	**9,094**	**-**
Disposals and property held for sale	(924)	-
Transfers from freehold property	881	9,094
Balance at end of financial year	**9,051**	**9,094**

11.1 Fair value hierarchy				
	Carrying amount as at 30 June 2015	Fair value measurement at end of reporting period using:		
	$000	**$000**	**$000**	**$000**
		Level 1	**Level 2**	**Level 3**
Investment properties (i)	9,051	-	9,051	-

(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 2015.

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

The fair value of the MFB investment properties at 30 June 2015 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.

	2015 $000	2014 $000
12. Intangible assets		
Intangible assets		
Licence agreements at cost	13,268	13,243
Intellectual property – system research	560	560
Less: accumulated amortisation	(8,039)	(6,934)
Total licence agreements	**5,789**	**6,869**
Software at cost	18,247	17,452
Less: accumulated amortisation	(14,745)	(13,896)
Total software	**3,502**	**3,556**
Total intangible assets	**9,291**	**10,425**

Intangible assets referred to above relate to software and licence agreements providing the MFB with access to optic fibre communication networks.
Intangible assets are amortised on a straight line basis over the asset life.

Notes to the financial statements for the financial year ended 30 June 2015

Reconciliations

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

2015	Licence agreements $000	Intellectual property $000	Software $000	Total $000
Carrying amount at start of year	**6,558**	**311**	**3,556**	**10,425**
Additions	26	-	1,168	1,194
Disposals	-	-	(27)	(27)
Amortisation expense	-	(187)	(1,195)	(1,382)
Other economic flows expense	(919)	-	-	(919)
Carrying amount at end of year	**5,665**	**124**	**3,502**	**9,291**

2014	Licence agreements $000	Intellectual property $000	Software $000	Total $000
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)
Carrying amount at end of year	**6,558**	**311**	**3,556**	**10,425**

13. Financial instruments

Financial risk management objectives and policies

The MFB's principal financial instruments comprise:

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

The 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 considered and ratified 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 the MFB for operations and for specific capital works and projects which will be expended in future years.

The Board has determined the VFMC investment is 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 Board approved to alter the VFMC investment portfolio effective August 2014 to allocate 65% of the investment into a balanced fund portfolio under VFMC management.

The VFMC held for trading investment fair value has increased from $114,014,000 as at 30 June 2014 to $118,876,000 as at 30 June 2015, this increase reflects the reinvestment of dividends and interest earnings during the reporting period and the net market 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.

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

2015	Contractual financial assets / liabilities designated at fair value through profit/loss	Contractual financial assets / liabilities held-for-trading at fair value through profit/loss	Contractual financial assets – loans and receivables	Contractual financial liabilities at amortised cost	Total
Categorisation of financial instruments	**$000**	**$000**	**$000**	**$000**	**$000**
Contractual financial assets					
Cash and deposits	19,437	15,000	-	-	34,437
Receivables (i)	-	-	6,199	-	6,199
Investments and other contractual financial assets:					
Held for trading investments					
Short term money market	41,197	-	-	-	41,197
Infrastructure – unlisted trust	292	-	-	-	292
Balanced fund	77,387	-	-	-	77,387
Total contractual financial assets	**138,313**	**15,000**	**6,199**	**-**	**159,512**
Contractual financial liabilities					
Payables – amortised cost (i)	-	-	-	19,783	19,783
Total contractual financial liabilities	**-**	**-**	**-**	**19,783**	**19,783**

Notes to the financial statements for the financial year ended 30 June 2015

2014	Contractual financial assets / liabilities designated at fair value through profit/loss	Contractual financial assets / liabilities held-for-trading at fair value through profit/loss	Contractual financial assets – loans and receivables	Contractual financial liabilities at amortised cost	Total
Categorisation of financial instruments	**$000**	**$000**	**$000**	**$000**	**$000**
Contractual financial assets					
Cash and deposits	14,235	15,000	-	-	29,235
Receivables (i)	-	-	3,690	-	3,690
Investments and other contractual financial assets:					
Held for trading investments					
Short term money market	96,648	-	-	-	96,648
Infrastructure – unlisted trust	2,062	-	-	-	2,062
Property – unlisted trust	333	-	-	-	333
Balanced fund	14,971	-	-	-	14,971
			-		
Total contractual financial assets	**128,249**	**15,000**	**3,690**	**-**	**146,939**
Contractual financial liabilities					
Payables – amortised cost (i)	-	-	-	17,256	17,256
Total contractual financial liabilities	**-**	**-**	**-**	**17,256**	**17,256**

(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 2015

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.

The 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.

The following table presents the MFB's financial assets and liabilities at fair value as at 30 June 2015:

Financial assets measured at fair value	Carrying amount as at 30 June 2015	Fair value measurement at end of reporting period using:		
2015	**$000**	**$000**	**$000**	**$000**
		Level 1	**Level 2**	**Level 3**
Fair value through profit / loss investments	118,876	36,430	82,446	-
Held to maturity term deposit investments	-	-	-	-
Total	**118,876**	**36,430**	**82,446**	**-**

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

Reconciliation of Level 3 fair value movements	Financial assets at fair value through profit/loss			
	Managed investment schemes		Total	Total
	$000	$000	$000	$000
	2015	2014	2015	2014
Opening balance	**329**	**1,534**	**329**	**1,534**
Total gains or losses recognised in:				
Net result	(329)	(1,205)	(329)	(1,205)
Closing balance	**-**	**329**	**-**	**329**
Total gains or losses for the period included in profit or loss for assets held at the end of the period	-	-	-	-

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

2015	Net holding gain/ (loss)	Total interest income/ (expense)	Fee income/ (expense)	Impairment loss	Total
	$000	$000	$000	$000	$000
Contractual financial assets					
Financial assets designated at fair value through profit/ loss	4,862	1,409	(126)	-	6,145
Financial assets – loans and receivables	-	1,006	-	-	1,006
Total contractual financial assets	**4,862**	**2,415**	**(126)**	**-**	**7,151**

2014	Net holding gain/ (loss)	Total interest income/ (expense)	Fee income/ (expense)	Impairment loss	Total
	$000	$000	$000	$000	$000
Contractual financial assets					
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
Total contractual financial assets	**4,738**	**4,408**	**(119)**	**-**	**9,027**

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.

13.2 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.

13.2(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 the 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 13.2(iii)) below.

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

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

The 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.

The MFB's exposure to interest rates on these financial assets is detailed in the interest rate sensitivity analysis below (refer to Note 13.2(iii)).

13.2(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 $380,000 (2014: $629,000) and an increase by the same amount to equity. Conversely if interest rates decreased by 50 basis points interest income would reduce by $380,000 (2014: ($629,000) and equity would reduce by the same amount.

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

Interest rate exposure of financial instruments 2015	Weighted average interest rate %	Carrying amount	Fixed interest rate	Variable interest rate	Non-interest bearing
		$000	**$000**	**$000**	**$000**
Financial assets					
Cash and deposits	2.44	34,437	15,000	19,437	-
Receivables		6,199	-	-	6,199
Investment financial assets	2.48	118,876	-	41,489	77,387
Total		**159,512**	**15,000**	**60,926**	**83,586**
Financial liabilities					
Payables		19,783	-	-	19,783
Total		**19,783**	**-**	**-**	**19,783**

Interest rate exposure of financial instruments 2014	Weighted average interest rate %	Carrying amount	Fixed interest rate	Variable interest rate	Non-interest bearing
		$000	$000	$000	$000
Financial assets					
Cash and deposits	2.53	29,235	15,000	14,235	-
Receivables		3,690	-	-	3,690
Investment financial assets (i)	2.77	114,014	-	96,648	17,366
Total		**146,939**	**15,000**	**110,883**	**21,056**
Financial liabilities					
Payables		17,256	-	-	17,256
Total		**17,256**	**-**	**-**	**17,256**

(i) the comparative for 2014 Variable Interest Rate is restated, this amount was previously incorrectly reported as fixed interest rate bearing investment assets.

13.3 Foreign exchange risk

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

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

Foreign exchange risk also impacts the 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 13.6).

The MFB's overall foreign exchange risk management strategy remains substantially unchanged from 2014.

13.4 Credit risk

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

13.4(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.

13.4(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.

13.4(iii) Receivables and other financial assets

The 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, the MFB has no significant concentration of credit risk in receivables or the other financial assets classes. The MFB has no guarantees or securities held against receivables balances.

The Board's overall credit risk management strategy remains substantially unchanged from 2014.

Further information is shown in Note 6 Receivables.

Credit quality of contractual financial assets that are neither past due or impaired	Financial Institutions (not rated)	Financial Institutions (AA credit rating)	State Government agencies (AAA credit rating)	Total
	$000	$000	$000	$000
2015				
Cash and cash deposits	-	19,437	15,000	34,437
Investment financial assets	*77,387	41,489	-	118,876
Total contractual financial assets	**77,387**	**60,926**	**15,000**	**153,313**
2014				
Cash and cash deposits	-	14,235	15,000	29,235
Investment financial assets (i)	*17,366	96,648	-	114,014
Total contractual financial assets	**17,366**	**110,883**	**15,000**	**143,249**

(i) The 30 June 2014 comparative listed under Financial Institutions (AA credit rating) was incorrectly reported under State Government agencies and has been adjusted to correct the error in classification.

* 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 2015

13.5 Liquidity risk

Liquidity risk is the risk that the 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. The MFB operates under the state 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.

The MFB has an appropriate liquidity risk management framework for its short, medium and long-term funding and liquidity management requirements. The 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 2014.

Maturity analysis of contractual financial liabilities 2015	Carrying amount	Nominal amount	Maturity dates				
			< 1 month	1-3 months	3 months – 1 year	1-5 years	5 + years
	$000	**$000**	**$000**	**$000**	**$000**	**$000**	**$000**
Financial liabilities							
Payables							
Supplies and services	12,462	12,462	11,678	784	-	-	-
Amounts payable to government and agencies	69	69	69	-	-	-	-
Other payables	7,252	7,252	6,702	250	300	-	-
Total	**19,783**	**19,783**	**18,449**	**1,034**	**300**	**-**	**-**

Maturity analysis of contractual financial liabilities 2014	Carrying amount	Nominal amount	Maturity dates				
			< 1 month	1-3 months	3 months – 1 year	1-5 years	5 + years
	$000	**$000**	**$000**	**$000**	**$000**	**$000**	**$000**
Financial liabilities							
Payables							
Supplies and services	11,002	11,002	10,292	710	-	-	-
Amounts payable to government and agencies	1,250	1,250	1,250	-	-	-	-
Other payables	5,004	5,004	3,462	-	1,542	-	-
Total	**17,256**	**17,256**	**15,004**	**710**	**1,542**	**-**	**-**

13.6 Price risk

The 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.

The 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 2015 are listed in the table below.

Price risk sensitivity

At 30 June 2015, the 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% 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.

2015
Fair value through profit and loss – held for trading investment in unlisted trusts (by investment category):

	Effective Exposure	+ 10% Increase		-10% Decrease in unit price	
		Income impact	Equity impact	Income impact	Equity impact
	$000	**$000**	**$000**	**$000**	**$000**
Infrastructure	292	29	29	(29)	(29)
Property	-	-	-	-	-
Balanced fund	77,387	7,739	7,739	(7,739)	(7,739)
Total	**77,679**	**7,768**	**7,768**	**(7,768)**	**(7,768)**
The effective exposure amounts above reflect the carrying amounts.					

2014
Fair value through profit and loss – held for trading investment in unlisted trusts (by investment category):

	Effective Exposure	+ 10% Increase		-10% Decrease in unit price	
		Income impact	Equity impact	Income impact	Equity impact
	$000	**$000**	**$000**	**$000**	**$000**
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)
Total	**17,366**	**1,736**	**1,736**	**(1,736)**	**(1,736)**
The effective exposure amounts above reflect the carrying amounts.					

Notes to the financial statements for the financial year ended 30 June 2015

13.7 Capital risk

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

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

13.8 Financial Instruments – fair value measurement

The 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.

		2015 $000	2014 $000
14.	**Payables**		
	Current payables		
	Contractual		
	Supplies and services	12,462	11,002
	Amounts payable to government and agencies	69	1,250
	Other payables and accrued expenses	7,252	5,004
		19,783	**17,256**
	Statutory		
	Group tax payable	1,134	1,211
	Payroll tax payable	863	876
	FBT payable (i)	314	280
		2,311	**2,367**
	Total	**22,094**	**19,623**

(i) The 30 June 2014 comparative has been adjusted to account for Fringe Benefits Tax (FBT) incorrectly reported under contractual payables.

Notes to the financial statements for the financial year ended 30 June 2015

The 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. The MFB has procedures in place to ensure that payables are paid within credit timeframes.

Under the Fair Payment Policy the MFB may be liable for penalty interest payments on overdue accounts. No interest penalties were incurred during the period under review (2014: Nil).

			Maturity Dates		
Payables commitment analysis	**Carrying amount**	**Nominal amount**	**Less than 1 month**	**1 - 3 months**	**3 months – 1 year**
	$000	**$000**	**$000**	**$000**	**$000**
2015	**22,094**	22,094	20,760	1,034	300
2014	**19,623**	19,623	17,371	710	1,542

Note 13 Financial Instruments outlines the nature and extent of risk arising from payables.

Notes to the financial statements for the financial year ended 30 June 2015

		2015 $000	2014 $000
15.	**Provisions**		
(a)	**Employee benefits**		
	Current provisions		
	Annual Leave		
	Unconditional and expected to be settled within 12 months (i)	18,003	17,093
	Unconditional and expected to be settled after 12 months (ii)	12,263	11,925
	Accrued Leave		
	Unconditional and expected to be settled within 12 months (i)	439	1,473
	Unconditional and expected to be settled after 12 months (ii)	3,336	3,505
	Long Service Leave		
	Unconditional and expected to be settled within 12 months (i)	5,218	4,923
	Unconditional and expected to be settled after 12 months (ii)	51,887	51,135
		91,146	**90,055**
	Provision for on-costs		
	Unconditional and expected to be settled within 12 months (i)	2,640	2,506
	Unconditional and expected to be settled after 12 months (ii)	10,987	10,833
		13,627	**13,339**
	Total current provisions	**104,773**	**103,394**
	Non-current provisions		
	Employee benefits – Long service leave (ii)	3,880	3,617
	On-costs (ii)	715	667
	Total non-current provisions	**4,595**	**4,284**
	Total provisions	**109,368**	**107,678**
(b)	**Employee benefits and on-costs (i)**		
	Current employee benefits		
	Annual and accrued leave	34,041	33,996
	Long service leave	57,105	56,059
	Non-current employee benefits		
	Long service leave	3,880	3,617
	Total employee benefits	**95,026**	**93,672**
	Current on-costs	13,627	13,339
	Non-current on-costs	715	667
	Total on-costs	**14,342**	**14,006**
	Total employee benefits and on-costs	**109,368**	**107,678**
(c)	**Movement in provisions**		
	Opening balance	**14,006**	**13,594**
	Additional provisions recognised	10,253	10,128
	Reductions arising from payments/other sacrifices of future economic benefits	(9,536)	(9,644)
	Unwind of discount and effect of changes in the discount rate	(381)	(72)
	Closing balance	**14,342**	**14,006**

Note:

(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.

	2015 $000	2014 $000
16. Other liabilities		
Current balance: Deferred income – CFA optic fibre access	1,058	740
Non-current : Loan from State Government	1,665	-
Deferred income – CFA optic fibre access	1,019	1,335
Total	**3,742**	**2,075**

The carrying amounts reflect income received in advance from the CFA for prepaid future access to the optical fibre communications network and an interest free loan from State Government for the Greener Government Building program.

17. Superannuation

MFB employees and members of the Board are entitled to receive superannuation benefits and the 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.

The MFB does not recognise any defined benefit liability in respect of the plan because the 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 the MFB.

During the year, the MFB made superannuation payments of $17.4 million (2014: $17.6 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 9.50% for non-defined benefit plan members.

There were superannuation contributions of $98,300 outstanding at 30 June 2015 (2014: Nil).

Employer contribution rates were:

Accumulation scheme
9.50% of salary for non-operational staff employed after 31 December 1993.

Effective 1 July 2014, the Super Guarantee rate increased to 9.50% and applies to the accumulation scheme members.

Defined benefits scheme
The average employer contribution rate for the financial year was 11.0% (2014: 11.0%) of salary for all operational staff as well as for non-operational staff employed prior to 1 January 1994.

Fund	Paid contribution for the year		Contribution outstanding at year end	
Defined benefit plans (i)	**2015 $000**	**2014 $000**	**2015 $000**	**2014 $000**
Emergency Services Superannuation Fund	14,955	15,585	-	-
Other	-	-	-	-
Defined contribution plans: (i)				
Emergency Services Superannuation Fund	1,796	1,687	-	-
Other	589	365	98	-
Total	**17,340**	**17,637**	**98**	**-**

(i) The base for determining the level of contributions for the defined ESSS fund is determined by the actuaries of the ESSS fund.

18. Commitments for expenditure

The following commitments have not been recognised as liabilities in the financial statements and are inclusive of GST:

	2015 $000	2014 $000
Commitments **Capital expenditure commitments** Commitments for the acquisition of property, plant and equipment contracted at reporting date but not recognised as liabilities:		
Payable:		
Less than one year	2,862	12,905
Total	**2,862**	**12,905**
Operating lease commitments		
Commitments for minimum lease payments in relation to non-cancellable operating leases at the reporting date but not recognised as liabilities:		
Payable:		
Less than one year	332	644
Longer than one year but not longer than five years	631	777
Longer than five years	-	24
Total	**963**	**1,445**
Recurrent service commitments		
Commitments for the acquisition of recurrent goods and services not recognised as liabilities:		
Payable:		
Less than one year	33,018	33,812
Longer than one year but not longer than five years	26,689	46,061
Total	**59,707**	**79,873**

A significant proportion of the above recurrent service commitments relate to the 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 2015 were $11.4 million (2014: $11.3 million).

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

19. Contingent assets and contingent liabilities

The following matter is subject to legal proceedings and the MFB has chosen not to disclose further details due to legal privilege.

Contingent asset
The MFB has a claim against the City of Yarra for the recovery of costs relating to remediation of contamination at the Burnley Complex.

Contingent liability
There are no contingent liabilities at reporting date.

	2015 $000	2014 $000
20. Equity **Reserves**		
Physical asset revaluation surplus		
Land		
Balance at beginning of financial year	103,352	103,352
Revaluation increments/(decrements)	-	-
Total	**103,352**	**103,352**
Buildings		
Balance at beginning of financial year	103,998	103,998
Revaluation increments/(decrements)	-	-
Total	**103,998**	**103,998**
Plant and equipment		
Balance at beginning of financial year	15,338	15,338
Revaluation increments/(decrements)	-	-
Total	**15,338**	**15,338**
Balance at end of financial year	**222,688**	**222,688**
Accumulated surplus		
Balance at beginning of financial year(i)	234,826	232,779
Net result	2,509	2,047
Balance at end of financial year	**237,335**	**234,826**
Contributed capital		
Balance at beginning of financial year	121,777	121,777
Owner contributions by State Government	1,736	-
Balance at end of financial year	**123,513**	**121,777**
Total equity at end of the financial year	**583,536**	**579,291**

(i) The 30 June 2014 comparative has been adjusted to reflect a prior period correction to inventory at 30 June 2013, refer Note 5.

21. Notes to the cash flow statement

(a) Reconciliation of cash

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:

	2015 $000	2014 $000
Total cash and deposits disclosed in the balance sheet	34,437	29,235
Balance as per cash flow statement	**34,437**	**29,235**
(b) Reconciliation of net result for the reporting period to cashflows from operating activities		
Net result for the period	**2,509**	**2,047**
Non-cash movements		
(Gain) on sale or disposal of non-financial assets	(1,297)	(825)
Net loss/(gain) on financial instruments	6,655	(11)
Unrealised (gain)/loss on held for trading investments	(7,460)	413
Depreciation and amortisation of non-financial assets	25,711	23,369
Impairment of non-financial assets	-	365
(Increase)/decrease in allowance for doubtful debts	35	(359)
(Decrease) in allowance for inventory obsolescence	(5)	(42)
Movements in assets and liabilities		
(Increase)/decrease in other receivables	(2,072)	2,998
(Increase)/decrease in inventories	(96)	168
Decrease/(increase) in prepayments	2,725	(2,402)
Increase/(decrease) in payables	2,471	(631)
Increase in employee benefits provisions	1,691	3,658
Increase/(decrease) in income received in advance	2	(65)
Net cash inflow from operating activities	**30,869**	**28,683**

Notes to the financial statements for the financial year ended 30 June 2015

22. Bank overdraft

The 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 (2014: Nil).

	2015 $000	2014 $000
23. Ex-gratia expenses		
Settlement of employment matter	8	-
Total	**8**	**-**

The above expense is included in salaries expense at Note 3 for the respective year.

24. 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 of 01/07/2014 to 30/06/2015.

Names:
The persons who held the positions of Minister and Accountable Officers for the MFB are as follows:

		Period of tenure:
Responsible Minister	The Honorable J Garrett MP Minister for Emergency Services	04/12/14 – 30/06/15
	The Honorable Wade Noonan Acting Minister for Emergency Services	03/04/15 – 13/04/15 26/06/15 – 30/06/15
	The Honorable K Wells MP Minister for Police and Emergency Services	01/07/14 – 03/12/14
Board Members	A Diamond President	12/05/15 – 30/06/15
	K W King Acting President	17/12/14 – 11/05/15
	M N Comrie AO APM – President	01/07/14 – 17/12/14
	J A Bonnington	01/07/14 – 30/06/15
	K W King	01/07/14 – 30/06/15
	S F Alford	01/07/14 – 30/06/15
	D Purchase OAM	01/07/14 – 30/06/15
	J Lord AM	01/07/14 – 22/07/14
	T A Ryan -	01/07/14 – 30/06/15
	D Mueller AO	23/07/14 – 30/06/15
Accountable Officers	J Higgins ASM – Chief Executive Officer	01/07/14 – 30/06/15

Related parties
M N Comrie is the Victorian Bushfire Royal Commission Implementation Monitor
A Diamond is CEO of City of Monash, formerly CEO of City of Yarra.
T A Ryan is non-executive Director of Victorian Managed Insurance Authority.
J Higgins is 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 2015

Remuneration of responsible persons

The remuneration of the Responsible Minister is reported separately in the financial statements of the Department of Premier and Cabinet.

The number of Board members is shown below in their relevant income bands:

	2015 No.	2014 No.
Remuneration Band		
$ 0 – $ 9,999	2	1
$ 10,000 – $ 19,999	1	5
$ 20,000 – $ 29,999	5	1
$ 30,000 – $ 39,999	1	-
$ 50,000 – $ 59,999	-	1
Total	**9**	**8**
Total remuneration of Board members	**$000**	**$000**
	175	**175**

Remuneration received by Accountable Officers in connection with the management of the MFB during the reporting period was in the following ranges:

	2015 No.	2014 No.
Remuneration Band		
$ 50,000 – $ 59,999	-	1
$ 250,000 – $ 259,999	-	1
$ 350,000 – $ 359,000	1	-
Total	**1**	**2**
Total remuneration of Accountable Officers:	**$000**	**$000**
	353	**312**

During the current period, the following personnel performed as Acting Chief Executive Officer:
Russell Eddington Executive Director Corporate Services 07/07/2014 - 04/08/2014
Russell Eddington Executive Director Corporate Services 01/06/2015 - 16/06/2015

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 2014 was included in 2015.

25. Remuneration of executive officers

The number of executive officers, other than Ministers and Accountable Officers and their total remuneration during the reporting period is shown 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 shown in the third and fourth columns. Base remuneration is exclusive of bonus payments, long-service leave payments, redundancy payments and retirement benefits.

The total annualised employee equivalent provides a measure of full time equivalent executive officers over the reporting period.

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 adjacent.

Notes to the financial statements for the financial year ended 30 June 2015

Executive Officers Remuneration Band	Total Remuneration		Base Remuneration	
	2015 No.	2014(iii) No.	2015 No.	2014(iii) No.
$ 0 – $ 99,999	7	3	8	3
$100,000 – $109,999	1	1	1	1
$110,000 – $119,999	-	-	1	-
$120,000 – $129,999	1	2	1	2
$130,000 – $139,999	1	1	1	1
$140,000 – $149,999	2	1	3	2
$150,000 – $159,999	2	1	1	1
$160,000 – $169,999	-	2	2	4
$170,000 – $179,999	2	3	4	5
$180,000 – $189,999	9	2	11	1
$190,000 – $199,999	3	3	-	3
$200,000 – $209,999	6	8	6	10
$210,000 – $219,999	3	5	2	3
$220,000 – $229,999	2	5	4	3
$230,000 – $239,999	2	1	-	1
$240,000 – $249,999	2	2	-	5
$250,000 – $259,999	1	1	1	-
$260,000 – $269,999	-	2	1	-
$270,000 – $279,999	1	1	1	-
$280,000 – $289,999	2	-	-	-
$290,000 – $299,999	1	1	-	-
Total number of executives	**48**	**45**	**48**	**45**
Total annualised employee equivalents (AEE) (i)	**40**	**41**	**40**	**41**
Total amount ($000)	**8,716**	**8,679**	**7,931**	**8,190**

(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 below $100,000 due to part year employment in the executive position.
(iii) the comparatives for 2014 are restated to account for: (a) the 2014 base remuneration details previously reported erroneously excluded superannuation pertaining to executives; (b) management determined, in accordance with guidance under FRD 15B Executive Officer disclosures in the Report of Operations, to no longer report part remuneration of personnel who acted-up and performed executive duties whilst executives were on leave or positions were temporarily vacant. The higher AEE in 2014 relates primarily to executives who left the MFB and new executives appointed during that year.

Notes to the financial statements for the financial year ended 30 June 2015

Notes:

The above remuneration amounts include leave or termination payments of:

	2015 $000	2014 $000
Remuneration Band		
$ 0 – $ 99,999	63	1
$ 200,000 – $ 209,999	245	-
$ 210,000 – $ 219,999	-	11
$ 240,000 – $ 249,999	57	-
$ 280,000 – $ 289,999	120	-
$ 290,000 – $ 299,999	-	106
Total	**485**	**219**

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

There were no payments made to other personnel, namely contractors with significant management responsibilities in 2015 (2014: Nil).

26. Remuneration of auditors

Total remuneration payable to the Auditor-General for auditing the financial statements for the year ended 30 June 2015 was $102,900 (2014: $100,350).

27. Subsequent events

There are no subsequent events since reporting date.

28. 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;

(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*; and

(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; and
- fair value changes of financial instruments.

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

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.

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 the MFB.

Notes to the financial statements for the financial year ended 30 June 2015

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 2014-15 *Model Report for Victorian Government Departments*. The presentation of other disclosures is generally consistent with the other disclosures made in earlier publications of the 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 2015 and financial position of the Metropolitan Fire and Emergency Services Board as at 30 June 2015.

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 11 August 2015.

Dr Andi Diamond
President
Melbourne
11 August 2015

Jim Higgins ASM
Chief Executive Officer
Melbourne
11 August 2015

Russell Eddington
Executive Director, Corporate Services
Melbourne
11 August 2015

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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 2015 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 person's 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.

Auditing in the Public Interest

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 2015 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*.

MELBOURNE
11 August 2015

For John Doyle
Auditor-General

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