MFB

Annual Report 2015–16

SERVING MELBOURNE MFB 125

MFB responds to around 38,000 calls a year

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MFB invested over $15 million in new appliances, marine response initiatives, station refurbishments, ICT systems, hardware and equipment in the 2015–16 financial year.

Letter to the Minister

The Hon James Merlino MP
Minister for Emergency Services
Level 3, 1 Treasury Place
East Melbourne 3002

Dear Minister,

I have much pleasure in submitting the 2015–16 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

Purpose and strategic themes

Our purpose

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

EMV shared vision

Safer and more resilient communities.

MFB's strategic themes for 2015–2018

Always Safe

Improving community safety and resilience

Valuing our people

Delivering exceptional service

Working with others

President's foreword

During the year, the Fire Services Review was released. It identified areas for improvement in the fire services in relation to culture, diversity and interoperability.

I feel honoured to have been at the helm of the Metropolitan Fire and Emergency Services Board during 2015–16 – a year that has proven to be challenging and rewarding in equal measure. The emergency services sector in Victoria has entered an era of defining change, and our ability to adapt and bring our own leadership, skills and capabilities to that change will be crucial over the coming years.

This past year we have driven forward some exciting new initiatives at MFB, including the Mobile Data for Vehicles Project, which will see mobile computers placed in operational appliances for the first time.

In an Australian first, MFB has also implemented ground-breaking GPS mapping technology called ARM360, which swiftly assesses and reports damage following major incidents and disasters, enabling effective relief and recovery. This technology proved to be invaluable at the Wye River and Separation Creek fires in December, and these two examples demonstrate how MFB is leading the way with innovations which strengthen our capabilities.

2016 represented a significant milestone for MFB – its 125th anniversary. One of Melbourne's oldest organisations, MFB was established in 1891 and quickly evolved from a fragmented group of insurance and volunteer brigades to one whose purpose is delivering a world-class fire and emergency service to Melbourne and Victorians. In its first year, MFB reported a staff of 59 permanent and 229 auxiliary firefighters, responding to 816 calls from 48 stations. Since then, it has grown to a workforce of 2,300 employees, with firefighters at 47 fire stations responding to nearly 38,000 calls a year including a multitude of non-fire-related incidents, such as emergency medical response, high angle rescue, urban search and rescue and marine response. Our series of 125th celebratory events have been a great success, particularly the Gala Ball, which raised an impressive $10,000 to support the vital work of mental health charity beyondblue. I was delighted to see our fire services showcased at the Newport Workshop Open Day and the community response was fantastic. More than 1000 people attended on the day to get a glimpse of the lovingly restored vintage appliances. Undoubtedly the community appreciates and respects the work of our firefighters and this was very evident on the day.

During the year, the Fire Services Review was released. It identified areas for improvement in the fire services in relation to culture, diversity and interoperability. The Board and Executive Leadership Team is committed to addressing the review recommendations by strongly focusing on building a constructive, interoperable and efficient organisation for the future.

2016 also marked the release of the Parliamentary Inquiry report into the CFA training college at Fiskville, which provided MFB with useful learnings for the future. While we await the Government's response to the report, MFB has already identified several high-level actions and opportunities to improve safety outcomes for our people and the community we serve. MFB commenced a voluntary testing program in April 2016 for current, former and retired MFB staff concerned about excessive exposure to perfluorinated chemicals in firefighting foams used prior to 2014. A newly-formed federal panel is reviewing the safe levels of PFCs and we will continue to take advice from the Brigade Medical Service and the Chief Health Officer on safe PFC levels, medical interventions and treatment. We have also implemented fortnightly testing of water at VEMTC, Craigieburn.

As a Board we remain concerned by our Occupational Health and Safety statistics and have clear expectations for the Executive Leadership Team in improving these outcomes. MFB has developed a carefully constructed "Always Safe" strategy (focusing on leadership and behaviour, systems and health and wellbeing) to improve our performance and realise our goal of ensuring that everyone always returns home safe from work.

Sadly, we farewelled several of our colleagues over the past year. In the wake of these tragedies, we continue to seek the best ways to support our people at home and work, and identify opportunities to improve mental health across the organisation. To that end, we commissioned Dr Peter Cotton, a clinical and organisational psychologist specialising in occupational mental health, to work with our leadership team and the Board to consider what additional strategies we should be putting in place to support our staff and to assist in dealing with post-traumatic stress.

I would like to take this opportunity to thank the CEO and Board members for their ongoing commitment to the organisation. I'd also like to acknowledge all MFB employees for their work throughout the year. It's been a challenging environment to work in but they have risen to the challenge and continue to do an outstanding job protecting the safety of Victorians every day. On a personal note I want to thank so many of our firefighters who have taken the time to meet with me and who have given me a greater insight into the very significant and important work they do. It continues to be an honour to stand with you at times of celebration as well as at times of sorrow. It's these occasions that give me a strong sense of the MFB family.

I'm proud to be part of an organisation that continues to be a recognised leader in emergency services and aspires to pursue our purpose – "to deliver a world class fire and emergency service".

I look forward to the year ahead.

Dr Andi Diamond
President

The 2015–16 financial year has delivered a set of complex and interesting challenges for the emergency management sector in Victoria. MFB has been largely successful in predicting, managing and meeting these and has delivered against key targets.

This year's annual report is largely focused on our achievements against the MFB Plan, a three-year initiative that we launched in 2015. The Plan articulates MFB's commitment to the organisation and to the community it serves by prioritising actions that will help to make Melbourne and Victoria a safer place.

'Always Safe', 'Improving Community Safety and Resilience', 'Valuing Our People', 'Delivering Exceptional Service' and 'Working With Others' are the five strategic themes identified to focus the organisation on the strategies that are most important for us to prioritise, and those that will take us forward in the longer term.

We have identified a number of key challenges facing us through our ongoing environmental scans, including the release of the Fire Services Review and refinement of the Victorian Emergency Management Strategic Action Plan. These require a strategic response and have been incorporated into the 2016-17 Plan.

From an operational perspective I continue to be immensely impressed by our people, who continually restore a sense of order to sometimes chaotic situations, quickly and efficiently bringing emergency incidents under control. The role of the modern day firefighter has evolved and become far more diverse today and is certainly no longer only about fighting fires. This financial year we received nearly 38,000 calls for assistance, an increase of over a thousand on the previous year, due largely to an increase in false alarm and good intent calls.

Over the last year we have invested significantly in infrastructure, with major refurbishments at Bundoora, Keilor, Newport and Greensborough fire stations being completed, and with building tenders commencing on Laverton Fire Station, and an architect on Box Hill and North Laverton fire stations. We also rolled out a total replacement of Breathing Apparatus cylinders to ensure ongoing capability that will be interoperable with the CFA, enhancing safety for our firefighters and the community. We have replaced the outdated Firecom, our dispatch and management system, which has improved our incident response.

This financial year we received nearly 38,000 calls for assistance, an increase of over a thousand on the previous year, due largely to an increase in false alarm and good intent calls.

The past year has continued to be demanding with regard to our workplace relations environment. Our aim has been to complete enterprise bargaining and reach agreement as quickly as possible in consultation with the union and our operational staff, but the fact remains that the current bargaining dispute is more than three years old. Our negotiations have remained firmly focused on community and firefighter safety outcomes. The successful resolution of the Mechanical Engineering Workshops Agreement was very pleasing and we continue to work towards positive outcomes for MFB corporate staff.

We strive to cultivate strong relationships with key stakeholders and foster interoperability between agencies, especially with our CFA partners. Officially opened in June 2014, VEMTC Craigieburn is now the home for career firefighter recruit training for both MFB and CFA. In 2016 more than 200 MFB and CFA recruits will be graduating. MFB is also playing a lead role in the development of the Victorian Career Firefighter Recruit Course Project and has been working with CFA to deliver the new curriculum throughout 2016.

Following the tragic passing of several of our colleagues over the last year, we continue to seek the best ways to support our people and identify opportunities to improve the mental health and wellbeing of our staff across the organisation. Work has included an independent review of our current Employee Support Program, with consideration of additional resourcing. With input internally and from WorkSafe, *beyondblue*, and other emergency services, we have a roadmap and are benchmarking against the *beyondblue* good practice framework for mental health and wellbeing in first responder organisations, alongside wellbeing checks and increasing the accessibility and availability of support.

More than 15 years after Emergency Medical Response was first introduced, community awareness of our role remained low. Firefighters reported they were often met with confusion when they co-responded and arrived at a medical incident before the expected ambulance. In order to address this we commenced with a focus on the consistent promotion of our EMR role. In May, in partnership with Ambulance Victoria, we launched a campaign to promote the role we play in EMR so the community did not turn away a fire truck if they called Triple Zero for a medical emergency. Posters and brochures have been displayed in hundreds of doctors' surgeries across the metropolitan district and promoted via social media and other community engagement channels. Fire stations received their own copies and we also created an EMR information page on the MFB website. We also arranged a key change to the ESTA Triple Zero call-taker script, so that now the caller will be told that a fire truck may also respond in addition to an ambulance. ESTA staff have been trained and the change has been implemented for all future Code Zero calls.

I remain incredibly proud of our people and our reputation for excellence in community service. I feel honoured to serve as CEO and express my sincere gratitude to all who contributed to our achievements over the past year. Each member of staff makes us stronger and assists in providing a world class fire and emergency service which supports the EMV shared vision of safer and more resilient communities.

Jim Higgins ASM
Chief Executive Officer

About us

What we do

Our 2,300 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.

The MFB values are:

Safety

We strive for a workplace culture of safety, identifying and remedying the causes of workplace injuries.

Response

We are responsive to the needs of our people and our community.

Professionalism

We work in a highly professional manner.

Initiative

We demonstrate initiative, innovation, and agility as we continuously improve our service.

MFB also 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 consequence 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 advocates for safety in the built environment and the community, with the goal of reducing the occurrence, impact and severity of fires and other emergencies. Preparedness activities include ensuring response plans and arrangements are in place before emergencies occur. This may include conducting risk assessments (likelihood and consequence), planning for the continued availability of essential services and identifying ways to mitigate the potential impacts of an emergency.

Response

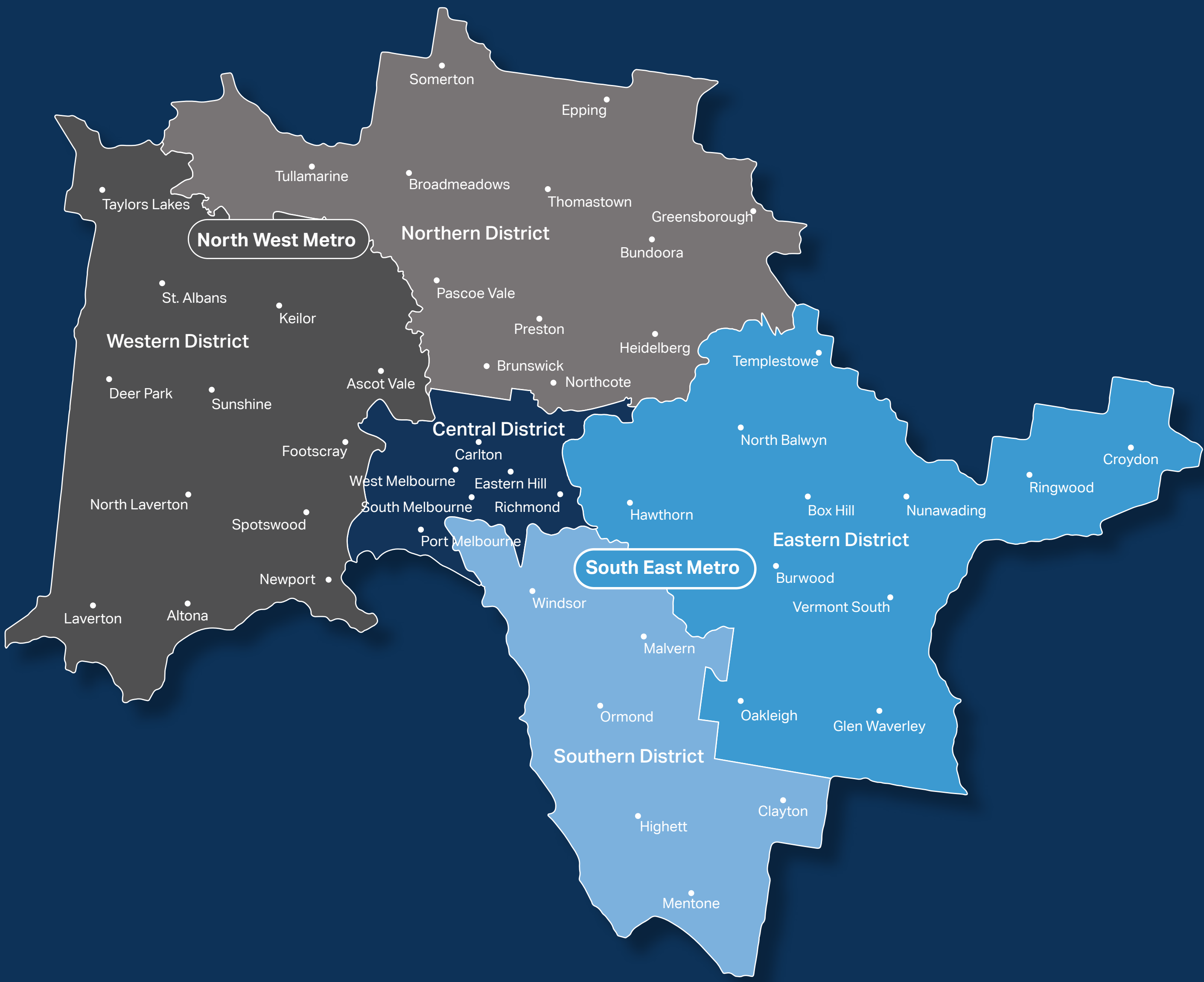
When MFB is dispatched to incidents we work to minimise their consequence and provide affected individuals and communities with immediate support. MFB delivers a highly skilled response to nearly 38,000 calls each year, including fires, hazardous incidents, automatic alarms, road accidents, medical emergencies, urban search and rescue and marine incidents and including false alarms and good intent calls.

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.

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 also works across State and Local Government agencies, including the State Coroner, Energy Safe Victoria and 26 local councils to strengthen their emergency planning and preparation.



The Board

Dr Andi Diamond
President

Appointed May 2015
Appointed President May 2015

Andi is the Chief Executive of Monash City Council, one of Victoria's most populous municipalities, where she has been employed for over four years. Prior to her current role she served as CEO of Yarra Council for four years. She holds a BA in Social Work, a Master of Business Administration and a Doctorate of Business and is a graduate of the Australian Institute of Company Directors.

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

Andi is Deputy Chair of the 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, the Australian Research Centre for Urban Ecology, and the Habitat Melbourne Trust.

Jay Bonnington
Board Member

Appointed July 2006

Jay is a chartered accountant and has worked overseas and in Australia in senior executive financial roles. 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 Trust of Australia (UTA), the Australian Rail Track Corporation (ARTC), and as Chair of Audit/Risk committees. In addition, she serves on several community boards, including as Deputy Chair of the Lord Mayor's Charitable Foundation, on the Salvation Army's National Advisory Board and is a Trustee of The Queens Fund. She is also an Independent Member of the Mercy Health and Aged Care Group's Audit/Risk Committee.

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 the Victorian Automobile Chamber of Commerce (VACC) from 1997 to 2014. He is also 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 (now Bapcor Limited), Victorian Managed Insurance Authority, VicForests, 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 Gippsland Water. 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 MFB's 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, AMES Australia and Kilvington Grammar. Stuart is also an Audit Committee Member of the Victorian Curriculum and Assessment Authority and the Portfolio Audit and Risk Committee, Department of Education and Training, 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.

Retired members

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.

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

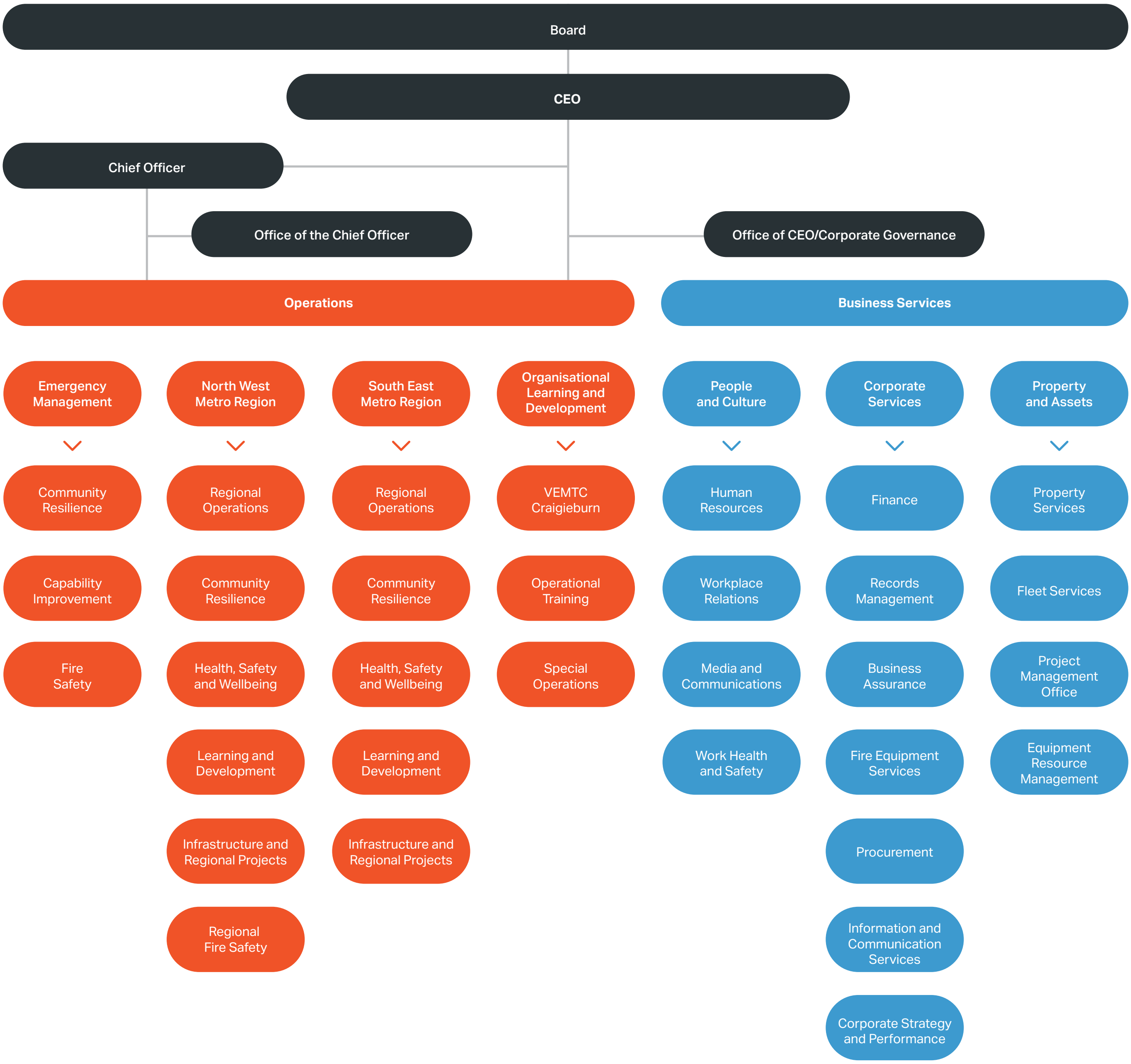
Executive Director Organisational Learning and Development
Deputy Chief Officer Greg Leach

Regional Director North West Metro Region
Deputy Chief Officer David Youssef

Regional Director South East Metro Region
Deputy Chief Officer David Bruce

Our 2300 employees help safeguard almost four million Melbourne residents, workers and visitors along with assets and infrastructure worth billions of dollars.

Organisational structure



Major outputs/deliverables

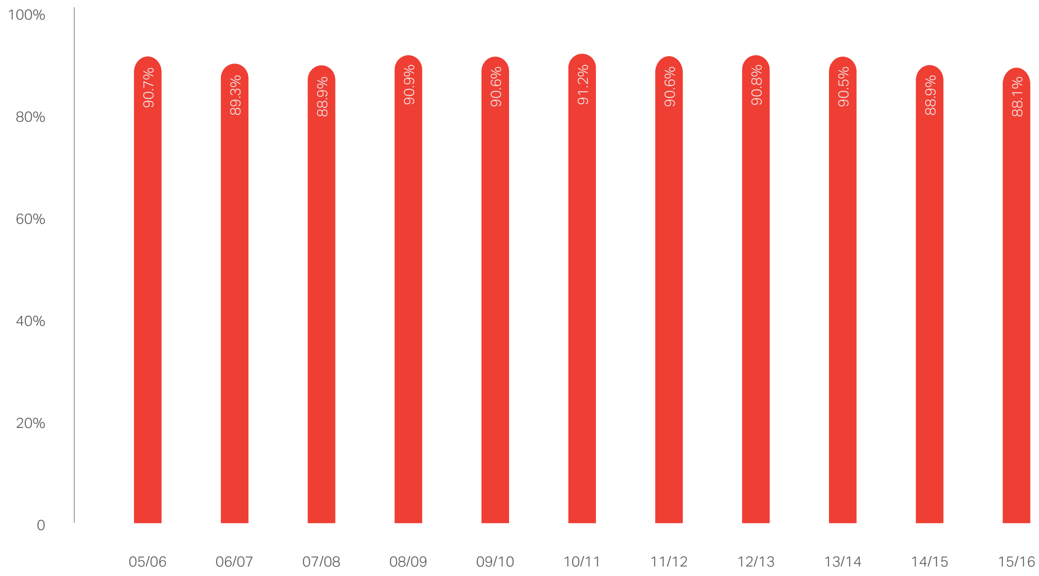
KPI	*Performance Measures*	Unit of Measurement	2015–16 Target	2015–16 Outcome	Notes
KPI 1	Reduce LTIFR (Lost Time Injury Frequency Rate)	Number	46	57	
KPI 2	Reduce LTISR (Lost Time Injury Severity Rate)	Number	26	23.3	
KPI 3	Improve Hazard/Near Miss: Injury Rate Ratio	Number	5:1	1.1:1	
KPI 4	Increase four-person crewing	Number	5	10.4 average	
KPI 5	Improve containment of structure fires	Percent	90%	88.1%	(1)(4)
KPI 6	Reduce structure fires per capita	Percent	-2%	-0.7%	
KPI 7	Increasing firefighter-generated community and fire safety notifications	Number	876	879	
KPI 8	Deliver Community Resilience education program	Number	93%	99%	
KPI 9	Increase workforce engagement	Percent	65%	65%	
KPI 10	Complete scheduled skills maintenance	Percent	90%	96%	
KPI 11	Improve gender diversity by 2018	Percent	3.5%	3.6%	
KPI 12	Timely completion of corporate performance appraisals	Percent	85%	57%	
KPI 13	Increase Structural Fire Behaviour Training	Number	600	553	
KPI 14	Reduce unplanned leave taken	Number	120	135	
KPI 15	Structure fires (SF) response times within benchmark (7.7 minutes)	Percent	90%	89%	(4)
KPI 16	Road Rescues (RR) response times within benchmark (13.5 minutes)	Percent	90%	80.1%	(4)
KPI 17	Emergency medical response (EMR) times within benchmark (9.2 minutes)	Percent	90%	94.6%	(4)
KPI 18	Permanent operational staff	Number	1870	1,937	(2)(4)
KPI 19	Permanent support staff	Number	340	339	(2)(4)
KPI 20	Strategic actions health	Percent	100%	50%	
KPI 21	Achieve net operating result budget	Percent	100%	±100%	
KPI 22	Achieve capital program budget	Percent	100%	43.5%	
KPI 23	Level 3 Incident Controller trained staff	Number	6	0	(3) (4)
KPI 24	Road rescue units	Number	5	5	(4)
KPI 25	MFB employees trained to contribute to State EM arrangements	Number	114	124	
KPI 26	Implementation of Joint Standard Operating Procedures (JSOPs)	Percent	100%	100%	
KPI 27	Joint MFB/CFA Recruit Course delivery	Number	4	0	

(1) 80% is the state-wide target. MFB performance is consistently higher than the state-wide target.
(2) Emergency Management Victoria BP3 targets for 2015/16 were 1894 for operational staff and 360 for corporate staff. However, MFB uses budgeted headcount for internal targets of 1870 operational staff and 340 corporate staff.
(3) It should be noted that the counting rules for Level 3 Incident Controller trained staff differ from those used to report externally into the BP3 process as the definition of the two differs. MFB is transitioning towards the multi-agency accreditation framework for Level 3 Incident Controllers. This measurement framework differs from the previous endorsement model which is still used for the purposes of BP3 reporting.
(4) 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 Supporting the State's Fire and Emergency Services output group. The Budget Papers report on state-wide performance against these KPIs. MFB sets additional performance measures in our MFB Plan 2015-2018 which provide metrics for areas of emergency response and corporate performance not included in the Budget Papers. These metrics reflect other areas where continuous improvement principles apply.

Our performance

Figure 1.

Containment of structure fires to the room of origin



MFB service delivery

In 2015-16 MFB attended 37,945 callouts in the Metropolitan District, as well as providing support to other agencies during emergencies in regional Victoria.

This figure presents the highest number of call outs in more than a decade and a 2.7 per cent increase in call outs compared with 2014–15.

The increase was driven by false alarms and false calls (including good intent calls) and rescues and medical assistance.

MFB sets a target of containing 90% of structure fires to room of origin. In the 2015-16 financial year, 88.1 per cent of fires were contained to room of origin, slightly down from 88.9 per cent in 2014–15.

There were six preventable fire-related deaths in 2015–16 compared with three the previous year.

A number of incidents occurred which required a significant MFB response and a prolonged allocation of resources. Figure 8 illustrates the number of incidents classed as third alarm and above. A first alarm usually involves two primary appliances. This figure increases incrementally.

Figure 2.

MFB calls attended

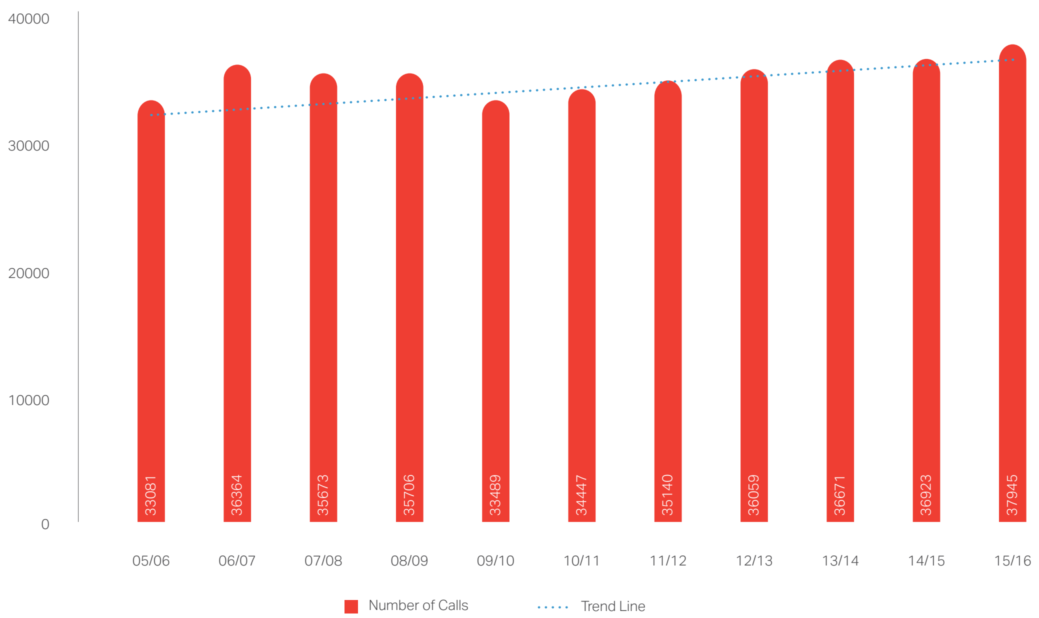


Figure 3.

Number of calls by LGA

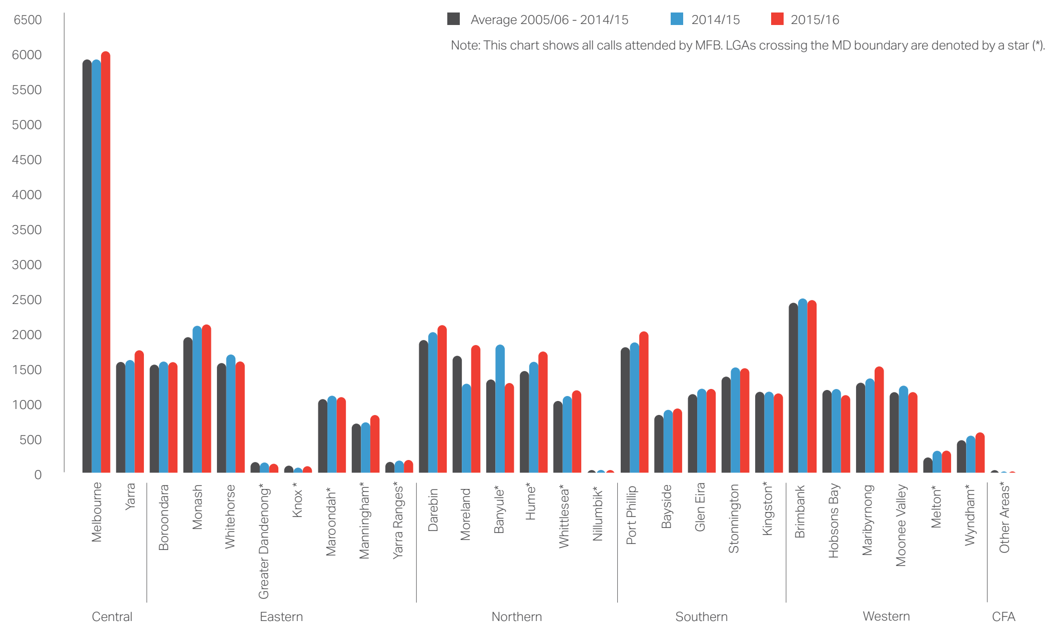
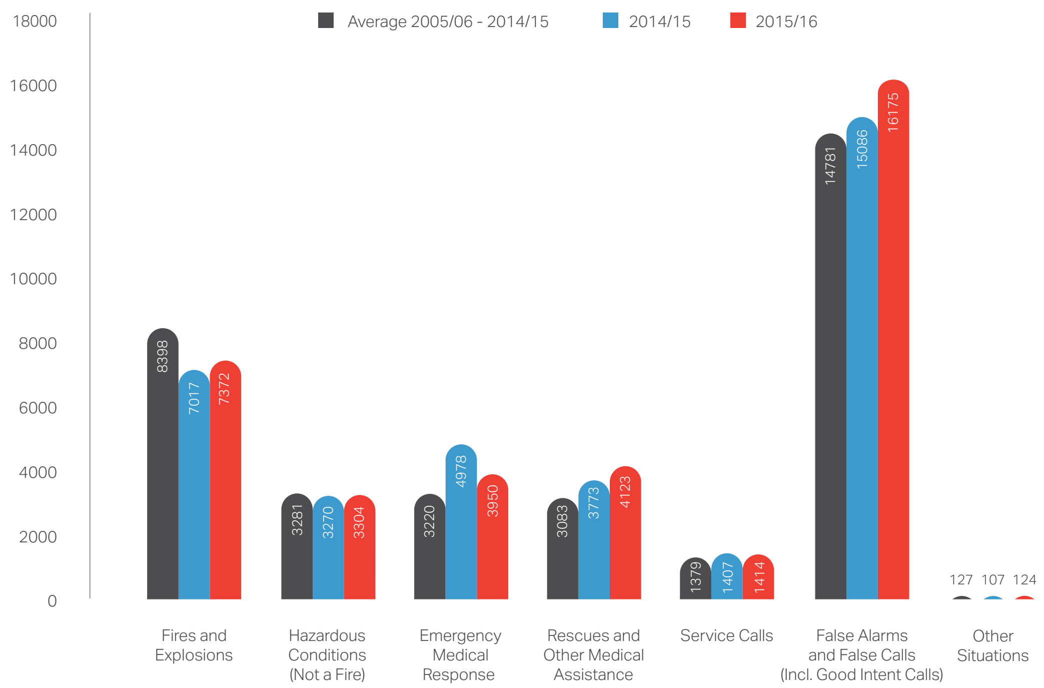


Figure 4.

Breakdown of calls attended by type of incident



Our performance

Figure 5.

Breakdown of building fires by property type

AIRS data was affected by industrial bans Sep'05, Jan–Mar'06 (this does not affect the total number of incidents reported but disaggregation is not possible). Estimation of "missing data" based upon proportions of incident totals from previous years

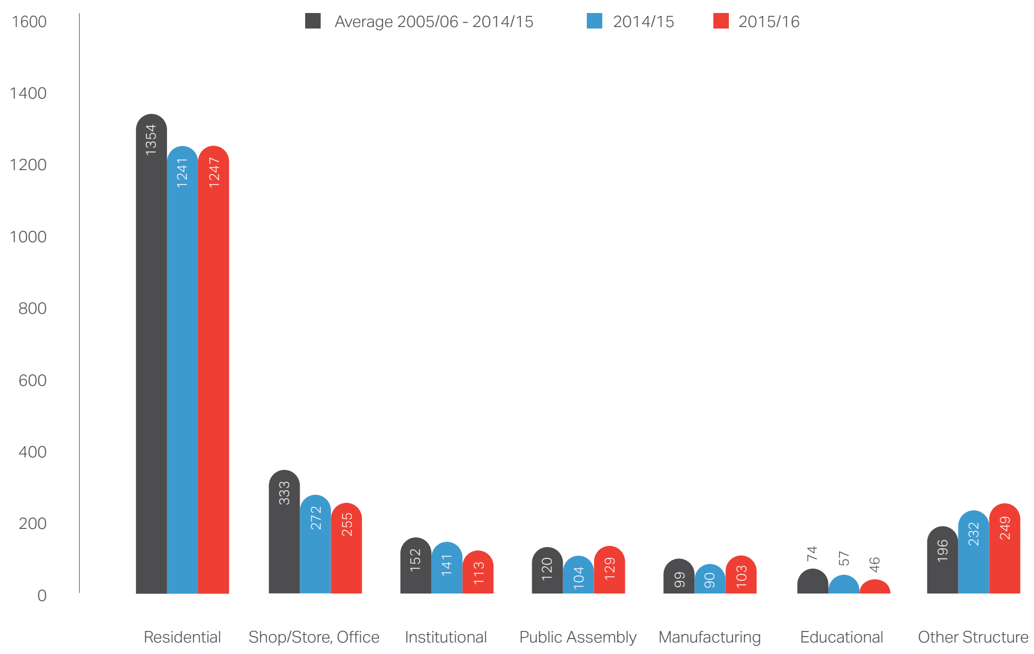


Figure 6.

Emergency response times meeting benchmarks

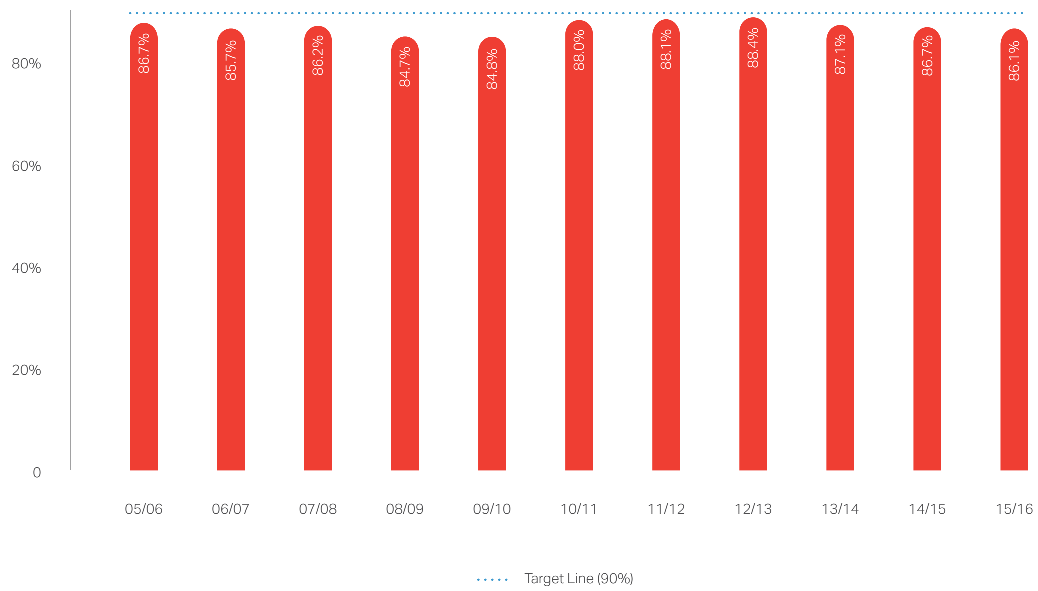


Figure 7.

Preventable fire-related fatalities

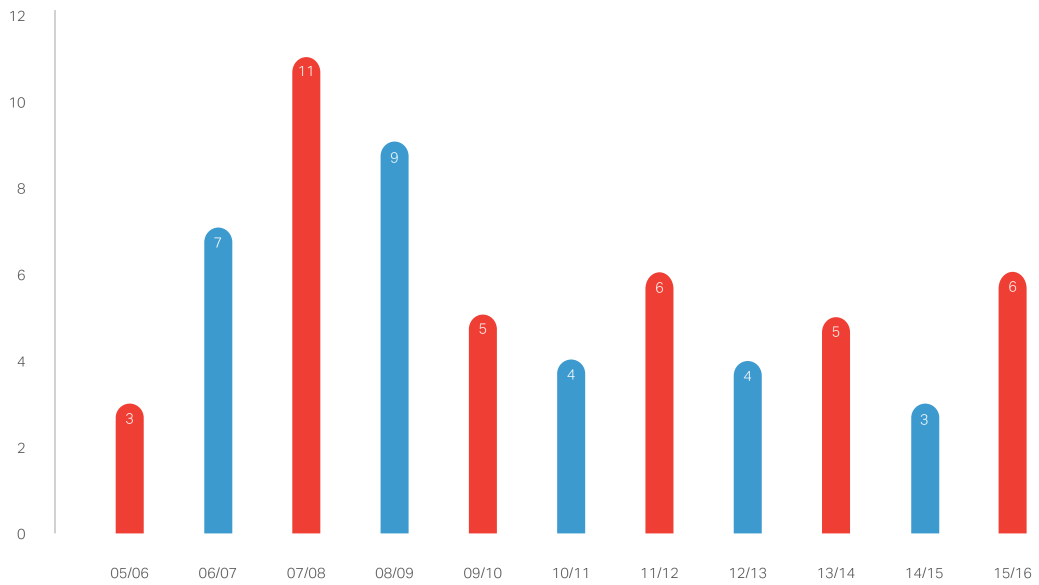
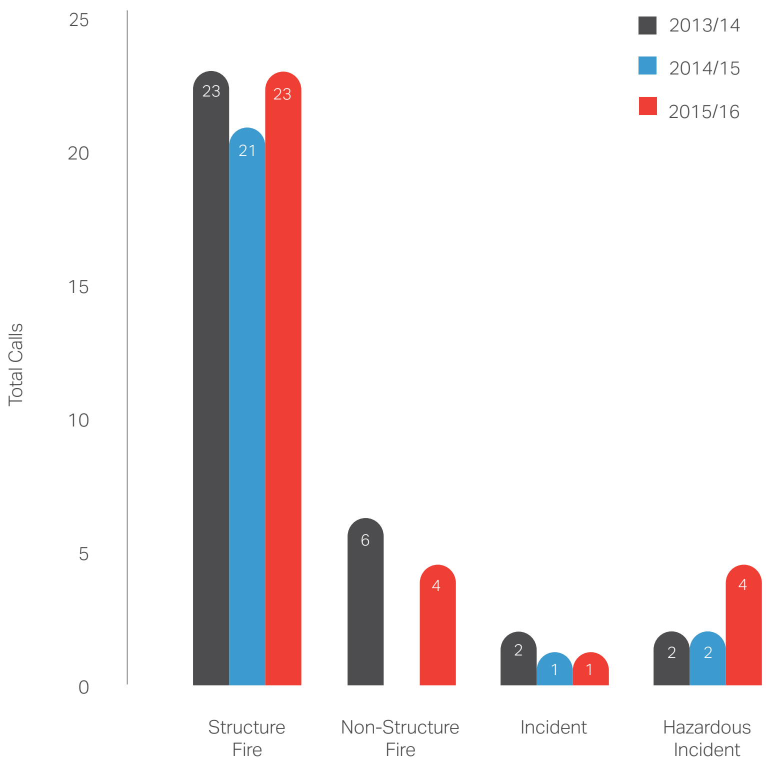


Figure 8.

Level 3 and above alarms




METROPOLITAN FIRE BRIGADE

Chief Officer's report

As MFB Chief Officer I am immensely proud to oversee the organisation's operational service delivery. MFB has a fantastic team of experienced, skilled firefighters who dedicate their time, energy and expertise to serving the Victorian community, ably supported by corporate and technical staff across the organisation.

This year, MFB has been presented with the accustomed range of complex incidents for a modern fire service – from major church fires and factory fires to hazardous material (HAZMAT) events. There have been serious motor vehicle collisions, and MFB was deployed to Wye River and Separation Creek to assist the Department of Environment, Land, Water and Planning and the CFA with fighting a significant bushfire and assisting with the recovery effort over the Christmas period.

In April, the Emergency Management Commissioner and the State Control Team conducted the first scheduled meeting at MFB's new Incident Control Centre at Burnley. Many people contributed to achieving this outcome for MFB and the Victorian Community, and I would like to thank all those involved.

Over the past year MFB won a Fire Awareness Award for our use of Unmanned Aerial Vehicle technology (UAV, often called 'drones') and how these have improved incident response not just for MFB but also for other agencies.

We have increased training for our people in high angle rescue, confined space rescue, and heavy rescue. MFB firefighters are being increasingly exposed to aggression and hostility in their work in the community and we must prepare firefighters accordingly. We have been working to increase our hostile act preparedness and have developed an increased capability and new operating procedures that will enhance firefighter and community safety, including identifying what new training, processes and equipment is needed. We have been documenting and analysing the full suite of our current capabilities and resources to assess what changes we may need to make to ensure MFB can meet the evolving needs of our state and community.

Throughout the year we made a number of expert submissions important to shaping sector reform, fire safety and community resilience. MFB analysis and subsequent national engagement resulting from the Lacrosse, Docklands fire was central to the statewide, national and even international understanding of the impact of non-compliant flammable cladding on the external facades of high rise buildings. This work was given an international context and increased impetus as a result of similar fires in other countries.

MFB also worked to develop and implement the Victorian Built Environment Risk Assessment Process and contributed its voice to national discussions about community safety. Our submissions to the *Senate Economics References Committee Inquiry into Non-Conforming Building Products* and the *Senate Legal and Constitutional Affairs References Committee Inquiry into the use of Smoke Alarms to Prevent Smoke and Fire Related Death* both resulted in invitations to provide evidence in-person before the respective Senate Committees in Canberra.

We also released our proposals for changes to the current building regulatory environment that will provide opportunities for improved detection, compliance and enforcement to better protect life and property, with the primary objective of enhancing community and firefighter safety. The document draws significant references from the Lacrosse fire in November 2014, which saw rapid fire spread on the external façade of the building due to non-compliant cladding. Our experiences since then, and in particular the delay in reducing the risk of a further significant fire at the Lacrosse building nearly a year later, has led MFB to consider how the system could be improved. The introduction of a compulsory accreditation scheme for high risk products such as non-compliant cladding, and strengthening of the fire safety design and inspection process are just two of the proposals included, and MFB is calling for change and making recommendations for reform.

As an organisation we can be proud of our leadership and the quality of our expertise in these areas, which ultimately contribute to the improvement of community safety and resilience. The community has good reason to feel confident in our abilities.

The following incidents demonstrate the expert services that we provide in the face of considerable adversity.

Significant incidents

Somerton blaze

On 20 November 2015 MFB firefighters and supporting agencies worked together to battle a large landfill fire in Somerton. The Sydney Road fire, which began in a waste recycling facility involving construction materials and other waste, burned for six days. Measuring almost 100 square metres, the incident required more than 40 crews from Victorian fire agencies and ACT Fire and Rescue. The incident was managed by CFA but received significant support from MFB and other agencies. The fire was extinguished and stopped producing smoke on Thursday 26 November. Crews continued to patrol the site and monitor conditions for any potential hotspots for several days.

Wye River and Separation Creek fires

On 23 December 2015 MFB USAR technicians were deployed to help the Department of Environment, Land, Water and Planning (DELWP) set up a temporary firefighter base camp near Colac, to accommodate DELWP firefighters tackling the Wye River and Separation Creek fires. On Christmas Day, MFB deployed a reconnaissance team, with further Initial Impact Assessment (IIA) teams responding on Boxing Day to assist with the assessment of properties in the fire affected region. IIA teams assessed more than 300 properties in just four hours on Boxing Day. The total number of homes destroyed by this devastating fire was confirmed at 116, with one further home not habitable.

MFB staff provided significant support to assist crews battling the devastating fires, with many backfilling and crewing CFA stations. MFB provided a Pumper Strike Team of five MkV appliances to staff the CFA fire stations including two pumpers at Geelong City Fire Station, one at Corio Fire Station, one at Belmont Fire Station and another at Ocean Grove Fire Station.

Footscray truck explosion

On 29 December 2015, MFB received calls for a series of incidents in Barkly Street, Footscray, including the activation of a number of fire indicator panels, reports of an explosion, and power lines down. Firefighters arriving on scene were met with total devastation, and the aftermath of what appeared to be some kind of large truck explosion – debris was strewn across the road and the windows from nearby houses and cars were shattered. The driver of the truck involved was killed and six people were injured. A number of people sustained shrapnel injuries and Ambulance Victoria transported one woman with more serious injuries to hospital. Investigators established the incident was caused by an LPG gas explosion inside the cargo area of the vehicle after acid batteries ignited the gas. Had the explosion happened even one minute later, the truck would have been adjacent to a major shopping precinct and the number of injured and potential fatalities could have been much higher.

Hoverboard fire: MFB work leads to recall

Just after 7.00pm on 4 January 2016, MFB firefighters from Northern, Western and Central districts responded to a significant house fire in Strathmore caused by a hoverboard. This Christmas gift was on charge in a child's bedroom when it caught fire with subsequent rapid fire spread. A working smoke alarm alerted the family of five, allowing them to safely evacuate. Crews worked hard to bring the blaze under control but unfortunately the house was badly damaged. All Melbourne media outlets attended the fire, and in interviews MFB personnel warned about the dangers of overcharging hoverboards as well as allowing children to sleep in rooms with hoverboards or other electrical devices on charge. The incident received international media coverage. Since the fire, a number of hoverboards have been recalled due to safety issues, and the Australian Competition and Consumers Commission implemented a product recall and investigation.

Over the course of the incident, firefighters were pumping an estimated 10,000 litres of water onto the blaze every minute.

Broadmeadows tyre fire

On Monday 11 January 2016, MFB responded to a significant, out of control fire at a property on Maygar Boulevard in Broadmeadows. Crews arrived on scene to find a rapidly advancing, intense fire in a large pile of rubber tyres measuring 30 metres by 120 metres. The deep-seated blaze issued a thick, billowing plume of black smoke that spread across Melbourne's northern suburbs and was reportedly seen as far away as the Mornington Peninsula. Up to 15 appliances and more than 100 MFB firefighters attended the fire as crews worked to extinguish the blaze using a combination of water and foam. Two helitack aircraft were deployed to attack the fire from overhead, dropping large quantities of water and foam, which knocked the carbon out of the smoke and reduced the spread of the fire. Over the course of the incident, firefighters were pumping an estimated 10,000 litres of water onto the blaze every minute. In a fantastic demonstration of interoperability, personnel from MFB, CFA, Victoria Police, the State Emergency Service, and the Department of Health and Human Services worked together to manage the significant community consequences impacting the surrounding area.

Hazmat incident in Deer Park

On 2 February 2016 crews responded to a HAZMAT call at a factory in Deer Park. A pipe had exploded, causing approximately 200 litres of liquid to leak out. Five people were affected by the leak and were taken to hospital for further treatment. Surrounding buildings were evacuated due to the nature of the chemicals. Ambulance Victoria conducted health monitoring of MFB crews, supporting MFB operations.

South Melbourne bus crash

On 22 February 2016 a tour bus was travelling along Montague Street, South Melbourne, when it collided with an overpass that has been the site of several recent collisions. The impact of the crash caused the front of the bus to become lodged under the overpass, peeling back some of the roof and trapping four passengers. MFB firefighters and Ambulance Victoria paramedics quickly arrived on scene and worked together to free those who were able to walk, and ensure all patients trapped on the bus were kept as comfortable as possible while rescue operators worked to free them. Within the hour MFB crews had freed everyone from the bus and Ambulance Victoria transported those who required further treatment to hospital. This was a great achievement given the difficult conditions of the extrication. In total, three rescue units and four primary appliances attended the incident, along with MFB's Control Unit and several command staff.

Crane erupts in flames on St Kilda Road

Firefighters were called to a fire in the motor of a crane approximately 30-40 metres above the ground at a construction site on the corner of St Kilda Road and Moubray Street on 23 February 2016. While firefighters worked on scene, strong winds spread the fire from the cabin to the arm of the crane, which caused a cable to snap and the arm to fall to the ground. The impact caused damage to a number of parked cars and the road but luckily no one was injured. At the height of the incident 16 appliances and more than 60 firefighters were on scene. Fire investigators determined the cause of the fire was an electrical short in the circuitry at the battery terminal.

Wesley College fire

On 19 April 2016 several calls were received for a fire at Wesley College, Glen Waverley. Crews arrived to find the school fully involved, with the fire measuring 50 metres by 50 metres. The crews first on scene worked to prevent the fire spread. It took 20 MFB appliances and approximately 60 firefighters to bring the blaze under control. Ten classrooms were destroyed in the blaze and the subsequent investigation deemed the cause of the fire was an electrical fault.

Calder Freeway HAZMAT incident

On 24 May 2016, MFB crews were called to a major HAZMAT incident on the Calder Freeway near Keilor Park involving a B-double fuel tanker and several other vehicles. Crews were initially confronted with a scene of chaos, with the number of people trapped in vehicles unknown, ignition sources present and the risk of the leaking fuel igniting tangible. Unfortunately, the driver of a car was killed. The driver of the tanker was taken to hospital and others who were injured were treated at the scene by Ambulance Victoria. The overturned tanker was carrying 60,000 litres of fuel, a third of which had leaked onto the freeway requiring a substantial hazardous materials response. In a concerted effort, MFB, Victoria Police and the CFA worked to clean up the fuel spill and make the scene safe. Crews worked to contain leaking fuel before it reached surrounding waterways and drainage systems while officers from EPA, MFB and Melbourne Water conducted a joint operation to protect nearby Steele Creek. MFB led the work of recovery agencies and firefighters were instrumental in bringing a level of order to what was a chaotic situation.

Emergency medical response

This year MFB and Ambulance Victoria launched a community awareness campaign to promote the importance of early CPR and the first responder role played by firefighters in support of paramedics.

Since 2001, MFB firefighters have fulfilled a vital role in supporting Melbourne's pre-hospital emergency medical services system and are trained to provide unconscious, non-breathing and pulseless patients with Basic Life Support care until an ambulance arrives.

Despite the service being more than 15 years old, community awareness has been low and there are still instances where members of the public are unaware of the assistance firefighters can provide, which can result in on-scene confusion and valuable time lost that could be used to save lives.

The awareness campaign launched in May and campaign material, including three posters and a brochure, was distributed to more than 400 doctors' surgery waiting rooms in June and July.

The posters feature MFB firefighters and ambulance paramedics working on patients in a variety of simulated scenarios, including a home, a bike path on the Yarra River and on a busy city street. In the first month brochures were made available for patients in waiting rooms and almost 4000 Melburnians picked up a copy. EMR material was also distributed to all local councils in the Metropolitan District, fire stations and community hubs.

The brochures have also been included in all fire education packs for schools in Melbourne, reaching an anticipated 35,000 students.

Since starting, MFB's EMR program has helped more than 200 people go home from hospital alive due to our first co-responder role.

This year MFB and Ambulance Victoria launched a community awareness campaign to promote the importance of early CPR and the first responder role played by firefighters in support of paramedics.


paint spot
paint spot
paint spot
STOP
FIRE
MEDIC

Our priority is ensuring that everyone always returns home safe from work

Always Safe program

The Always Safe action plan received Board approval in August 2015, and since then substantial progress has been made towards its delivery. The following initiatives have seen particular progress: Work Health and Safety (WHS) communications; articulation of WHS accountabilities; the establishment of an improved WHS committee structure and the role of health and safety representatives; development of a health standard for firefighters; and a review of mental health programs. A review of health and fitness programs has also commenced to ensure strategic alignment with the needs of the workforce.

We have continued delivery of employee support programs, health and fitness programs, education and training sessions, and campaigns to address areas of higher risk. Despite these efforts, the number of lost time injuries rose significantly in the second half of the year, which is an unacceptable result and the subject of significant focus.

There was a 16.5% increase in the number of WorkCover claims received compared to the previous year with a corresponding 18.5% increase in the number of lost time injuries and 7.3% increase in lost shifts. Knee, lower back and shoulder injuries continue to remain the most prevalent types of injury. There has also been an increase in the volume of mental health claims as the organisation continues to encourage early reporting to enhance opportunities for MFB to provide support for timely access to appropriate medical services and recovery strategies.

MFB has continued to utilise proactive strategies such as the Brigade Medical Service health monitoring program, access to internal health and fitness advisors, as well as early access to external physiotherapy and functional rehabilitation programs to assist employees to remain at or return to work following injury or illness. Return-to-work program results have improved over the past year, with employees resuming normal duties or returning to work on alternate duties more quickly following workplace injury or illness. The severity rate, indicating the average number of lost days associated with a lost time workplace injury, decreased by 2.46 shifts (9.6% improvement) when compared with 2014–15.

WorkCover data

Year	Total claims received	Lost time injury (LTI) claims	Lost shifts	Severity Rate (average shifts lost per LTI)
2015–16	375	224	5206	23.24
2014–15	322	189	4852	25.7
2013–14	373	216	5379	24.9
2012–13	353	202	5416	26.8
2011–12	310	187	4190	22.4

Increase four-person crewing

In December 2015 MFB welcomed 60 new recruit firefighters that graduated from recruit courses 116 and 117 at VEMTC Craigieburn. The Chief Officer determined that these new recruits would be deployed above the minimum strength of 271 as an interim arrangement to increase the number of four-person crewed primary appliances. This resulted in an additional 18 primary appliances allocated a crew of four persons. MFB is working to formalise this arrangement on an ongoing basis.

Hostile Act Response

MFB emergency responders are currently faced with an ever-evolving threat environment. Global instability and the growing epidemic of illicit drugs have changed the environment within which the organisation operates. Emergency response agencies now have to consider that they may be targets of aggression and hostility while undertaking operational activities. Accordingly, MFB must prepare itself to respond effectively and safely to these threats. An MFB Commander was placed within the Victoria Police Counter Terrorism Command to help MFB work more closely with police and intelligence agencies to learn and develop necessary skills and assist in identifying appropriate training and resourcing needs.

As a result of this arrangement, MFB has developed an increased capability in intelligence and information sharing, and operating protocols that will enhance firefighter and community safety. MFB is also leading the development of a multi-agency hostile act working group with a focus on improving first responder and community safety.

This will continue to be a challenging and evolving environment, and MFB will continue to work in a collaborative manner with partner agencies to review and develop contemporary operational response strategies.

Community safety and resilience is at the core of what we do as an organisation

Victorian Built Environment Risk Assessment Process (V-BERAP)

When it comes to the built environment, Victorian communities are among the safest in the world.

As project leader on behalf of the State of Victoria, MFB's Community Resilience Emergency Management department continues execution of V-BERAP and the development of the associated Victorian Emergency Risk Management System (VERMS) software program.

V-BERAP will help communities understand what they can do to reduce fire damage and community impact and what safety initiatives are already in place across the sector, such as active fire safety systems and our integrated partnership approach to fire safety with vulnerable community members.

With the introduction of this process, planning committees at all levels are able to gain an increased understanding of risks in their local built environment. The program helps the community understand fire and hazardous material risks in the local area and prioritise their emergency management and community safety plans and activities.

With the endorsement of V-BERAP by the State Fire Management Planning Committee (SFMPC) in May 2015, MFB completed the rollout of trial workshops with its partners in Whitehorse, Moonee Valley and Maribyrnong Local Government Areas during 2015–16, with Whittlesea and Knox planned for early in 2016–17. The initiative is planned to be rolled out across the entire metropolitan district over the next two years and across all of Victoria in partnership with CFA by 2019.

Victorian Emergency Risk Management System (VERMS)

The development of the Victorian Emergency Risk Management System (VERMS) package commenced in early 2016 by a joint MFB and CFA team. It has included in its planning a platform and software program that allows the CFA bushfire risk assessment program and other risk processes to be included into the package in future stages.

The project should be completed in early 2017 and supports the State rollout of the V-BERAP process and will represent the culmination of many years of hard work capitalising on MFB built environment knowledge to further build community resilience.

MFB's Residential Risk Referral Process

The risk of a residential fire and other emergencies and of injury and death from fire is greater for certain people. Those most at-risk include the aged, the very young, people with disabilities and people who experience social and financial disadvantage. Early in 2016, MFB commissioned research to see how its processes were performing and what trends were emerging within those being referred through the Residential Risk Referral (RRR) Process.

Worchester Polytechnic Institute in the USA was engaged to conduct this research on behalf of MFB. The process seeks to connect at-risk people with services that can treat the safety risks present in their home through assessment, support or intervention.

Referrals are made by firefighters, external agencies or community members. The 'At Risk Groups' team within MFB's Community Resilience Emergency Management department assesses the inbound referral, gathers additional information, identifies the most appropriate referral pathway and makes referrals to agencies whose role or responsibilities are most likely to enable them to address the risk and deliver an improved outcome for the affected individual.

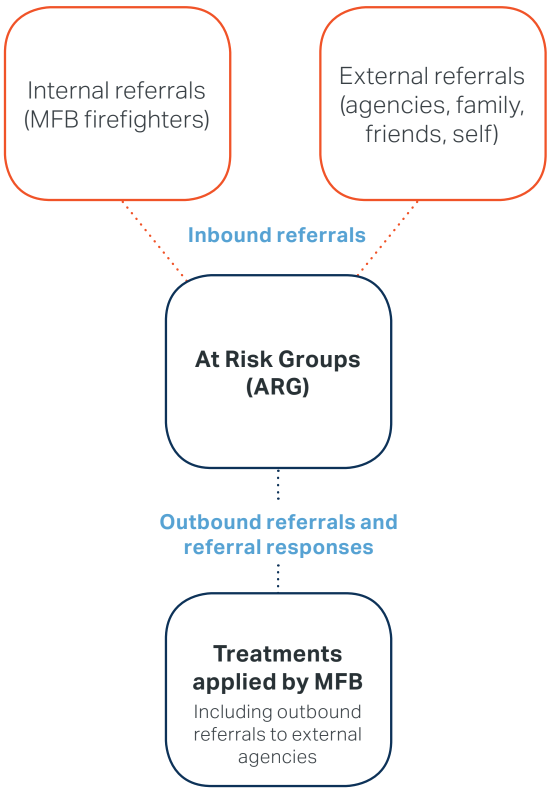
The RRR process involves MFB working together with Local and State governments, the private sector and individuals to provide a partnership approach to delivering services that reduce risk and build resilience in the community.

Firefighters are in a unique position to identify residential risk due to their risk assessment skills, knowledge and their access to people's homes. Referrals from firefighters are predominantly received after responding to an incident at a residential property. Command and control arrangements in Victoria also provide a framework for firefighters to address immediate risks of an individual through a referral to Victoria Police.

The RRR process provides an avenue for firefighters to assist at-risk individuals to mitigate risks that are not immediate but may be on-going as a result of structural, environmental or behavioural factors. The reason firefighters make a referral is best summed up from a firefighter referral from 2011 which said: "I just can't walk away and leave this situation unaddressed."

Firefighters are identifying a broad range of risks that include mental health, high fire risk behaviour, and lack of insight/capacity. This demonstrates that firefighters understand the duality of MFB's responsibilities in relation to response and prevention through making a referral as a direct result of an emergency incident or community intervention.

The RRR process is the first systematic response by an Australian fire and emergency service to build individual and community resilience in this manner. As an action of the Community Resilience Strategy, MFB intends to grow the number of referrals through further education and training of its operational personnel across 2016–17.



Improving community safety and resilience

MFB Community Resilience Strategic Action Plan 2015–18

MFB's Executive Leadership Team endorsed the Community Resilience Strategic Action Plan (SAP) in November 2015 after much consultation across the emergency service sector.

MFB's Community Resilience SAP will ensure MFB remains focused on issues that contribute to safer communities, safer firefighters, and on working together with others to achieve resilience goals.

There are seven key actions that will be delivered by the MFB Community Resilience Strategic Action Plan 2015–18 which include:

Action 1: MFB Firefighter Community Safety Notification Program
Build capacity at the local/fire station level to serve community members with the provision of fire safety information and report or notify internally of possible high fire or community risk.

Action 2: Victorian Emergency Risk Management System (VERMS)
Develop the VERMS software package that supports the delivery of standardised fire and hazmat risk assessment in the built environment for the State of Victoria.

Action 3: Research strategic interventions to determine best practice in prevention
Develop research that quantifies the value of prevention and preparedness activities for MFB.

Action 4: Develop, deliver and implement a Community Resilience Communication Package
Develop and deliver a MFB Community Resilience Communications Package that supports and strengthens the understanding of MFB's role in building community resilience.

Action 5: Develop, deliver and implement improved community engagement and partnership
Working with our partners, MFB will contribute to the change in community engagement regarding planning for, response to and recovery from emergencies.

Action 6: Develop, deliver and implement improved alarm assessment outcomes
Working with our stakeholders, MFB will seek to change the behaviours in community by reducing the number of unwanted and unnecessary false alarms.

Action 7: Research and advocate for Safety in the Built Environment
Working with our stakeholders, MFB will continue to lead the sector and advocate for safer buildings and effective and efficient fire safety systems.

Together, these actions will drive enhanced community resilience through a planned suite of activities built on collaboration and shared responsibility.

MFB is also a key contributor in the development of the Emergency Management Victoria (EMV) Resilience Framework and several other resilience-focused strategic action projects.

Safety in the built environment

Under the *Metropolitan Fire Brigades Act 195*8 (Vic) (**MFB Act**), MFB is responsible for fire safety,prevention,suppression and emergency response to residents, workers and visitors in metropolitan Melbourne and waters of the Port of Melbourne.

MFB's role in the built environment has been significantly diminished over time within the building regulatory framework. Since the mid-1990's, there are a few key areas where MFB is formally referred to in the regulations. The Chief Officer of MFB is a prescribed reporting authority for the issuing of a building permit or of an occupancy permit under the Victorian Building Regulations 2006 (regulations 309 and 1003 respectively). MFB is listed as a 'major stakeholder' in the development and approval of performance-based fire safety building designs and alternative solutions under the Building Code of Australia. The Dangerous Goods Department provides written advice in accordance with the Dangerous Goods Regulations 2012 (Storage & Handling and Explosives), Occupational Health and Safety (Major Hazards Facilities) Regulations 2012, Code of Practice (Storage and Handling – Dangerous Goods), Building Code of Australia and relevant Australian Standards and industry practice. The Building Inspection and Compliance Department have legislative requirements under the Victorian Building Regulations 2006 and the *Victorian Liquor Licensing Act.*

Despite its limited formal role, MFB provides many fire safety services to industry through its Building Code of Australia and Audits Department, Building Inspection and Compliance Department, Alarm Assessment Department, Fire Investigation and Analysis Department, Dangerous Goods Department and the Community Safety Technical Department, many of which are administered under the *MFB Act* Section 32.

Last financial year, after a long investigation, in a landmark case MFB successfully issued charges on the venue operator of Charlton's Bar in the Melbourne CBD, who repeatedly isolated the smoke detection system at the Fire Indicator Panel at the premises, thereby endangering life in the event of a fire. The operator pleaded guilty to all charges, brought under the *Victorian Liquor Licensing Act 1998.* This was the first successful prosecution brought about by legislative change by MFB.

Compliance and advice services

Department	Service	2015–16
Dangerous goods	Written advice following inspection	282
BCA and audits	Modifications	49
	Letters of advice	1054
	309 Applications	707
	1003 Variations	489
	Fire safety assessments	5
Community Safety Technical	Fire engineering briefs	612
	Fire engineering reports	630
	Total letters of advice	1242
Fire Investigation and Analysis	Accidental fires attended	76
	Suspicious fires attended	38
	Electrical fires attended	98
	Undetermined fires attended	7
	Fatal (non-preventable)	10
	Fatal (preventable)	6
	Actual loss	$61,669,300
	Potential loss	$443,494,750
Building inspections and compliance	Class 1B – A single dwelling being a detached house or one or more attached dwellings	13
	Class 2 – A building containing two or more sole occupancy units each being a separate dwelling	181
	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	111
	Class 5 – An office building used for professional or commercial purposes, excluding buildings of Class 6, 7, 8 or 9	93
	Class 6 – A shop or other building for the sale of goods by retail or the supply of services direct to the public	95
	Class 7 – A building which is a car park or is for storage or display of goods or produce for sale by wholesale	55
	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	14
	Class 9A – A health care building	3
	Class 9B – An assembly building in a primary or secondary school, but excluding any other parts of the building that are of another class	69
	Class 9C – An aged care building	7
Additional information for Building Inspections and Compliance 2015–16	Essential Safety Measures Notice Issued	72
	Compliance Inspections	33
	Building Inspection Notice inspections	1
	Initial inspections	678
	Second inspections	206

Safe Mistake Zone campaign

Since 2014, MFB and CFA have run the Safe Mistake Zone campaign, which uses humour and social media to appeal to a younger demographic with fire safety messages.

In 2016 the campaign introduced a number of new elements, including an online game, a revamped website with localised statistics and a series of animations.

This year, the award-winning campaign reached more than 1.5 million people on Facebook alone over a five-week period and increased web traffic by 35.6%.

Although there is no single cause of house fires, many preventable residential structure fires have one thing in common – a moment of neglect, forgetfulness or carelessness that can potentially have fatal consequences.

Importantly, an independent evaluation of the campaign in 2015 showed that, of the people who saw the campaign, 79% took action to make their home safer.

Although there is no single cause of house fires, many preventable residential structure fires have one thing in common – a moment of neglect, forgetfulness or carelessness that can potentially have fatal consequences.

A selection of MFB appliances taken at the VEMTC, Craigieburn Open Day as part of MFB's 125th celebrations

We are proud of our people and we will continue to invest in developing their skills and capabilities

Influential leadership

MFB has developed a middle management leadership program that builds on the successes of the senior leadership program of 2014. The program aims to boost leadership skills, alignment and a leadership community. 2015–16 has focused on development, with the content to be delivered in 2015–17. The program will develop frontline management leadership capability to deliver business outcomes and lead teams, foster relationships between operational and corporate employees, and improve engagement in our leaders. Trust, courage, communications and accountability are the four themes that feature in the program to complement work previously completed in the Senior Leadership Program.

Professional development

MFB is committed to providing professional development opportunities to all employees. This financial year MFB invested approximately $300,000 in strengthening the skills of our people. A total of 409 employees undertook both in-house and external professional development opportunities, a 38% increase from last year. In particular, there was strong interest in courses related to mental health with a high level of participation in the Mental Health First Aid and Applied Suicide Intervention Skills Training (ASIST) courses.

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.

Contemporary workplace conditions

Throughout the year, MFB has continued to work toward achieving contemporary workplace conditions through its enterprise bargaining negotiations that will deliver benefits to our employees, whilst meeting organisational and operational needs. MFB, together with the CFA, made submissions to the Fair Work Commission as part of the Commission's Modern Award review to facilitate more flexible work practices, as recommended in the Fire Services Review, including part-time work as a flexible work option.

MFB has been involved in negotiations for new Agreements for our Operational, Corporate and Technical and Mechanical Engineering Workshop staff. The new Agreement for MFB's Mechanical and Engineering Workshop employees was finalised and implemented during the year. Negotiations for a new agreement for our Operational and Corporate and Technical staff remain ongoing.

Sustainable workforce

MFB finalised a workforce plan in 2015. The next phase required is a workforce strategy and management plan to deliver the right people and skills for the community at the right time. The organisation will also develop and implement a learning and development strategy that sets out a comprehensive suite of defined skills acquisition and maintenance training programs. The project plan is broad, ambitious, and requires input from multiple stakeholders across the organisation.

MFB unplanned absences

Year	Sick leave %	Family leave %	Sick and family leave %	Hours per FTE	Target hours per FTE	WorkCover %	Total unplanned absences %
2015–16	3.98	1.97	5.95	127	<120	2.19	8.14
2014–15	4.36	1.92	6.28	132	<120	2.20	8.48
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

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 and deployment to incidents. Total overtime has increased by $3.1 million when compared with 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
2015–16	19,295,588	7,900,325	5,287,626	1,203,847	397,152	420,306	1,616,877	2,469,455
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

MFB staff numbers 2015–2016

		Total	Budgeted	Total Permanent	Perm Full Time	Perm Part Time	Total Temporary	Temp Full Time	Temp Part Time
Total	Headcount	2,287		2,258	2,229	29	29	22	7
	FTE	2,271.44	2,185	2,245.04	2,228.10	16.94	26.40	22.0	4.40
Corporate Staff	Headcount	349		320	293	27	29	22	7
	FTE	334.88	340	308.48	292.60	15.88	26.40	22.0	4.40
Operations Staff	Headcount	1,938		1,938	1,936	2	0	0	0
	FTE	1,936.55	1,870	1,936.55	1,935.50	1.05	0.0	0.0	0.0

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		2,202	2,175	27	14	11	3
	FTE	2,204.52	2,185	2,190.72	2,175.00	15.72	13.80	12.00	1.80
Corporate Staff	Headcount	339		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		1,877	1,875	2	0	0	0
	FTE	1,877.05	1,845	1,876.05	1,875.00	1.05	1.0	1.0	0.0

Valuing our people

Full time equivalent staff numbers

Sum of FTE	Employee Group				
Personnel Area	**Perm Full Time**	**Perm Part Time**	**Temp Full Time**	**Temp Part Time**	**Grand Total**
Corporate Services	292.6	15.884	22	4.4	334.88
Operations	1,935.5	1.052	-	-	1,936.55
Grand Total	**2,228.1**	**16.937**	**22**	**4.4**	**2,271.44**

Staff numbers

Count of Pers.No.	Employee Group				
Personnel Area	**Perm Full Time**	**Perm Part Time**	**Temp Full Time**	**Temp Part Time**	**Grand Total**
Corporate Services	293	27	22	7	349
Operations	1,936	2	-	-	1,938
Grand Total	**2,229**	**29**	**22**	**7**	**2287**

Full time equivalent staff by gender

Count of Pers.No.	Employee Group				
Gender Key	**Perm Full Time**	**Perm Part Time**	**Temp Full Time**	**Temp Part Time**	**Grand Total**
Female	189	28	8	6	231
Male	2040	1	14	1	2056
Grand Total	**2229**	**29**	**22**	**7**	**2287**

Diversity and inclusion

MFB maintains a Diversity and Inclusion Action plan to underpin a fair, safe and inclusive workplace culture.

This plan represents a response to identified areas of potential disadvantage for both prospective employees and current employees and aims to create and maintain a supportive, flexible, just and fair workplace in which differences between employees are respected and the richness of their perspectives, experience, knowledge and skills are leveraged.

Initiatives this year have included the development of resources in relation to pregnancy, parental leave and flexible work arrangements that will assist employees in their transition to parental leave and returning to work, and enable managers to support them.

A refreshed Equal Employment Opportunity Contact Officer network will provide advice, guidance and support to fellow employees who believe they have been subjected to discrimination, harassment, sexual harassment, bullying or victimisation.

Unconscious biases can lead to pre-judgement of a situation or person, which exploits cultural stereotypes or assumptions. MFB is therefore providing education in relation to the effect of any unconscious bias which may undermine our efforts to foster diversity and inclusion.

Diversity and Inclusion is a key focus for MFB, as detailed in the MFB Plan 2015–18. MFB is committed to improving gender diversity and increasing the percentage of female operational staff from 3.6 per cent to five per cent by 2018.

MFB staff age breakdown

Count of Pers.No.	Employee Group				
Age Group	Perm Full Time	Perm Part Time	Temp Full Time	Temp Part Time	Grand Total
25–34	383	4	7	2	396
35–44	516	16	5	3	540
45–54	695	4	6	2	707
55–64	586	4	3	-	593
Over 65	38	1	-	-	39
Under 25	11	-	1	-	12
Grand Total	**2,229**	**29**	**22**	**7**	**2,287**

MFB staff gender breakdown

Count of Pers.No.	Personnel Area		
Gender Key	Corporate Services	Operations	Grand Total
Female	46.4%	3.6%	10.1%
Male	53.6%	96.4%	89.9%
Grand Total	**100.0%**	**100.0%**	**100.0%**

Operations and corporate staff gender by percentage

Year	Operations Female	Operations Male	Corporate Female	Corporate Male
2016	3.6%	96.4%	46.4%	53.6%
2015	3.5%	96.5%	45.7%	54.3%
2014	3.3%	96.7%	43.8%	56.2%
2013	3.4%	96.6%	43.7%	56.3%
2012	3.7%	96.3%	44.0%	56.0%
2011	3.6%	96.4%	43.8%	56.2%
2010	3.4%	96.6%	43.9%	56.1%
2009	3.3%	96.7%	43.2%	56.8%

Valuing our people

Ethical and respectful culture

MFB is committed to creating a fair, safe and respectful workplace for all MFB staff. On 30 June 2016, the organisation launched its new face-to-face Workplace Behaviour training for all staff. Training content was developed in collaboration with the Victorian Equal Opportunity and Human Rights Commission (VEOHRC) and the United Firefighters Union. This Workplace Behaviour training has been designed to provide all MFB staff with up-to-date information on workplace behaviour expectations and human rights responsibilities. It supports the online Workplace Behaviour training currently available.

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

Honours and Awards

Valour Medal	
***Leading Firefighter* Andrew Wood**	Middle Park Explosion
Government House honours	
***Assistant Chief Fire Officer* Ken Brown**	Australian Fire Service Medal, Australia Day Honours
***Retired Superintendent* John Berry**	Order of Australia Medal, Australia Day Honours
***Station Officer* Ian McKenzie**	Australia Day Citizen of the Year (Mitchell Shire)
***Station Officer* Paul Emsden**	Australian Fire Service Medal, Queens Birthday Honours
Board Citations	
***Qualified Firefighter* Andrew McMahon**	Middle Park Explosion
***Station Officer* Wayne Sheridan**	Middle Park Explosion

Promotions

ACFO	7
Senior Station Officer	16
Station Officer	17
Leading Firefighter	59
Directors	1

Appointments

Corporate*	25
Recruit Firefighter	120

*Permanent Appointments – does not include Fixed Term

Chief Officer commendations

- Leading Firefighter Shane Jenkin in recognition for his exemplary contribution to the development, co-ordination and implementation of the 2015 Victorian Chemical Biological Radiological Nuclear and Explosives (CBRNe) Incident Managers Exercise.
- Leading Firefighters Paul Barowski and Geoffrey Brereton, in recognition of their bravery, skill, professionalism and dedication when rescuing a woman from a burning house in Burwood East on 26 June 2004.
- Edward Ruska and Shane Holcroft (civilians), for attacking a kitchen fire with a garden hose and rescuing a child who was trapped inside.

Meadow Heights incident

- Station Officer Stephen Mack
- Leading Firefighter Noel Marshall
- Leading Firefighter Andrew Taylor
- Station Officer Rachel Cowling
- Leading Firefighter Dennis Andrew
- Qualified Firefighter Peter Dean

Frank Molinaro resuscitation

- Station Officer Wayne Sheridan
- Qualified Firefighter Andrew McMahon
- Firefighter Level 3 Dom Britt
- Station Officer Andrew Carmichael
- Leading Firefighter Lorne Tiernan
- Leading Firefighter Harry Eleftheriadis
- Qualified Firefighter Ben Rea
- Station Officer Michelle McKay
- Qualified Firefighter Cam Brand
- Station Officer Chris Mercer
- Leading Firefighter Paul Pfeiffer

Middle Park Explosion

- Senior Station Officer Shayne Ryder
- Leading Firefighter Paul Eckholdt
- Firefighter Simon Chapman
- Leading Firefighter Dean Geri
- Station Officer Grant O'Connor
- Leading Firefighter Jesse Anderson
- Station Officer Steve Jameson
- Leading Firefighter Justin Craven
- Leading Firefighter Phil Edwards
- Leading Firefighter Ian Clarke
- Firefighter Robert Gamble
- Commander Shane Rhodes
- Assistant Chief Fire Officer Kenneth Brown
- Leading Firefighter Paul Stewart
- Station Officer John Clarke
- Leading Firefighter Kane Hitchiner
- Leading Firefighter Lorne Tiernan
- Leading Firefighter Brendan Clymo
- Leading Firefighter William Sloley
- Leading Firefighter Andrew Glenn
- Commander Tim Landells
- Senior Station Officer Darryn Gellie

Chief officer certificate of appreciation

- Eric Algra (civilian), for allowing MFB and Ambulance Victoria crews to use his flatbed tow truck at the Montague bus accident, enabling crews easy access to those who were trapped inside the bus.

Long and good service awards

CEO's Safety Award

- Chris Denman and Nick Laba
- Leading Firefighter Adam Wilson – Highly Commended

CEO's Special Recognition Award

- Leonie Sudarsana

Chief Officer's Scholarship

- Leading Firefighter Samuel Hull

Fire awareness awards

Fire Awareness Award for a Project of State-wide Significance

MFB Unmanned Aerial Vehicle Project, led by MFB.

Sector learning and development strategy

VEMTC Craigieburn capability and capacity

The Victorian Emergency Management Training Centre (VEMTC) at 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 operational personnel. The entire training facility was built to world class environmental standards to maximise sustainability and minimise environmental impact. This includes allowing runoff water to be harvested, captured and treated across the site and re-used. The centre provides realistic emergency scenarios tailored to Melbourne's unique urban landscape, including laneways, rail tunnels and tram stops.

The primary aim 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 firefighters.

VEMTC Craigieburn also provides access to training across the emergency services sector. 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 help set future direction. It is designed to help identify common training needs and increase collaboration in delivering training across the sector. In support of current interoperability measures between the CFA and MFB all recruit training is hosted at VEMTC Craigieburn. A project team has been established to develop the Victorian Recruit Firefighter Training Program and MFB is working with CFA to establish a best practice approach.

Training table

Course	Course Delivered	Total Participants	Total Training Days
Organisational			
MFB Recruits	4	120	304
CFA Recruits	4	120	304
Continuation/ Retention	8	120	80
Leading Firefighter	18	72	72
Station Officer	2	41	150
Senior Station Officer	1	16	65
Cert IV Training and Assessment	4	45	405
Cert IV Training and Assessment Upgrade	8	46	46
Operational			
Trench Rescue	4	32	4
Confined Space Rescue	5	25	50
Atmospheric Monitoring	2	16	4
Bushfire Administration Officer			
Compartment Fire Behaviour (CFBT)	57	553	114
Driver training	18	108	72
Fireboat 2	2	8	30
Control Unit	4	16	64
Ultra Large	4	16	16
Heavy Rescue	3	24	15
Teleboom	8	23	40
Ladder Platform	4	16	16
Water Tanker	8	32	8
External Training			
SES – Safe work at heights	1	35	2
Victoria Police – Crime Department	1	32	1
Australian Maritime College Tasmania	1	20	9
Victoria Police - Search and Rescue	1	13	4
External Leadership Training and Events			
EMV – Disaster Conference	1	30	4
Department of Economic Development, Jobs, Transport and Resources- Development of Victorian Policing Plan	1	28	1
Australian Institute of Project Management	1	20	1
Rivers and Ranger Community Leadership Program	1	24	1
International Firefighter Training Collaboration	1	35	1
Total	**117**	**1,686**	**1,883**

125th anniversary commemorations

In 2016 MFB proudly celebrated 125 years of serving Melbourne.

The Metropolitan Fire Brigade is one of Melbourne's oldest organisations, evolving from a fragmented group of insurance and volunteer brigades to a world-class fire and emergency service.

In its first year MFB reported a staff of 59 permanent firefighters, 229 auxiliary firefighters, four steam fire engines, 25 horse drawn hose carts and 58 hose reels. There were 33 horses and 48 stations in 1891, and the brigade attended 816 calls and 485 fires, of which 188 fires were classified as serious.

Since then it has grown to a workforce of 2,300 employees, 47 fire stations and 147 fire and specialist appliances. In 2015–16 MFB attended 37,945 calls and assisted with numerous deployments outside the Metropolitan District and even interstate.

A series of events and activities were planned throughout the year to commemorate the anniversary:

125th Anniversary Commemorative Board Meeting – 26 April

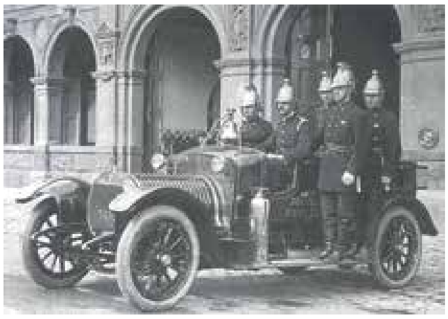
MFB held a commemorative board meeting in MFB's original board room, located in the Fire Services Museum of Victoria, on Tuesday 26 April.

The meeting not only covered MFB's long history, but recognised the valuable work undertaken by museum volunteers to preserve the broader history of Victoria's fire services.

Newport Workshop Open Day – Saturday 7 May

Eager fire truck enthusiasts and little firefighters in the making lined up to see the lovingly restored vintage fire appliances when the Fire Services Museum of Victoria opened the doors to their Newport Workshop. It's estimated more than 1,000 people attended the open day with the event raising $4,314.75 in donations, which will be used by the Fire Services Museum of Victoria to continue its vital work in restoring and maintaining its fleet of vintage appliances and equipment.

Other events such as a Gala Ball and VEMTC, Craigieburn Open Day were also arranged in July to commemorate this milestone, and will be reported in next years financial report.



1893
MFB's headquarters at Eastern Hill was established.

1900s
From 1906 MFB began buying and building motorised hose reels, pumps and vehicles. In 1918 the last horse was sold and by 1919 MFB was fully motorised.

1920s
The Hotchkiss Hose Carriage was introduced. Firefighters who didn't get a seat in this appliance had to stand outside of the truck and hang on tight.

1930s
MFB purchased 30 Morris hose carriages, allowing firefighters to sit in the truck comfortably. In 1939 the Leyland-Metz ladder was introduced to rescue people and put out fires up to 12 storeys high.

1940s
Formal training was introduced after 1937 and became standardised in the 1940s.

1950s
Volunteer and part time firefighters were disbanded and MFB began employing only fulltime firefighters working a 40 hour week.

1960s
MFB brass helmets were replaced by plastic. Around the same time, the Magirus Ladder appliance was introduced.

1970s
The first full-time President was appointed in 1970. The first Recruit Courses also began in this decade and the 'jaws of life' rescue tool began to be used.

1980s
MFB's Communications Centre was established, with MFB's first female operational staff appointed in September 1983. The first female MFB firefighters were recruited in 1988. There are now more than 60 female firefighters in the organisation. The Drager Breathing Apparatus came into common usage in this decade.

1990s
Since 1999 MFB firefighters have been trained to provide Emergency Medical Response. MFB's High Angle Rescue Team was also established in this decade.

2000s
Mark IV pumpers and pumper tankers were introduced. MFB's Burnley Complex was opened in 2007.

2009
MFB's current uniform was introduced.

2014
The state-of-the-art VEMTC Craigieburn facility was officially opened.

2015
MFB debuts Fireboat 2 – its world-class fire fighting vessel.

We will strive to continually improve the services we deliver to the community

Continuous improvement program

The success of this MFB Program exemplifies how the organisation continues to implement improvements in workplace culture.

Various programs have been implemented over the year, leading to savings in costs and time, and increasing respect among staff members through proactive engagement.

Examples of this work include:

THEMES	ILLUSTRATIONS
Valuing our people: Significant increase in cross-functional collaboration in workshops that has resulted in staff feeling respected by recognising their expertise. This directly led to: Significant increase in senior leader engagement that demonstrated the program is providing a greater level of insight into the workings of our organisational infrastructure.	***Board Internal Audit Programs*** • *58% reduction in average days to complete an audit* • *50% reduction in requests to an extension to audit action due dates.* • *A saving of $15,000 (28%)* • *Saving of 68 hours*
Always Safe: Significantly increasing knowledge regarding the strength and performance of MFB's Organisational Occupational Health & Safety Management System (OHSMS). This provided staff with clarity regarding where resources should be allocated to "ensure our staff always return home safely"	***5 S projects*** • *MFB is in the process of completing two 5S projects in Fleet and FES. 5S is a CI methodology requiring:* • *Sorting* • *Setting in order* • *Shining* • *Standardising, and* • *Sustaining*
Delivering exceptional service: MFB is a data rich organisation that has an appetite for information and reporting on organisational performance.	• *The introduction of the non-financial business KPI dashboard* • *A Continuous Improvement diagnostic was undertaken to review the hours required to create the monthly WHS report. In total 81 hours a month was calculated. The project to reduce this time has commenced allowing WHS resources to be engaged in higher value activities*

Continuous improvement framework project

To complement this program of work, MFB is developing a framework and will continue to engage with key stakeholders within emergency services and government agencies to seek their input into the project.

Fleet services department embraces continuous improvement

The Department identified and then removed unwanted and unused items from the workplace, which led to workplace efficiency, productivity, safety and morale being improved, which in turn led to improvements in the following areas:

- Operational appliance availability increased from 76% to 83%
- Achieved improvement in unplanned leave performance.

Various programs have been implemented over the year, leading to savings in costs and time, and increasing respect among staff members through proactive engagement.

Implementation of IT strategy

The Information Technology and Information Management Strategy 2015–2017, approved by the Board in October 2015 continued, with the implementation of a replacement of the system (Firecom) that integrates dispatch information from the Triple Zero service provided by ESTA. This hub then shares information to several MFB applications.

The program of work to replace MFB's core IT system is progressing. A new Enterprise Resource Planning system to replace SAP will soon be selected for MFB, CFA and the State Emergency Service (SES). Implementation will be a major undertaking by MFB over the next two years.

A new Electronic Documents and Records Management System has been selected and implementation has commenced.

The Victorian Emergency Risk Management System (VERMS) project is up and running and is at contract stage. This system will later be used by CFA.

The pilot Mobile Data for Vehicles Project scope and requirements have been finalised and a tender for the software has just been completed, with new tablets for trucks undergoing evaluation with Operations. This pilot project will initially involve seven appliances and five fire stations.

The TRACS (Alarm Assessment) and Building Inspections Compliance (BIC) project teams are currently looking at replacement systems.

The first part of a multi-year End-User Device Project was launched and will continue into the next financial year, along with replacements of station turnout printers and smartphones. New station turnout kiosk equipment is also being delivered as part of this project.

The legacy VAX equipment that has housed MFB's most critical operations systems for decades has been retired and the legacy IBM equipment that has housed SAP and other application systems for over a decade has also been replaced. These initiatives will alleviate a significant number of hardware reliability issues, reducing operational risk.

Emergency Management's Rostering Project has progressed towards procurement stage.

People and Culture is also advancing the adoption of web-based applications for learning and candidate management.

Delivering exceptional service

Whole-of-life-asset-management

MFB whole of life asset management ensures the organisation manages its assets to safeguard Victorian community infrastructure, worth billions of dollars, covering an area of over 1,000 kilometres.

During 2015–16, MFB has improved whole-of-life plans so its firefighters and key support staff can rely on safe, fit-for-purpose assets, responding to fire and emergency incidents.

MFB asset management practices are assessed against the Victorian Government's recently announced Asset Management Accountability Framework (AMAF). This will ensure that MFB staff have the knowledge, processes and tools to deliver diverse fire and emergency response capabilities to the community.

Ready to go strategy

This strategy has been developed to enhance operational service delivery and to better meet service delivery standards. These standards relate to structure fire, emergency medical response and road accident rescue response times, and the number of structural fires contained to room or object of origin.

The strategy focuses on station turnout performance, station design and investment in new IT systems, including the introduction of new technologies such as mobile data terminals.

A number of key milestones from the program have already been completed such as the replacement of the legacy Firecom system with a Microsoft BizTalk Enterprise Service Bus and the implementation of AVL on all appliances.

Other key objectives contained in the strategy are the piloting of mobile data terminals in appliances, development of a firefighter communication and engagement plan and the implementation of a continuous improvement model.

Fleet upgrades

Work continued during 2015–16 to construct new firefighting appliances. These projects will deliver six pumper tankers with Euro 6 emission standards and Electronic Stability Program (ESP), one prototype ultra large pumper with Euro 6, ESP and compressed air foam system and one 44-metre ladder platform with Euro 6. These appliances will be delivered in the latter half of 2016. A tender has also been awarded for four Pumpers with Euro 6 and ESP. Throughout the year 20 appliances were modified to improve health and safety standards and 50 light vehicles were replaced. Through improved maintenance and support operations, the availability of the firefighting fleet improved from 76% to 83%.

Fire station refits and rebuilds

FS46 Altona fire station was officially opened by Emergency Services Minister Jane Garrett MP on 8 November 2015. Throughout the year, major refurbishments at FS14 Bundoora, FS51 Keilor, FS42 Newport and FS16 Greensborough fire stations were also completed.

A tender to award a builder for construction of the new FS40 Laverton Fire Station is almost completed, and an architect is soon to be appointed for the design of the new FS20 Box Hill and FS49 North Laverton fire stations, as well as the new transition areas for stations at FS03 Carlton, FS23 Burwood, and FS33 Mentone.

Land is being sourced for new fire stations at FS45 Spotswood, FS41 St Albans, and FS13 Northcote.

The Burnley complex underwent an internal refurbishment and an accredited Incident Control Centre at Burnley was completed. VEMTC Craigieburn also underwent some additions and further improvements, including kitchen equipment upgrades and firefighting demonstration enhancements.

Solar panels and LED lighting were installed at 16 fire stations as part of MFB's Efficient Government Buildings Project.

In May 2016, MFB filed a writ in the Supreme Court against the architect and builder of FS24 Glen Iris Fire Station after MFB discovered significant defects during the construction phase. The proceedings seek to recover the costs of rectifying the new station which is currently uninhabitable. MFB has secured an extension of the lease at the current Malvern East Fire Station while rectification works on Glen Iris are underway. The new station is expected to be completed by the end of 2017.

Fire services property levy

From 1 July 2013, the Fire Services Levy was removed from insurance premiums. This is now collected through council rates, ensuring that all property owners contribute to funding Victoria's fire services, not just those with adequate insurance.

The Victorian Government continues to make a direct contribution to fund the fire services. The Fire Services Levy is the prime source of grant income to MFB and CFA, whereby property owners including local municipal councils remit the levy to the State Revenue Office. The State Government determines the annual grant funding for both services.

The Fire Services Levy contributes around 90 per cent of MFB total revenue.

We will work seamlessly with our partners to achieve the best outcomes for the community

State Emergency Management processes

In 2016 MFB continued to contribute its resources and expertise towards enabling seamless emergency prevention, preparedness, response and recovery across Victoria. The organisation will continue this work throughout the next financial year and build on its ability to operate effectively with partners to progress a number of key initiatives. These include:

- The Boundary Response project;
- Providing MFB employees trained to contribute to state emergency management
- Contributing to the emergency management sector's review of current service delivery models and methods
- Implementation of a comprehensive impact assessment model
- Accreditation of Level 3 Incident Controllers due to commence in 2015–2017
- A review of the Service Delivery Model project to commence in 2015–2017.

During the 2015–16 financial year, MFB also achieved the following:

- Completed the Level 3 Incident Control Centre and District Command Centre at Burnley
- Completed phase 1 of the Boundary Realignment Project (phase 2 to be implemented over the next three years)
- Met the target of 114 people trained to contribute to state emergency management interoperability
- Developed an Impact Assessment model
- MFB implemented all published Joint Standard Operating Procedures.

Capability framework

To provide effective service to the community and work seamlessly with sector partners to respond to any emergency situation, MFB is assessing and recording its range of capabilities and capacities that contribute to a state capability framework.

Capability and capacity relates to the volume and type of equipment that MFB has at its disposal, the skills and adaptability of its workforce, and the ability to rapidly deploy additional resources to large-scale incidents anywhere in Victoria or further afield.

The sector's aim is to have an effective emergency management capability that can meet future needs based on an "all communities–all emergencies" approach to emergency management.

The foundation of a capability blue print has enabled the development of 21 Core Capabilities that will be measured against a range of scenarios to determine the ongoing needs and the required output of state capabilities.

To provide effective service to the community and work seamlessly with sector partners to respond to any emergency situation, MFB is assessing and recording its range of capabilities and capacities that contribute to a state capability framework.

The impact of State Government policies on training

Emergency Management Victoria (EMV) published several documents to support training within the emergency management sector including the State Training Framework, the Victorian Emergency Management Training Centre (VEMTC) Strategy, and the VEMTC Implementation Plan.

MFB continues to work with EMV and other emergency service partners to develop and deliver training programs to meet sector requirements. MFB is also developing a comprehensive training strategy in accordance with recommendation four of the *Fire Services Review.* The strategy will be informed by consultation with MFB staff and other emergency management agencies.

This financial year MFB also commenced a project to implement a Learning Management System which will deliver more flexible training delivery models, and provide enhanced administration of training records and tracking of qualifications.

MFB continues to work with EMV and CFA to maximise access to the specialist training facilities available at the VEMTC Craigieburn site, and in particular, to support sector training following the closure of the Fiskville site.

Respiratory protection equipment for Victoria's fire services

Each year in Victoria on average 36 people are rescued through the use of respiratory protection equipment. This vital equipment also provides an important safety net for firefighters when responding to an incident.

In the 2015–16 financial year, a significant step forward in interoperability and standardisation of equipment was achieved. A joint replacement program for respiratory protection equipment is being run in partnership with the CFA, Ambulance Victoria, Corrections Victoria and Victoria Police. It will allow agencies to purchase and implement standardised and interoperable equipment.

In the first part of the program MFB procured replacement Breathing Air Cylinders, which are now in operation.

The second part of the program, to procure and replace Breathing Apparatus sets, is now underway. MFB, CFA and participating agencies are currently evaluating tender responses to select a product best suited to meet operational needs.

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.

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	2015–16
Water[2]						
Total metered consumption	kL	29,171	32,284	30,031	48,263	70,174
Consumption per FTE[3]	kL per FTE	15.7	14.6	13.5	21.7	30.6
Energy consumption	GJ	44,788	51,634	48,555	48,475	52,778
Energy Consumption per FTE	GJ per FTE	24.1	24.2	21.8	21.8	22.8
% Green Power purchased	Percentage	15%	25%	8%	0%	23%
Greenhouse Emissions[5]						
electricity use	tCO_2-e	8,219	8,712	10,141	11,710	10,575
gas use	tCO_2-e	1,177	1,151	1,034	1,059	1,007
vehicle use	tCO_2-e	2,978	3,192	3,123	3,081	2,675
Total MFB Greenhouse emissions from these sources	**tCO_2-e**	**12,374**	**13,055**	**14,298**	**15,850**	**14,258**
Transportation[1]						
Total fuel consumption	GJ	40,762	42,628	41,682	41,117	38,566
Consumption per FTE	GJ per FTE	22.0	19.7	18.6	18.5	16.9
Total distance travelled	kilometres	5,313,338	5,986,691	5,431,954	5,491,737	5,495,629
Total travel per FTE	**kilometres per FTE**	**2,861**	**2,766**	**2,430**	**2,470**	**2,396**

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 2015 to March 2016 and excludes all usage associated with activities directly on the fireground.

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

3 FTE (full time equivalent) staff was 2,276 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 Transportation includes all vehicles, including firefighting appliances as well as commander, department and training vehicles.

Corporate governance report

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 ('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 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

As MFB regulations are due to expire on 25 October 2016, they are being remade in accordance with processes established under the *Subordinate Legislation Act 1994.*

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 are continually reviewed and updated 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)
- Ken King (Deputy President)
- Stuart Alford
- Jay Bonnington
- David Purchase
- Therese Ryan
- Des Mueller Commenced July 2014 (retired from the Board 30 November 2015)

The Board met on 16 occasions in 2015–16. 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. MFB's 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.

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.

Board performance

An external evaluation of Board performance is conducted at regular intervals. The Board also regularly conducts evaluations of its own performance, and that of its sub-committees. It 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.

Membership for 2015–16

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

Strategy, planning and resources committee

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

Membership for 2015–16

- Ken King (Chair)
- Stuart Alford
- Jay Bonnington
- Andi Diamond *(ex officio)*
- Des Mueller (retired 30 November 2015)

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 2015–16

- Therese Ryan (Chair)
- Ken King
- David Purchase
- Andi Diamond *(ex officio)*
- Des Mueller (retired 30 November 2015)

The Board acknowledges that it is responsible for oversight of MFB's overall internal control framework.

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 2016	16	6	3	4	1
A. Diamond	15/16	-	-	-	1/1
K. King	16/16	-	3/3	3/4	1/1
S. Alford	16/16	6/6	3/3	-	1/1
J. Bonnington	12/16	6/6	3/3	-	1/1
D. Purchase	12/16	4/6	-	2/4	1/1
T. Ryan	11/16	4/6	-	4/4	1/1
D. Mueller *(retired November 2016)*	5/6	-	1/1	2/2	1/1

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 that are approved by management.

Risk management

MFB's Risk Management Framework was reviewed during 2015-16. The refreshed documents support MFB's capacity to comply with the Victorian Government Risk Management Framework (VGRMF) and embed risk management into the strategic planning process of MFB.

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 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 Risk Attestation statement in the Annual report refers to 12 elements – nine relating to the Risk Management requirements and three relating to the Insurance Requirements.*
- *The Attestation for 2015–16 incorporates the Insurance Attestation which in previous years required a separate attestation from the agency under the FMCF.*
- *The following standard Risk Attestation Statement was presented to the Audit, Risk and Compliance Committee at the meeting of 24 May 2016 and to MFB's Board at the meeting of 28 June 2016. 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, Dr Andi Diamond, President of the Metropolitan Fire and Emergency Services Board, certify that the Metropolitan Fire and Emergency Services Board has complied with the Ministerial Standing Direction 4.5.5 – Risk Management Framework and Processes. The Metropolitan Fire and Emergency Services Board Audit, Risk and Compliance Committee verifies this.

Insurance

MFB manages its insurance program in accordance with the requirements set out in Standing Direction 4.5.5 Risk Management Framework and Processes, which mandates that MFB must comply with the Victorian Government Risk Management Framework (VGRMF). An integral part of this risk management framework is the appropriate management of insurance risk. MFB is mandated under the *Victorian Managed Insurance Authority Act 1996* to insure with the VMIA, and holds a portfolio of insurance policies that are managed on behalf of the Board. MFB has regularly liaised with the VMIA over the course of the year to ensure insurance levels are appropriate for MFB's risk profile, insurance costs, claims history and strategic aims.

Consultancies under $10,000

In 2015–16, there was one consultant engaged where the fees were less than $10,000. The amount for this consultancy was $6,850. This figure excludes GST.

Details of consultancies over $10,000

Consultant	Purpose of consultancy	Start Date	End Date	Total approved project fee (excld. GST)	Expenditure 2015–16 (excld. GST)	Future expenditure (excld. GST)
Accsr Consulting Pty Ltd	Environmental strategy support project	Jun 15	Sep 15	$10,640	$4,570	$0
Deloitte Touche Tohmatsu	Review of Personal Protective Clothing Management	Mar 16	Mar 16	$49,953	$46,500	$0
Ignitis Pty Ltd	Develop and establish Continuous Improvement Framework	Dec 15	Mar 16	$57,850	$51,750	$0
PHOENIX EM	Preparation of MFB's Control Unit Options Study 2016	Jun 16	Jun 16	$23,800	$23,800	$0
Procurement Alliance Pty Ltd	Contract Compliance Project – Contract Assessment and Invoice Analysis	Feb 16	Feb 16	$8,000	$8,000	$0
Project Health Pty Ltd	Health Standard Review	Mar 15	Sep 16	$180,000	$106,500	$9,750
Sweeney Research Pty Ltd	Evaluation of the effectiveness of the 2015 Home Fire Safety Campaign	Jul 15	Jul 15	$20,000	$19,600	$0
Vative Pty Ltd	Procurement – value stream mapping	Feb 16	Feb 16	$18,240	$11,400	$0
Victorian Equal Opportunity and Human Rights Commission	VEOHRC Compliance Review – Compliance Review under the EOA and Charter	Feb 16	Feb 16	$18,000	$18,000	$0
Worcester Polytechnic Institute	Analysis of Hoarding and Squalor Incidents in Victoria	Jul 15	Jul 15	$13,693	$13,693	$0
Worcester Polytechnic Institute	Review of the Residential Risk Referral process	Jun 16	Jun 16	$6,000	$6,000	$0
Total				**$406,176**	**$309,813**	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Major contract compliance

During 2015–16, there were no contracts with a value greater than $10m 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 $3m in the metropolitan area are entered into. During 2015–16, there were no contracts entered into by MFB that exceeded $3m.

Compliance with the *Building Act 1993*

MFB's 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 are in accordance with Victorian Government Competitive Neutrality Policy and principles.

Freedom of Information Act 1982

The President, Dr Andi Diamond, 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 $27.90 application fee (as at 1 July 2016). 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 4.30pm, 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.

MFB's Risk Management Framework documents support MFB's capacity to comply with the Victorian Government Risk Management Framework (VGRMF) and embed risk management into the strategic planning process of MFB.

2015–16 FOI Statistics

During the year MFB received 411 requests for access to documents under the *Freedom of Information Act.*

Table to be reviewed

Requests received	411
Part access	402
Denied	1
Access granted	0
Not finalised as at 30 June 2016	6
Applicant did not proceed (including s25A decisions)	2
Appeal Avenues:	
FOI Commissioner	1
VCAT Hearing	

Protected Disclosure Act 2012

The Acting Corporate Secretary, Mr Christopher Wiseman, is the Protected Disclosure Coordinator for the purpose of administering the requirements of the *Protected Disclosure Act 2012.* Ms Erin Rice 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 MFB's website www.mfb.vic.gov.au.

Disclosures	2015–16	2014–15
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

Management discussion and analysis

Comprehensive operating statement

MFB's Board and Executive have throughout the financial year (2015/16) maintained a strong focus on budgetary management and continues to plan to achieve longer term financial sustainability through considered approaches to capital asset maintenance and acquisition, coupled with recurrent cost efficiency. The net result for the 2015/16 financial reporting period was a deficit of $10.965 million which compares to the prior financial year (2014/15) net result of a surplus of $3.358 million.

The deficit result was primarily driven by external factors such as underperforming equity market conditions , falling interest rates, industrial work bans affecting revenue collection, together with higher than expected wage escalation, offset by asset revaluations gains.

The major source of income for MFB is provided by the Fire Services Property Levy which is recorded as grant income. MFB continues to review procurement processes to achieve best value for money services and goods and critically analyse annual sectional budgets and updated forecasts to maintain cost efficiency; but at the same time, continue to provide necessary resources to facilitate a high standard of fire and emergency service provision to the community.

Income

Total operating transactional income for 2015/16 was $386.2 million which is an increase of $22.2 million on the previous financial year.

This increase is reflective of the 2.5% FSL grant income increase and grants income includes $6.1 million ERSC committee specific funding for extra operational staff, $1.6 million for the Victorian Bushfire Royal Commission initiatives, as well as $1.4 million in a Treasurers Advance for the recovery of MFB costs incurred at major incidents and supporting other agencies.

Sales of goods and services increased $1 million due significantly to fire suppression equipment sales and servicing that increased $1.7 million. Interest income reduced by $1 million, due to reduced market interest rates coupled with reduced working capital balances. Dividend income which is fully reinvested back into the Victorian Funds Management Corp investment portfolio, increased by $4.3 million.

Expenses

Total operating transactional expenses for the financial year 2015/16 increased by $27.5 million on the previous financial year due to increased salaries of $12.2 million reflective of the 5% salary increase approved by the state government, as well as, increased overtime expense of $3.6 million related to training arrangements at the VEMTC training college at Craigieburn, plus increased assistance to CFA stations in the form of crew step ups.

The other key expense impact was an increase in employee leave benefit provisions, which increased $4.8 million, mainly caused by the salary increase referred to above.

Other economic flows included in net result

Included in the net result are other economic flows that in total resulted in an additional deficit of $2.4 million, which when added to the net result from transactions of $8.5 million, leads to a Net Result of a deficit for 2015/16 of $10.9 million. The other economic flows reported were: a gain on non-financial assets of $1.2 million primarily constituting revaluations gains of $9.3 million on investment property, offset by an impairment loss of $6.9 million on the costs associated with the construction of the Glen Iris fire station. This impairment is due to structural defects and subject to legal action. Additionally there was a net loss on financial instruments of $0.4 million, as well as, a net $3.3 million loss resulting from the revaluation of employee leave liabilities caused by discount rates changes used in calculating the net present value of leave obligations.

In accordance with accounting standards and the Department of Treasury and Finance asset revaluations by purpose group five year cyclical reviews, all land and buildings were independently revalued by the Victorian Valuer General as at 30 June 2016 basis their fair value in terms of Highest Best Use (HBU). Additionally, all vehicles were considered for revaluation and all emergency / fire appliance vehicles were revalued using the depreciated replacement cost method.

The impact of all the property, plant and equipment revaluations was an increase in the revaluation surplus of $169.7 million which is also reported as other economic flows in the Operating Statement. After accounting for this revaluation gain; the overall comprehensive result for 2015/16 was a net surplus of $158.8 million.

Balance sheet

MFB maintains a strong balance sheet and ensures liquidity to meet commitments and settle accounts as they fall due, net assets for the organisation total $745 million, which have increased by $160.6 million mainly related to property revaluations.

Total assets as at 30 June 2016 were $883.9 million, comprising of $165.2 million in financial assets, including the VFMC investment portfolio of $122.5 million and non-financial assets totalling $718.8 million. MFB maintains a capital investment program that invested in cash terms $15.3 million in new appliances, further marine response initiatives, station refurbishments, new and upgraded ICT systems and hardware, and equipment including new , improved breathing apparatus, defibrillators and rescue tools.

Total liabilities

Total liabilities as at 30 June 2016 were $138.9 million, an increase of $3 million on the prior financial year. The payables balance reduced by $5.8 million due primarily to reduced open capital projects at year end with reduced balances owed to suppliers. This was offset by an increase in employee leave and on costs provisions of $9 million as a result of the operational staff salary increase referred to earlier, as well as, marginal increase in staff leave balances. Other liabilities of $1.8 million relate to a seven year loan from the Department of Treasury and Finance for investment in the 'Greener Government Buildings' program leading to improved environmental outcomes and energy cost savings.

Net assets as at 30 June 2016 were $745.0 million as compared to $ 584.4 million as at 30 June 2015. The increase reflects an increase in State Government contributed capital of $1.8 million, the property and emergency appliances revaluation gain of $169.7million offset by the net deficit result for 2015/16 of $10.965 million.

Pages 62–63 inclusive are not part of the financial statements considered in the Audit Opinion issued by the Victorian Auditor-General Office.

Comprehensive operating statement for the financial year ended 30 June 2016

	Notes	2016 $000	2015 $000
Income from transactions			
Grants	2	340,625	325,705
Sales of goods and services	2, 5(a)	34,336	33,333
Other income	2	11,249	4,950
Total income from transactions		**386,210**	**363,988**
Expenses from transactions			
Employee expenses	3, 5(c), 5(d)	282,966	259,168
Depreciation and amortisation	3, 9, 11	24,794	24,792
Other operating expenses	3, 5(a)	86,966	83,318
Total expenses from transactions		**394,726**	**367,278**
Net result from transactions (net operating balance)		**(8,516)**	**(3,290)**
Other economic flows included in net result			
Net gain / (loss) on non-financial assets	4, 5(b)	1,229	1,944
Net gain / (loss) on financial instruments	4	(427)	7,198
Net gain/ (loss) from revaluation of employee leave liabilities	4, 5(c)	(3,251)	(2,494)
Total other economic flows included in net result		**(2,449)**	**6,648**
Net result	21	**(10,965)**	**3,358**
Other economic flows – other comprehensive income **Items that will not be classified to net result**			
Changes in physical asset revaluation surplus	10, 20	169,746	-
Total other economic flows – other comprehensive income		**169,746**	**-**
Comprehensive result		**158,781**	**3,358**

The comprehensive operating statement should be read in conjunction with the notes to the financial statements included on pages 66 to 124

Balance sheet as at 30 June 2016

	Notes	2016 $000	2015 $000
Assets			
Financial assets			
Cash and deposits	12, 21	34,896	34,437
Receivables	6	7,720	9,184
Investments	12	122,534	118,876
Total financial assets		**165,150**	**162,497**
Non-financial assets			
Inventories	7	1,638	1,524
Other non-financial assets	8	1,663	1,386
Investment properties	10	33,904	24,575
Property, plant and equipment	9	669,471	518,731
Intangible assets	11	12,113	11,593
Total non-financial assets		**718,789**	**557,809**
Total assets		**883,939**	**720,306**
Liabilities			
Payables	13	16,293	22,094
Borrowings	14	1,665	1,665
Provisions	15, 5(d)	119,117	110,085
Other liabilities	16	1,852	2,077
Total liabilities		**138,927**	**135,921**
Net assets		**745,012**	**584,385**
Equity			
Accumulated surplus	20	227,219	238,184
Physical asset revaluation surplus	20, 5(b)	392,434	222,688
Contributed capital	20	125,359	123,513
Net worth		**745,012**	**584,385**
Commitments for expenditure	18		
Contingent assets and contingent liabilities	19		

The balance sheet should be read in conjunction with the notes to the financial statements included on pages 66 to 124

Statement of changes in equity for the financial year ended 30 June 2016

	Notes	Physical asset revaluation surplus $000	Accumulated surplus $000	Contributed capital $000	Total $000
Balance at 30 June 2014	20	**222,688**	**234,826**	**121,777**	**579,291**
Net result for the year	5(b), 5(d)	-	3,358	-	3,358
Contributions by State Government		-	-	1,736	1,736
Balance at 30 June 2015	20	**222,688**	**238,184**	**123,513**	**584,385**
Net result for the year		-	(10,965)	-	(10,965)
Contributions by State Government		-	-	1,846	1,846
Other comprehensive income for the year		169,746	-	-	169,746
Balance at 30 June 2016	20	**392,434**	**227,219**	**125,359**	**745,012**

The statement of changes in equity should be read in conjunction with the notes to the financial statements included on pages 66 to 124

Cash flow statement for the financial year ended 30 June 2016

	Notes	2016 $000	2015 $000
Cash flows from operating activities			
Receipts			
Receipts from Government		341,100	325,230
Receipts from other entities		43,233	41,109
Interest received		1,985	3,243
Dividends received		6,984	2,648
Goods and services tax recovered from the ATO *(i)*		6,985	7,881
Total receipts		**400,287**	**380,111**
Payments			
Payments to suppliers and employees including legislative payments and tax		(380,011)	(349,242)
Total payments		**(380,011)**	**(349,242)**
Net cash flows from / (used in) operating activities	21(b)	**20,276**	**30,869**
Cash flows from investing activities			
Payments for investments		(132,114)	(6,073)
Proceeds from sale of investments		124,859	2,016
Purchases of non-financial assets		(15,276)	(29,613)
Proceeds from sales of non-financial assets		868	4,602
Net cash flows from / (used in) investing activities		**(21,663)**	**(29,068)**
Cash flows from financing activities			
Owner contributions by State Government		1,846	1,736
Loan from Government energy efficiency program		-	1,665
Net cash flows from / (used in) financing activities		**1,846**	**3,401**
Net increase in cash and cash equivalents		459	5,202
Cash and cash equivalents at beginning of financial year		34,437	29,235
Cash and cash equivalents at end of financial year	21(a)	**34,896**	**34,437**
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 66 to 124

Notes to the Financial Statements for the financial year ended 30 June 2016

Notes to the Financial Statements for the financial year ended 30 June 2016

1. Summary of significant accounting policies

These annual financial statements represent the audited general purpose financial statements for the Metropolitan Fire and Emergency Services Board (MFB) for the period ended 30 June 2016. The purpose of the report is to provide users with information about MFB's stewardship of resources entrusted to it.

(A) Statement of compliance

These general purpose financial statements have been prepared in accordance with the *Financial Management Act 1994* (FMA) 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 18 August 2016.

(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 relate to:

- the fair value of land, buildings, 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 12).

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*, 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.

Notes to the Financial Statements for the financial year ended 30 June 2016

For the purpose of fair value disclosures, MFB has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

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

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

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

Land and buildings are independently revalued by VGV every five years as per FRD 103F *Non-financial physical assets* and, in interim years, 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.

Non-specialised land and non-specialised buildings are valued using the Highest Best Use (HBU) market approach, whereby these assets fair values are determined by comparing to recent comparable sales or sales of comparable assets which are considered to have nominal or no added improvement value. The valuations are undertaken by the Valuer-General Victoria. Considered in the valuation of these assets type is analysing comparable sales and allowing for differentials such as size, topography, location and other relevant factors specific to the asset.

To the extent that non-specialised land and non-specialised buildings do not contain significant, unobservable adjustments, these assets are classified as Level 2 under the asset fair value hierarchy under the market approach.

(C) Reporting entity

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

Its principal address is:

456 Albert Street
East Melbourne VIC 3002

The financial statements include all the controlled activities of MFB.

Objectives and Funding

The organisation provides comprehensive fire, rescue and emergency response services 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 MFB which is detailed in this report.

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

(D) Scope and presentation of financial statements

Comprehensive operating statement

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

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

'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

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

Notes to the Financial Statements for the financial year ended 30 June 2016

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 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.

Comparatives

Comparative adjustments for the prior reporting period occur when the presentation in the current year alters compared to the prior year statements presentation; also comparative adjustments are required for material prior period errors subsequently identified. Comparative adjustments are detailed in the notes to the accounts.

(E) Changes in accounting policies

Subsequent to the 2015–16 reporting period the new Standards and Financial Reporting Directions were assessed to see whether or not they applied to MFB, there are no new accounting policies adopted or relevant.

(F) Income from transactions

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

Income recognition

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

Grants

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

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

Contributions

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 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.

Notes to the Financial Statements for the financial year ended 30 June 2016

Income from sale of goods

Income from the sale of goods is recognised when:

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

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

Other income

Dividend income

Dividend income is recognised when the right to receive payment is established. Dividends represent the income arising from 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 that 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 it's Annual Financial Statements discloses 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:

	Useful Life
Buildings	40 years
Victorian Emergency Management Training Centre (VEMTC) Training Props	5–25 years *(i)*
Plant and Equipment	3–15 years

(i) Asset life for VEMTC training props is 5–20 years, whereas prior year (2015) this was reported as 20 years. VEMTC training props include equipment and structural training assets, accordingly the asset lifes vary.

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	2016 Remaining life	2015 Remaining life
Optic fibre licence agreements:	15 years	4 years	5 years
Software:	5–7 years	1–5 years	1–5 years

Notes to the Financial Statements for the financial year ended 30 June 2016

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.

(i) Asset life for VEMTC training props is 5–20 years, whereas prior year (2015) this was reported as 20 years. VEMTC training props include equipment and structural training assets, accordingly the asset lifes vary.

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. The 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.

Notes to the Financial Statements for the financial year ended 30 June 2016

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

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

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

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

The following refers to financial instruments unless otherwise stated.

Loans and receivables

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

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

Held-to-maturity financial assets

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

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

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

Financial assets and liabilities at fair value through profit or loss

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

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

MFB uses 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 MFB's individual risk profile and investment objectives.

Notes to the Financial Statements for the financial year ended 30 June 2016

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 MFB contractual payables, deposits held and advances received and interest-bearing arrangements other than those designated at fair value through profit or loss.

Offsetting financial instruments

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

(J) Financial assets

Cash and deposits

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

Receivables

Receivables consist of:

- contractual receivables, such as debtors in relation to goods and services and accrued investment income; 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(l) *Financial Instruments* for recognition and measurement). Statutory receivables are recognised and measured similarly to contractual receivables (except for impairment), but are not classified as financial instruments because they do not arise from a contract.

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

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

Investment and other financial assets

Investments are classified in the following categories:

- financial assets at fair value through profit or loss,
- loans and receivables, 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
- MFB retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass through' arrangement; or
- MFB has transferred its rights to receive cash flows from the asset and either:

(a) has transferred substantially all the risks and rewards of the asset; or

(b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

Impairment of financial assets

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

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

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

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

(K) Non-Financial Assets

Inventories

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

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

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

Bases used in assessing loss of service potential for inventories held for distribution include current replacement cost and technical or functional obsolescence. Technical obsolescence occurs when an item still functions for some or all of the tasks it was originally acquired to do, but no longer matches existing technologies. Functional obsolescence occurs when an item no longer functions the way it did when it was first acquired.

Prepayments

Other non-financial assets include prepayments that 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.

The criteria to be satisfied per AASB 5 *Non Current Assets classified as Held for Sale* is:

- the asset (or disposal group) must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets (or disposal groups) and its sale must be *highly probable*
- for the sale to be highly probable, the appropriate level of management must be committed to a plan to sell the asset (or disposal group), and an active program to locate a buyer and complete the plan must have been initiated. Further, the asset (or disposal group) must be actively marketed for sale at a price that is reasonable in relation to its current fair value. In addition, the sale should be expected to qualify for recognition as a completed sale within one year 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 specialised 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.*

Notes to the Financial Statements for the financial year ended 30 June 2016

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.

Restrictive nature of cultural and heritage assets

During the reported period, the Board held and continues to own heritage assets and other non-financial physical assets that the organisation intends to preserve because of their unique historical attributes and value.

Revaluations of non-financial physical assets

Non-financial physical assets are measured at fair value on a cyclical basis, in accordance with the Financial Reporting Directions (FRDs) issued by the Minister for Finance. A full revaluation normally occurs every five years, based upon the asset's government purpose classification but may occur more frequently if fair value assessments indicate material changes in values. Independent valuers are generally used to conduct these scheduled revaluations. Any interim revaluations are determined in accordance with the requirements of the FRDs.

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

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

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

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

Investment properties

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

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

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

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

Intangible assets

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

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

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

(a) the technical feasibility of completing the intangible asset so that it will be available for use or sale;

(b) an intention to complete the intangible asset and use or sell it;

(c) the ability to use or sell the intangible asset;

(d) the intangible asset will generate probable future economic benefits;

(e) the availability of adequate technical, financial and other resources to complete the development and to use or see the intangible asset; 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 MFB prior to the end of the financial year that are unpaid and arise when MFB becomes obliged to make future payments in respect of the purchase of those goods and services; 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(I)). Statutory payables are recognised and measured similarly to contractual payables, but are not classified as financial instruments and not included in the category of financial liabilities at amortised cost, because they do not arise from a contract.

Other liabilities

At reporting date, other liabilities substantially pertain to income received in advance for prepaid future access by the Country Fire Authority (CFA) to MFB's optical fibre communications network. This balance includes fire suppression equipment future sales as well as prepaid charges to CFA and SES for SAP financial and management system access.

Provisions

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

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

Employee benefits

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

Wages and salaries and annual leave

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

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

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

Accrued leave

Accrued leave is an employee leave benefit provided to operational staff when certain conditions are met under the Enterprise Agreement. This is recognised in the provision for employee benefits and is treated as per annual leave entitlements, is unconditional once approved and proportionately discounted to present value.

Long service leave

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

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

The components of the current LSL liability are measured at:

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

  Conditional LSL is disclosed as a non-current liability.

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

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

Notes to the Financial Statements for the financial year ended 30 June 2016

Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or when an employee decides to accept voluntary redundancy in exchange for these benefits. MFB recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

Bonus plans

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

- there are formal terms for determining the amount of the benefit;
- the amounts to be paid are determined before the time of completion of the financial statements; 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 4.13% (2015: 4.44%) and 4.13% on long service leave which also covers seniority, promotion and other relevant factors (2015: 4.44%). The average end of year discount rate applied was 1.99% (2015: 3.03%). 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.

Notes to the Financial Statements for the financial year ended 30 June 2016

(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 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 2016 reporting period. The Department of Treasury and Finance assesses the impact of these new standards and advises MFB of their applicability and early adoption where applicable.

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; 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 2015–16 reporting period.

As at 30 June 2016, 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 overleaf outlines the accounting standards that have been issued but not effective for 2015–2016, which may result in potential impacts on public sector reporting for future reporting periods.

Notes to the Financial Statements for the financial year ended 30 June 2016

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

Topic	Key requirements	Effective date	Impact on MFB Financial Statements
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 now be reported through other comprehensive income (OCI) and no longer recycled to the profit and loss. While the preliminary assessment has not identified any material impact arising from AASB 9, it will continue to be monitored and assessed.
AASB 2010-7 *Amendments to Australian Accounting Standards arising from AASB 9* (December 2010)	The requirements for classifying and measuring financial liabilities were added to AASB 9. The existing requirements for the classification of financial liabilities and the ability to use the fair value option have been retained. However, where the fair value option is used for financial liabilities the change in fair value is accounted for as follows: • the change in fair value attributable to changes in credit risk is presented in other comprehensive income (OCI); and • other fair value changes are presented in profit and loss. If this approach creates or enlarges an accounting mismatch in the profit or loss, the effect of the changes in credit risk are also presented in profit or loss.	1 January 2018	The assessment has identified that the amendments are likely to result in earlier recognition of impairment losses and at more regular intervals. Changes in own credit risk in respect of liabilities designated at fair value through profit and loss will now be presented within other comprehensive income (OCI). Hedge accounting will be more closely aligned with common risk management practices making it easier to have an effective hedge. For entities with significant lending activities, an overhaul of related systems and processes may be needed.
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 2014-7 *Amendments to Australian Accounting Standards arising from AASB 9*	Amends various AASs to incorporate the consequential amendments arising from the issuance of AASB 9	1 January 2018	The assessment has indicated that there will be no significant impact for public sector entities including MFB.
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 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. 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.

Notes to the Financial Statements for the financial year ended 30 June 2016

Topic	Key requirements	Effective date	Impact on MFB Financial Statements
AASB 2014–5 *Amendments to Australian Accounting Standards arising from AASB 15*	Amends the measurement of trade receivables and the recognition of dividends. Trade receivables that do not have a significant financing component are to be measured at their transaction price, at initial recognition. Dividends are recognised in the profit and loss only when: • the entity's right to receive payment of the dividend is established; • it is probable that the economic benefits associated with the dividend will flow to the entity; and • the amount can be measured reliably.	1 January 2017, except amendments to AASB 9 (December 2009) and AASB 9 (December 2010) apply from 1 January 2018	The assessment has indicated that there will be no significant impact for the public sector.
AASB 2015–8 Amendments to Australian Accounting Standards – Effective Date of AASB 15	This Standard defers the mandatory effective date of AASB 15 from 1 January 2017 to 1 January 2018.	1 January 2018	This amending standard will defer the application period of AASB 15 to the 2018-19 reporting period in accordance with the transition requirements.
AASB 2016-3 *Amendments to Australian Accounting Standards – Clarifications to AASB 15*	This Standard amends AASB 15 to clarify the requirements on identifying performance obligations, principal versus agent considerations and the timing of recognising revenue from granting a licence. The amendments require: • a promise to transfer to a customer a good or service that is 'distinct' to be recognised as a separate performance obligation; • for items purchased online, the entity is a principal if it obtains control of the good or service prior to transferring to the customer; and • for licences identified as being distinct from other goods or services in a contract, entities need to determine whether the licence transfers to the customer over time (right to use) or at a point in time (right to access).	1 January 2018	The assessment has indicated that there will be no significant impact for the public sector, other than the impact identified in AASB 15.
AASB 16 *Leases*	The key changes introduced by AASB 16 include the recognition of most operating leases (which are current not recognised) on balance sheet.	1 January 2019	The assessment has indicated that as most operating leases will come on balance sheet, recognition of lease assets and lease liabilities will cause net debt to increase. Depreciation of lease assets and interest on lease liabilities will be recognised in the income statement with marginal impact on the operating surplus. The amounts of cash paid for the principal portion of the lease liability will be presented within financing activities and the amounts paid for the interest portion will be presented within operating activities in the cash flow statement. No change for lessors.

Notes to the Financial Statements for the financial year ended 30 June 2016

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

Topic	Key requirements	Effective date	Impact on MFB Financial Statements
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 I*ntangible 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 2015-1 *Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards* 2012-2014 Cycle [AASB 1, AASB 2, AASB 3, AASB 5, AASB 7, AASB 11, AASB 110, AASB 119, AASB 121, AASB 133, AASB 134, AASB 137 & AASB 140]	Amends the methods of disposal in AASB 5 *Non-current assets held for sale* and discontinued operations. Amends AASB 7 *Financial Instruments* by including further guidance on servicing contracts.	1 January 2016	The assessment has indicated that when an asset (or disposal group) is reclassified from 'held to sale' to 'held for distribution', or vice versa, the asset does not have to be reinstated in the financial statements. Entities will be required to disclose all types of continuing involvement the entity still has when transferring a financial asset to a third party under conditions which allow it to derecognise the asset.
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 AASB 124 *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.
AASB 2016-4 *Amendments to Australian Accounting Standards – Recoverable Amount of Non-Cash-Generating Specialised Assets of Not-for-Profit Entities*	The standard amends AASB 136 *Impairment of Assets* to remove references to using depreciated replacement cost (DRC) as a measure of value in use for not-for-profit entities.	1 January 2017	The assessment has indicated that there is minimal impact. Given the specialised nature and restrictions of public sector assets, the existing use is presumed to be the highest and best use (HBU), hence current replacement cost under AASB 13 *Fair Value Measurement* is the same as the depreciated replacement cost concept under AASB 136.

In addition to the new standards and amendments above, the AASB has issued a list of other amending standards that are not effective for the 2015–16 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 1057 *Application of Australian Accounting Standards*
AASB 2015-2 Amendments to Australian Accounting Standards – *Disclosure Initiative: Amendments to AASB 101* [AASB 7, AASB 101, AASB 134 & AASB 1049]
AASB 2015-9 Amendments to *Australian Accounting Standards – Scope and Application Paragraphs* [AASB 8, AASB 133 & AASB 1057]
AASB 2015-10 *Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128*
AASB 2016-2 *Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107*

Notes to the Financial Statements for the financial year ended 30 June 2016

2. Income from transactions

	2016 $000	2015 $000
(a) Grants		
Department of Justice and Regulation	339,261	325,230
Treasurers advance *(i)*	1,364	475
Total grants	**340,625**	**325,705**
(b) Sales of goods and services		
False alarm charges	4,550	8,423
Fire suppression equipment sales and servicing	20,180	18,398
Other sales *(ii)*	9,606	6,512
Total sales of goods and services	**34,336**	**33,333**
(c) Other Income		
Interest		
Interest on bank deposits	297	677
Interest – held to maturity investments	1,217	1,006
Interest – held for trading investments	541	1,409
Total interest	**2,055**	**3,092**
Dividends		
Dividends – held for trading investments	6,984	2,648
Total dividends	**6,984**	**2,648**
Realised gain/(loss) on financial instruments		
Gain/(loss) – held for trading investments	(2,954)	(6,655)
Total Realised gain/(loss) on financial instruments	**(2,954)**	**(6,655)**
Income – sundry		
Workers' compensation recovered	3,065	3,103
Property rental	404	447
Other	1,695	2,315
Total income – sundry	**5,164**	**5,865**
Total other income	**11,249**	**4,950**
Total income from transactions	**386,210**	**363,988**

(i) The Treasurer's Advance received via the Department of Justice and Regulation is the State Government's re-imbursement of costs incurred in assisting other emergency services at major incidents and assisting regional fire strike teams. Additionally if major incidents incur substantial costs, these may be claimable, included herein when specified criteria is met.

(ii) Other Sales in Prior year (2014/15) has been restated to account for internal sales between FES internal cost centres which were not eliminated. Refer to Note 5(a).

Notes to the Financial Statements for the financial year ended 30 June 2016

3. Expenses from transactions

	2016 $000	2015 $000
(a) Employee expenses		
Salaries	214,533	202,376
Overtime	20,005	16,450
Movement in employee benefit provisions (excluding impact of present value discount rate changes) *(i)*	5,740	914
Superannuation – defined benefit fund	16,699	15,642
Superannuation – defined contribution fund	1,927	1,796
Payroll tax	12,293	11,454
Workers' compensation	10,539	9,356
Fringe benefits tax	1,230	1,180
Total employee expenses	**282,966**	**259,168**
(b) Depreciation and amortisation		
Buildings	12,149	12,340
Plant and equipment	11,367	11,070
Amortisation of intangible assets	1,278	1,382
Total depreciation and amortisation	**24,794**	**24,792**

(i)The movement in employee benefits provisions for prior year (2014/15) was adjusted to account for superannuation on costs not reflected on certain personnel.

	2016 $000	2015 $000
(c) Other operating expenses		
Contract services – other	11,361	9,664
Contract services – government	18,826	18,399
Property utilities, rates and maintenance	11,129	11,245
Supplies and consumables	5,491	4,671
Motor vehicle maintenance and fuel	4,911	5,126
Plant and equipment maintenance	5,547	5,673
Information technology	5,284	4,662
Uniforms	4,944	5,024
Travel	3,375	3,026
Training and development	3,018	3,042
Communications	2,373	2,129
Legal	4,544	4,529
Insurance	973	1,050
Advertising and promotion	195	176
Internal audit and compliance audits	463	709
Consultants	293	746
Property lease	800	606
Cost of goods sold	541	482
Other	2,898	2,359
Total other operating expenses *(ii) (iii)*	**86,966**	**83,318**
Total expenses from transactions *(iii)*	**394,726**	**367,278**

(ii) Prior year (2014/15) Contract services – other included an account called External Services which in the current year has now been closed. The prior year has now been restated with the expenditure of $5,551,000 reclassified to the appropriate expenditure.

(iii) Other in Other operating expenses prior year (2014/15) has been restated to account for internal purchases between FES internal cost centres which were not eliminated. Refer to Note 5(a).

Notes to the Financial Statements for the financial year ended 30 June 2016

4. Other economic flows included in net result

	2016 $000	2015 $000
(a) Net gain/(loss) on non-financial assets		
Impairment of property*	(6,982)	-
Revaluation of investment property *(i)*	9,329	1,566
Amortisation of non-produced intangible assets *(ii)*	(920)	(919)
Net gain/(loss) on disposal of property, plant and equipment	(198)	1,297
Total net gain/(loss) on non-financial assets	**1,229**	**1,944**

**impairment of property relates to a construction that requires significant structure re-work as at 30 June 2016.*
(i) Refer to Note 5(b).
(ii) This is amortisation of non-produced intangible assets with finite useful lives.

	2016 $000	2015 $000
(b) Net gain/(loss) on financial instruments		
Net gain/(loss) arising from revaluation of financial assets at fair value – market risk *(iii)*	(643)	7,460
Net (increase)/decrease in receivables doubtful debt provision	216	(262)
Total net gain/(loss) on financial instruments	**(427)**	**7,198**

(iii) 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.

	2016 $000	2015 $000
(c) Other gains/(losses) from other economic flows		
Net gain/(loss) arising from revaluation of leave liabilities *(iv)*	(3,251)	(2,494)
Total other gains/(losses) from other economic flows	**(3,251)**	**(2,494)**

(iv) Refer to Note 5(c).

	2016 $000	2015 $000
Total other economic flows included in net result	**(2,449)**	**6,648**

5. Correction of prior period errors

(a) Prior year (2014/15) results were restated in this report to account for internal sales and purchases between FES internal cost centres that were not eliminated in the prior year account. It relates to materials exchanged within MFB between cost centres, the value was $939,000.

As this was only eliminating internal sales and purchases, there was no impact on overall results for the prior year (2014/15), as both income and expenses reduced by this same amount.

	Reported 2015 $000	Adjustment $000	Restated 2015 $000
Other sales	7,451	939	6,512
Other other operating expenses	3,298	(939)	2,359

(b) Prior year (2014/15) results were adjusted in this report to correct the mis-classification of certain properties as "Held For Sale." In the prior year published report, these properties totaling $13,464,000, were separately reported as Held For Sale but upon detailed review did not meet all the classification criteria as defined in AASB 5 *Non-Current Assets Held For Sale and Discontinued Operations.* Additionally one further property of $493,000 was incorrectly recorded in 2015 under the category of land was reclassified from land to investment property.

These properties have been reclassified as Investment Properties in accordance with AASB 140 *Investment Properties.* Subsequent to this reclassification, Accounting Standards require revaluation to highest best use fair value, this resulted in a revaluation on Investment Property of $1,566,000 which has also been adjusted in the prior year accounts. This increased the net gain on non-financial assets by $1,566,000 and a corresponding increase in investment property assets and equity.

	Reported 2015 $000	Adjustment $000	Restated 2015 $000
Land	169,127	(493)	168,634
Held for sale	13,464	(13,464)	-
Investment properties	9,051	15,524	24,575
Gain on revaluation	-	1,566	1,566

(c) Prior year (2014/15) the revaluation of employee leave liabilities was incorrectly reported as a gain of $2,494,000 whereas it was a loss. This has been revised in this current report as a loss in Note 4 and also in the Comprehensive Operating Statement. The offsetting adjustment is to Employee Expenses – movement in employee provisions which decreased by $4,988,000. There was no change to the reported 2014/15 net result and comprehensive result.

Notes to the Financial Statements for the financial year ended 30 June 2016

5. Correction of prior period errors (cont)

	Reported 2015 $000	Adjustment $000	Restated 2015 $000
Net gain/ (loss) from revaluation of employee leave liabilities	2,494	(4,988)	(2,494)
Movement in employee benefits provision	5,185	(4,988)	(*) 197

(*) the restated 2015 balance is $914,000 , there was a further adjustment referred below in note 5 (d).

(d) The prior year (2015) annual and accrued leave provision was understated by $717,000 relating to superannuation on cost for employees that was not recorded but has since been corrected. This resulted in Annual Leave provisions in 2015 increasing by $717,000 with a corresponding increase in employee expenses.

	Reported 2015 $000	Adjustment $000	Restated 2015 $000
Employee leave expenses	197	717	914
Total current leave provisions	104,773	717	105,490

(e) prior year commitments reported in Note 18 have been restated following considerations of AASB standards, which determined that certain previously reported commitments as reported on Purchase Orders did not meet the criteria of a constructive commitment as an established contracted value was not committed to, or in certain cases the purchase could be cancelled at upon notification by MFB. Total recurrent commitments reported in prior year (2015) were $59.707M; this was restated to a total of $53.547M.

Notes to the Financial Statements for the financial year ended 30 June 2016

6. Receivables

	2016 $000	2015 $000
Current receivables		
Contractual:		
Sales of goods and services	6,131	6,125
Other receivables	110	74
	6,241	**6,199**
Statutory:		
Sales of goods and services	641	2,231
GST Input tax credit recoverable	1,022	1,191
Provision for doubtful receivables	(184)	(437)
	1,479	**2,985**
Total	**7,720**	**9,184**

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.

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

Notes to the Financial Statements for the financial year ended 30 June 2016

Ageing analysis of contractual financial assets

	Carrying amount $000	Not past due and not impaired $000	Past due but not impaired Less than 1 month $000	1 – 3 months $000	3 months – 1 year $000
2016					
Receivables *(i)*	6,241	5,132	575	489	45
Total	**6,241**	**5,132**	**575**	**489**	**45**
2015					
Receivables *(i)*	6,199	3,494	1,432	1,161	112
Total	**6,199**	**3,494**	**1,432**	**1,161**	**112**

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

Movement in the provision for doubtful financial assets:

	2016 $000	2015 $000
Balance at beginning of the year	**437**	**405**
Amounts written off during the year	(38)	(231)
Amounts recovered during the year	1	4
(Decrease)/Increase in allowance recognised in the net result	(216)	259
Balance at the end of the year	**184**	**437**

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

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

During the financial year, receivables deemed uncollectable and written-off totalled $38,000 (2015: $231,000).

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

7. Inventories

	2016 $000	2015 $000
Current - inventories		
Supplies, parts and security spares at cost	1,899	1,786
Less: allowance for obsolescence	(261)	(262)
Total	**1,638**	**1,524**

Notes to the Financial Statements for the financial year ended 30 June 2016

8. Other non-financial assets

	2016 $000	2015 $000
Current other assets		
Prepayments	1,642	1,196
Total current other assets	**1,642**	**1,196**
Non-current other assets		
Prepayments	4	178
Security deposits	17	12
Total non-current other assets	**21**	**190**
Total other non-financial assets	**1,663**	**1,386**

9. Property, plant and equipment

	2016 $000	2015 $000
Public Safety and Environment Purpose Group		
Freehold land		
At fair value	300,370	168,634
Total land	**300,370**	**168,634**
Buildings		
At fair value	300,497	290,976
Less: accumulated depreciation	(20)	(22,453)
Total buildings	**300,477**	**268,523**
Total land and buildings	**600,847**	**437,157**
Plant and equipment		
At fair value	93,507	121,882
Less: accumulated depreciation	(32,865)	(57,423)
Total plant and equipment	**60,642**	**64,459**
Assets under construction at cost		
Buildings	989	11,126
Plant and equipment	6,993	5,989
Total assets under construction at cost	**7,982**	**17,115**
Total property, plant and equipment	**669,471**	**518,731**

Notes to the Financial Statements for the financial year ended 30 June 2016

9. Property, plant and equipment (cont)

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 2016. The revaluations of land and buildings were undertaken by Valuer-General Victoria (VGV). VGV applies depreciated replacement cost method to value core buildings, primarily fire / emergency response stations. This approach values the core buildings at replacement cost that is subsequently proportionately reduced by the factor of remaining useful life compared to initial total useful building life. The replacement costs for fire / emergency stations were calculated by Westbay cost consultants as at 30 June 2016.

Each interim year between the five year land and buildings revaluation cycle, management perform fair value assessments using VGV indices and material changes are recorded in the accounts.

Heritage assets are valued using the depreciated replacement cost method. This cost generally represents the replacement cost of the building after applying depreciation rates on a useful life basis. However, for some heritage assets, the cost may be the reproduction cost rather than the replacement cost if those assets' service potential could only be replaced by reproducing them with the same materials.

Fair value assessments of plant and equipment were performed by management as at 30 June 2016 which resulted in revaluations of appliance vehicles and key support vehicles as at 30 June 2016. Other plant and equipment were reviewed by management for fair value, but revaluations were not required as there was no material difference to recorded book values.

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

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

There were no changes in valuation techniques throughout the period to 30 June 2016.

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

Notes to the Financial Statements for the financial year ended 30 June 2016

Reconciliations

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

2016	Freehold land $000	Buildings $000	Plant and equipment $000	Construction work in progress $000	Total $000
Opening balance	**168,634**	**268,523**	**64,459**	**17,115**	**518,731**
Additions	-	-	5,973	6,585	12,558
Disposals	-	-	(1,066)	-	(1,066)
Net revaluations increment	131,736	37,227	783	-	169,746
Impairment	-	-	-	(6,982)	(6,982)
Transfers from construction work in progress	-	6,876	1,860	(8,736)	-
Depreciation expense	-	(12,149)	(11,367)	-	(23,516)
Closing balance	**300,370**	**300,477**	**60,642**	**7,982**	**669,471**

2015	Freehold land $000	Buildings $000	Plant and equipment $000	Construction work in progress $000	Total $000
Opening balance	**180,955**	**270,564**	**65,647**	**10,718**	**527,884**
Additions	-	-	4,661	23,013	27,674
Disposals	-	(56)	(1,040)	-	(1,096)
Net revaluations increment	-	-	-	-	-
Impairment	-	-	-	-	-
Transfers from construction work in progress	-	10,355	6,261	(16,616)	-
Transfers to investment property *(i)*	(12,321)	-	-	-	(12,321)
Depreciation expense	-	(12,340)	(11,070)	-	(23,410)
Closing balance	**168,634**	**268,523**	**64,459**	**17,115**	**518,731**

(i) Certain properties were reclassified in 2014–15 from Held for Sale to Investment Property (refer Note 5b).

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 2016

9. Property, plant and equipment (cont)

Impairment of property, plant and equipment

Management annually reviews property, plant and equipment and intangible assets (software primarily) for impairment and if an asset is considered impaired, the accounts are adjusted to reflect the impairment cost.

As at 30 June 2016, all property, plant and equipment was reviewed and a substantial impairment was taken up totalling $6.982 million, as the construction on a new emergency / fire station has structural concerns that require significant re-work based on external consultants' advice. This amount is based on management consideration of various options and expert advice received as at 30 June 2016 on likely costs and options to remedy. Refer Note 4.

Restricted assets

MFB holds $24,587,000 fair value 30 June 2016 ($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 2016

	Carrying amount as at 30 June 2016	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	300,370	-	39,910	260,460
Buildings at fair value	300,477	-	-	300,477
Plant, equipment & vehicles at fair value *(ii)*	60,642	-	-	60,642
Total	**661,489**	**-**	**39,910**	**621,579**

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)(iii)*	Level 2*(i)(iii)*	Level 3*(ii)(iii)*
Land at fair value	168,634	-	22,221	146,413
Buildings at fair value	268,523	-	-	268,523
Plant, equipment & vehicles at fair value *(ii)*	64,459	-	-	64,459
Total	**501,616**	**-**	**22,221**	**479,395**

(i) Classified in accordance with the fair value hierarchy, see Note 1 (B).
(ii) Emergency vehicles are categorised as level 3 as the values are calculated using the depreciated replacement cost method.
(iii) The values reported by level above for prior year (2014/15) have been reclassified, as according to FRD 103F Non-financial physical assets, MFB land under specialised buildings which are fire / emergency stations and buildings that are designed particularly for use for an emergency organisation such as MFB are classified as specialised and must be graded as level 3. Similarly, buildings and plant and equipment, vehicles are deemed specialised by nature and fair values are calculated using specific valuation techniques by specialist professionals for buildings; and plant and equipment are valued using specific depreciated replacement cost approach.

Notes to the Financial Statements for the financial year ended 30 June 2016

Reconciliation of level 3 fair value

2016	Specialised land $000	Specialised buildings $000	Heritage asset $000	Vehicles $000	Plant and equipment $000
Opening balance	**146,413**	**253,892**	**14,631**	**54,741**	**9,718**
Purchases (sales)	-	6,776	100	3,114	4,719
Transfers in (out) of Level 3	-	-	-	(1,063)	(3)
Gains or losses recognised in net result					
Depreciations	-	(10,855)	(1,294)	(8,381)	(2,986)
Impairment loss	-	-	-	-	-
Subtotal	**146,413**	**249,813**	**13,437**	**48,411**	**11,448**
Gains or losses recognised in other economic flows – other comprehensive income					
Revaluation	114,047	26,077	11,150	783	-
Closing balance	**260,460**	**275,890**	**24,587**	**49,194**	**11,448**
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.

Land under specialised buildings is also deemed specialised in nature and specialised land is valued at market values determined by the Valuer General Victoria and subsequently the value is adjusted by a reducing CSO value of 20%. Also land under historic buildings is considered specialised land in nature and is adjusted by a historic reducing adjustment of 30%.

An independent valuation of all MFB's specialised land and specialised buildings was performed by the Valuer General Victoria as at 30 June 2016. The valuation was performed using the market approach adjusted for CSO.

Heritage physical assets were valued specifically by the Valuer General Victoria using depreciated replacement cost or in certain cases the reproduction cost when the assets' service potential could only be replaced by reproducing the asset with the same materials. The values are subsequently adjusted by a 30% heritage decrement factor to recognise the heritage and social restrictions applicable to such sites.

Notes to the Financial Statements for the financial year ended 30 June 2016

9. Property, plant and equipment (cont)

Reconciliation of level 3 fair value

2015	Specialised land $000	Specialised buildings $000	Heritage asset $000	Vehicles $000	Plant and equipment $000
Opening balance	**146,413**	**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					
Depreciation	-	(11,064)	(1,276)	(8,327)	(2,743)
Impairment loss	-	-	-	-	-
Subtotal	**146,413**	**253,892**	**14,631**	**54,741**	**9,718**
Gains or losses recognised in other economic flows – other comprehensive income					
Revaluation	-	-	-	-	-
Subtotal	-	-	-	-	-
Closing balance	**146,413**	**253,892**	**14,631**	**54,741**	**9,718**
Unrealised gains/(losses) on non-financial assets	-	-	-	-	-

Description of significant unobservable inputs to level 3 valuations

	Valuation technique	Significant unobservable inputs
Specialised land *(i)*	Market approach [adjusted for CSO impact]	Community Service Obligation (CSO) adjustment
Specialised buildings *(ii)*	Depreciated replacement cost	Cost consultant's replacement cost per No Bays stations. Useful life of specialised buildings.
Heritage asset *(i)(ii)*	Depreciated replacement cost	VGV appointed valuation of site. Useful life of heritage asset.
Vehicles/emergency appliances	Depreciated replacement cost	Replacement value by appliance type. Useful life of vehicles.
Plant and equipment	Depreciated replacement cost	Management determination of current replacement values Useful life of plant and equipment.

(i) CSO adjustments of 20% (30% historic sites) were applied to reduce the market approach value for MFB's specialised land.
(ii) For some heritage assets, costs may be the reproduction cost of the asset rather than the replacement cost if their service potential could only be replaced by reproducing them with the same materials.
The significant unobservable inputs have remained unchanged from 2015.

10. Investment properties

	Notes	2016 $000	2015 $000
Balance at beginning of financial year *(i)*	5(b)	**24,575**	**12,872**
Disposals		-	(2,184)
Net gain/(loss) from fair value adjustments		9,329	1,566
Transfers from freehold property		-	12,321
Balance at end of financial year		**33,904**	**24,575**

(i) Certain properties were reclassified in 2015 from Held For Sale (refer Note 5b).

Notes to the Financial Statements for the financial year ended 30 June 2016

10. Investment properties (cont)

10.1 Fair value hierarchy

	Carrying amount as at 30 June 2016	Fair value measurement at end of reporting period using:		
2016	**$000**	**$000 Level 1**	**$000 Level 2**	**$000 Level 3**
Investment properties *(i)*	33,904	-	33,904	-

	Carrying amount as at 30 June 2015	Fair value measurement at end of reporting period using:		
2015	**$000**	**$000 Level 1**	**$000 Level 2**	**$000 Level 3**
Investment properties *(i)*	24,575	-	24,575	-

(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 2016.

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

The fair value of MFB investment properties was determined by the Valuer General Victoria as at 30 June 2016.The valuation is basis Highest Best Use (HBU) fair value for the properties and 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.

11. Intangible assets

	2016 $000	2015 $000
Intangible assets		
Licence agreements at cost	13,268	13,268
Intellectual property – system research	560	560
Less: accumulated amortisation	(9,085)	(8,039)
Total licence agreements	**4,743**	**5,789**
Software at cost	21,743	18,247
Less: accumulated amortisation	(15,875)	(14,745)
Total software	**5,868**	**3,502**
Intangible assets under construction *(i)*	1,502	2,302
Total intangible assets	**12,113**	**11,593**

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

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

(i) Prior year (2014-15) intangible assets still in construction or development stage were reported as Work In Process under plant and equipment class, whereas this was restated and is separately reported.

Notes to the Financial Statements for the financial year ended 30 June 2016

11. Intangible assets (cont)

Reconciliations

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

2016	Licence agreements $000	Intellectual property $000	Software $000	Construction work in progress $000	Total $000
Carrying amount at start of year	**5,665**	**124**	**3,502**	**2,302**	**11,593**
Additions	-	-	1,371	1,347	2,718
Disposals	-	-	-	-	-
Amortisation expense	-	(124)	(1,154)	-	(1,278)
Transfers from construction work in progress	-	-	2,147	(2,147)	-
Other economic flows expense	(920)	-	-	-	(920)
Carrying amount at end of year	**4,745**	**-**	**5,866**	**1,502**	**12,113**

2015	Licence agreements $000	Intellectual property $000	Software $000	Construction work in progress $000	Total $000
Carrying amount at start of year	**6,558**	**311**	**3,556**	**1,557**	**11,982**
Additions	26	-	454	1,459	1,939
Disposals	-	-	(27)	-	(27)
Amortisation expense	-	(187)	(1,195)	-	(1,382)
Transfers from construction work in progress	-	-	714	(714)	-
Other economic flows expense	(919)	-	-	-	(919)
Carrying amount at end of year	**5,665**	**124**	**3,502**	**2,302**	**11,593**

12. Financial instruments

Financial risk management objectives and policies

MFB's principal financial instruments comprise:

- cash assets;
- term deposits;
- receivables (excluding statutory receivables);
- investments in equities and managed investment schemes;
- debt securities; and
- payables (excluding statutory payables).
- borrowings (representing a Greener Buildings loan from State Government)

12. Financial instruments (cont)

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 returns and performance to benchmarks are monitored by the Board and investment strategy is regularly reviewed. In conjunction with VFMC, the Board considers and approves investment strategies and portfolio asset allocation; to minimise financial risks and ensure appropriate diversification of investment products across various entities and to ensure earnings and capital growth are maximised and balanced with consideration of associated risks.

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

The Board 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, upon consideration of projected earnings and risk / return fundamentals as prepared by VFMC on various strategic asset allocations, approved to alter the VFMC investment portfolio effective 27 October 2015 and to allocate the total VFMC investment proportionally into 90% allocation to the VFMC Balanced Find and 10% into the VFMC Capital Growth Fund. This strategic allocation was then implemented in the subsequent months with VFMC. The fund remains under VFMC overall management and the holdings were altered from an 'in trust' arrangement for MFB to MFB as direct holder of the portfolios.

VFMC Portfolio Strategic Asset Allocation as at 30 June 2016:

VFMC Portfolio type & percentage	Fixed Interest Securities:	Australian Equities:	International Equities:	Cash and Term Deposits:
Balanced Fund 90%	30%	35%	16%	19%
$110,184,000	$33,055,000	$38,564,000	$17,629,000	$20,936,000
Growth Fund 10%	20%	50%	20%	10%
$12,350,000	$2,470,000	$6,175,000	$2,470,000	$1,235,000

The VFMC held for trading investment fair value has increased from $118,876,000 as at 30 June 2015 to $122,534,00; an increase of $3.658M reflecting an annual gain of 3.08% as at 30 June 2016. The increase reflects the reinvestment of dividends and interest earnings during the reporting period and the net realised and unrealised 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 in conjunction with VFMC specialist advice and considers whether the investment strategic asset allocation is appropriate given projected returns, market distinct variability of projected returns and associated risk.

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

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

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

Notes to the Financial Statements for the financial year ended 30 June 2016

12. Financial instruments (cont)

Categorisation of financial instruments

2016	Contractual financial assets / liabilities designated at fair value through profit/loss $000	Contractual financial assets /liabilities held-for trading at fair value through profit/loss $000	Contractual financial assets – loans and receivables $000	Contractual financial liabilities at amortised cost $000	Total $000
Contractual financial assets					
Cash and deposits	-	-	34,896	-	34,896
Receivables *(i)*	-	-	6,241	-	6,241
Investments and other contractual financial assets:					
Held for trading investments					
Short term money market	-	-	-	-	-
Infrastructure – unlisted trust	-	-	-	-	-
Balanced fund	110,184	-	-	-	110,184
Growth fund	12,350	-	-	-	12,350
Total contractual financial assets	**122,534**	**-**	**41,137**	**-**	**163,671**
Contractual financial liabilities					
Payables – amortised cost *(i)*	-	-	-	13,788	13,788
Borrowings	-	-	-	1,665	1,665
Total contractual financial liabilities	**-**	**-**	**-**	**15,453**	**15,453**

(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 2016

12. Financial instruments (cont)

Categorisation of financial instruments

2015	Contractual financial assets / liabilities designated at fair value through profit/loss $000	Contractual financial assets /liabilities held-for trading at fair value through profit/loss $000	Contractual financial assets – loans and receivables $000	Contractual financial liabilities at amortised cost $000	Total $000
Contractual financial assets					
Cash and deposits	-	-	34,437	-	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	**118,876**	**-**	**40,636**	**-**	**159,512**
Contractual financial liabilities					
Payables – amortised cost *(i)*	-	-	-	19,783	19,783
Borrowings	-	-	-	1,665	1,665
Total contractual financial liabilities	**-**	**-**	**-**	**21,448**	**21,448**

(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).

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

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

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

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

Notes to the Financial Statements for the financial year ended 30 June 2016

12. Financial instruments (cont)

The following table presents MFB's financial assets and liabilities at fair value as at 30 June 2016:

Financial assets measured at fair value

	Carrying amount as at 30 June 2016	Fair value measurement at end of reporting period using:		
2016	**$000**	**$000 Level 1**	**$000 Level 2**	**$000 Level 3**
Fair value through profit / loss investments	122,534	-	-	122,534
Held to maturity term deposit investments	-	-	-	-
Total	**122,534**	**-**	**-**	**122,534**

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 Level 1**	**$000 Level 2**	**$000 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**	**-**

Reconciliation of Level 3 fair value movements

	Financial assets at fair value through profit/loss			
	Managed investment schemes		Total	Total
	2016 $000	2015 $000	2016 $000	2015 $000
Opening balance	-	**329**	-	**329**
Total gains or losses recognised in:				
Net result	-	(329)	-	(329)
Closing balance	**-**	**-**	**-**	**-**
Total gains or losses for the period included in profit or loss for assets held at the end of the period	-	-	-	-

12. Financial instruments (cont)

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

2016	Net holding gain/(loss) $000	Total interest income/ (expense) $000	Fee income/ (expense) $000	Impairment loss $000	Total $000
Contractual financial assets					
Financial assets designated at fair value through profit/ loss	3,925	-	(69)	-	3,856
Financial assets – loans and receivables	-	1,217	-	-	1,217
Total contractual financial assets	**3,925**	**1,217**	**(69)**	**-**	**5,073**

2015	Net holding gain/(loss) $000	Total interest income/ (expense) $000	Fee income/ (expense) $000	Impairment loss $000	Total $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**

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.

Notes to the Financial Statements for the financial year ended 30 June 2016

12. Financial instruments (cont)

12.2 Interest rate risk

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

12.2(i) Held for trading financial investment assets

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

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

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

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

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

12.2(iii) Interest rate sensitivity

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

At reporting date if interest rates increased by 50 basis points and all other variables were constant, the impact would be increased interest income of $463,000 to (2015: $380,000) and an increase by the same amount equity. Conversely if interest rates decreased by 50 basis points interest income would reduce by $463,000 (2015: ($380,000) and equity would reduce by the same amount.

Notes to the Financial Statements for the financial year ended 30 June 2016

12. Financial instruments (cont)

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

2016	Weighted average interest rate %	Carrying amount $000	Fixed interest rate $000	Variable interest rate $000	Non-interest bearing $000
Financial assets					
Cash and deposits	2.06	34,896	20,000	14,896	-
Receivables		6,241	-	-	6,241
Investment financial assets *(i)*		122,534	35,525	22,171	64,838
Total		**163,671**	**55,525**	**37,067**	**71,079**
Financial liabilities					
Payables		13,788	-	-	13,788
Borrowings		1,665			1,665
Total		**15,453**	**-**	**-**	**15,453**

(i) Weighted average not available for this investment.

Interest rate exposure of financial instruments

2015	Weighted average interest rate %	Carrying amount $000	Fixed interest rate $000	Variable interest rate $000	Non-interest bearing $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
Borrowings		1,665			1,665
Total		**21,448**	**-**	**-**	**21,448**

Notes to the Financial Statements for the financial year ended 30 June 2016

12. Financial instruments (cont)

12.3 Foreign exchange risk

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

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

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

MFB's overall foreign exchange risk management strategy remains substantially unchanged from 2015.

12.4 Credit risk

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

12.4(i) Held for trading financial investment assets

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

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

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

12.4(iii) Receivables and other financial assets

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

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

The Board's overall credit risk management strategy remains substantially unchanged from 2015.

Further information is shown in Note 6 Receivables.

Credit quality of contractual financial assets that are neither past due or impaired

12. Financial instruments (cont)

	Financial Institutions (not rated) $000	Financial Institutions (AA credit rating) $000	State Government agencies (AAA credit rating) $000	Total $000
2016				
Cash and cash deposits	-	14,896	20,000	34,896
Investment financial assets	*122,534	-	-	122,534
Receivables (government/other)	-	-	6,241	6,241
Total contractual financial assets	**122,534**	**14,896**	**26,241**	**163,671**
2015				
Cash and cash deposits	-	19,437	15,000	34,437
Investment financial assets	*77,387	41,489	-	118,876
Receivables (government/other)	-	-	6,199	6,199
Total contractual financial assets	**77,387**	**60,926**	**21,199**	**159,512**

** Financial investment assets are investments in primarily unlisted managed funds that 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 2016

12. Financial instruments (cont)

12.5 Liquidity risk

Liquidity risk is the risk that MFB would be unable to meet its financial obligations as and when they fall due. The maximum exposure to liquidity risk is the carrying amounts of financial liabilities as disclosed in the face of the balance sheet. MFB operates under the 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.

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

The Board's overall liquidity risk management strategy remains substantially unchanged from 2015.

Maturity analysis of contractual financial liabilities

2016	Carrying amount	Nominal amount	Maturity dates				
	$000	$000	< 1 month $000	1–3 months $000	3 months –1 year $000	1-5 years $000	5+ years $000
Financial liabilities							
Payables							
Supplies and services	9,593	9,593	6,991	2,602	-	-	-
Amounts payable to government and agencies	71	71	71	-	-	-	-
Other payables	4,124	4,124	3,174	250	700	-	-
Borrowings (State Government)	1,665	1,665	238	-	-	1,190	237
Total	**15,453**	**15,453**	**10,473**	**2,852**	**700**	**1,190**	**237**

Maturity analysis of contractual financial liabilities

2015	Carrying amount	Nominal amount	Maturity dates				
	$000	$000	< 1 month $000	1–3 months $000	3 months –1 year $000	1-5 years $000	5+ years $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	-	-
Borrowings (State Government)	1,665	1,665	-	-	-	1,190	475
Total	**21,448**	**21,448**	**18,449**	**1,034**	**300**	**1,190**	**475**

Notes to the Financial Statements for the financial year ended 30 June 2016

12. Financial instruments (cont)

12.6 Price risk

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

Subsequent to the changed portfolio referred with VFMC and approved by the Board, the portfolio has increased exposure to growth assets that by their very nature are market price sensitive and experience market price volatility, this includes equities, indice and futures accordingly the changed portfolio as referred herein, increased price risk, but this needs to be considered with regards, that long term VFMC projections forecast overall increased investments returns are likely to result, though interim price volatility could be anticipated.

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 2016 are listed in the table below.

Price risk sensitivity

At 30 June 2016, 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.

2016

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

	Effective exposure	+ 10% Increase in unit price		10% Decrease in unit price	
	$000	Income impact $000	Equity impact $000	Income impact $000	Equity impact $000
Infrastructure	-	-	-	-	-
Balanced fund	110,184	11,018	11,018	(11,018)	(11,018)
Growth fund	12,350	1,235	1,235	(1,235)	(1,235)
Total	**122,534**	**12,253**	**12,253**	**(12,253)**	**(12,253)**

The effective exposure amounts above reflect the carrying amounts.

2015

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

	Effective exposure	+ 10% Increase in unit price		10% Decrease in unit price	
	$000	Income impact $000	Equity impact $000	Income impact $000	Equity impact $000
Infrastructure	292	29	29	(29)	(29)
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.

Notes to the Financial Statements for the financial year ended 30 June 2016

12. Financial instruments (cont)

12.7 Capital risk

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.

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

12.8 Financial Instruments – fair value measurement

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

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

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

13. Payables

	2016 $000	2015 $000
Current payables		
Contractual		
Supplies and services	9,593	12,462
Amounts payable to government and agencies	71	69
Other payables and accrued expenses	4,124	7,252
	13,788	**19,783**
Statutory		
Group tax payable	1,215	1,134
Payroll tax payable	992	863
FBT payable	298	314
	2,505	**2,311**
Total	**16,293**	**22,094**

Notes to the Financial Statements for the financial year ended 30 June 2016

13. Payables (cont)

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

Under the Fair Payment Policy MFB may be liable for penalty interest payments on overdue accounts. No interest penalties were incurred during the period under review (2015: Nil).

Payables analysis

			Maturity dates		
	Carrying amount $000	Nominal amount $000	Less than 1 month $000	1–3 months $000	3 months –1 year $000
2016	**16,293**	16,293	12,741	2,852	700
2015	**22,094**	22,094	20,760	1,034	300

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

14. Borrowings

		2016 $000	2015 $000
Current balance:	Loan from State Government *(i)*	238	-
Non-current :	Loan from State Government *(i)*	1,427	1,665
Total		**1,665**	**1,665**

(i) These are unsecured loans that bear no interest. The term of a loan is agreed by the Minister at the time the advance was provided.

Notes to the Financial Statements for the financial year ended 30 June 2016

15. Provisions

	Notes	2016 $000	2015 $000
(a) Employee benefits			
Current provisions			
Annual Leave			
Unconditional and expected to be settled within 12 months *(i)(iii)*		20,316	18,660
Unconditional and expected to be settled after 12 months *(ii)*		13,460	12,263
Accrued Leave			
Unconditional and expected to be settled within 12 months *(i)*		467	439
Unconditional and expected to be settled after 12 months *(ii)*		3,601	3,336
Long Service Leave			
Unconditional and expected to be settled within 12 months *(i)*		5,595	5,218
Unconditional and expected to be settled after 12 months *(ii)*		55,698	51,887
		99,137	**91,803**
Provision for on-costs			
Unconditional and expected to be settled within 12 months *(i)(iii)*		2,923	2,700
Unconditional and expected to be settled after 12 months *(ii)*		11,822	10,987
		14,745	**13,687**
Total current provisions		**113,882**	**105,490**
Non-current provisions			
Employee benefits – Long service leave *(ii)*		4,420	3,880
On-costs *(ii)*		815	715
Total non-current provisions		**5,235**	**4,595**
Total provisions		**119,117**	**110,085**
(b) Employee benefits and on-costs *(i)*			
Current employee benefits			
Annual and accrued leave	5(d)	37,884	34,698
Long service leave		61,293	57,105
Non-current employee benefits			
Long service leave		4,420	3,880
Total employee benefits		**103,557**	**95,683**
Current on-costs	5(d)	14,745	13,687
Non-current on-costs		815	715
Total on-costs		**15,560**	**14,402**
Total employee benefits and on-costs		**119,117**	**110,085**
(c) Movement in provisions			
Opening balance		14,402	14,006
Additional provisions recognised		15,740	10,313
Reductions arising from payments/other sacrifices of future economic benefits		(10,017)	(9,536)
Unwind of discount and effect of changes in the discount rate		(4,565)	(381)
Closing balance		**15,560**	**14,402**

(i) Employee benefits consist of annual leave, accrued 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.
(iii) Prior year annual leave and on costs were restated as a proportion of superannuation on cost was not fully accounted for.

Notes to the Financial Statements for the financial year ended 30 June 2016

16. Other liabilities

		2016 $000	2015 $000
Current balance:	Deferred income	1,064	1,058
Non-current :	Deferred income	788	1,019
Total		**1,852**	**2,077**

The carrying amounts reflect income received in advance from the CFA for prepaid future access to the optical fibre communications network, additionally this balance includes fire suppression equipment future sales as well as prepaid charges to CFA and SES for SAP financial and management system access.

17. Superannuation

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

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

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

During the year, MFB made superannuation payments of $18.6 million (2015: $17.4 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% (2015: 9.50%) for non-defined benefit plan members.

There were superannuation contributions of $2,600 outstanding at 30 June 2016 (2015: $98,300).

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% (2015: 11.0%) of salary for all operational staff as well as for non-operational staff employed prior to 1 January 1994.

Notes to the Financial Statements for the financial year ended 30 June 2016

17. Superannuation (cont)

Fund	Paid contribution for the year		Contribution outstanding at year end	
	2016 $000	2015 $000	2016 $000	2015 $000
Defined benefit plans *(i)*				
Emergency Services Superannuation Fund	16,201	14,955	-	-
Other	-	-	-	-
Defined contribution plans:				
Emergency Services Superannuation Fund	1,927	1,796	-	-
Other	495	589	3	98
Total	**18,623**	**17,340**	**3**	**98**

(i) Defined benefit employer contributions are made at rates recommended by the Actuary and the ESSS Board.

18. Commitments for expenditure

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

	2016 $000	2015 $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	3,467	2,330
Total	**3,467**	**2,330**
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	668	332
Longer than one year but not longer than five years	634	631
Longer than five years	-	-
Total	**1,302**	**963**
Recurrent service commitments Commitments for the acquisition of recurrent goods and services not recognised as liabilities:		
Payable:		
Less than one year	23,500	29,924
Longer than one year but not longer than five years	13,073	20,412
Total	**36,573**	**50,336**

A significant proportion of the above recurrent service commitments relate to MFB's obligations under the Statewide Integrated Public Safety and Communications Strategy (SIPSaCS) which covers call taking and dispatch services. There is an ongoing Service Agreement with the Emergency Services Telecommunications Authority (ESTA) for the provision of call taking and dispatch services for the metropolitan district. The ESTA service fees for the year to 30 June 2016 were $10.5 million (2015: $11.4 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 MFB has chosen not to disclose further details due to legal privilege.

Contingent assets:

MFB's claim against the City of Yarra for the recovery of costs relating to remediation of contamination at the Burnley Complex has been determined in MFB's favour (no cost determination), but subsequently an Appeals Hearing was held on 27 July 2016 and the decision is pending at the date of this report.

MFB also has commenced initial legal action in respect to the structural deficiencies identified by consultants on the new emergency / fire station at Glen Iris (as reflected in the asset impairment expense).

Contingent liabilities:

There are no contingent liabilities at reporting date.

20. Equity

	Notes	2016 $000	2015 $000
Reserves			
Physical asset revaluation surplus			
Land			
Balance at beginning of financial year		103,352	103,352
Revaluation increments/(decrements)		131,736	-
Total		**235,088**	**103,352**
Buildings			
Balance at beginning of financial year		103,998	103,998
Revaluation increments/(decrements)		37,227	-
Total		**141,225**	**103,998**
Plant and equipment			
Balance at beginning of financial year		15,338	15,338
Revaluation increments/(decrements)		783	-
Total		**16,121**	**15,338**
Balance at end of financial year		**392,434**	**222,688**
Accumulated surplus			
Balance at beginning of financial year		238,184	234,826
Net result	5(b)	(10,965)	3,358
Balance at end of financial year		**227,219**	**238,184**
Contributed capital			
Balance at beginning of financial year		123,513	121,777
Owner contributions by State Government		1,846	1,736
Balance at end of financial year		**125,359**	**123,513**
Total equity at end of the financial year		**745,012**	**584,385**

Notes to the Financial Statements for the financial year ended 30 June 2016

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:

	2016 $000	2015 $000
Total cash and deposits disclosed in the balance sheet	34,896	34,437
Balance as per cash flow statement	**34,896**	**34,437**
(b) Reconciliation of net result for the reporting period to cashflows from operating activities		
Net result for the period	**(10,965)**	**3,358**
Non-cash movements		
(Gain) / loss on sale or disposal of non-financial assets	198	(1,297)
(Gain) on revaluation of held for trading properties	(9,329)	(1,566)
Net loss/(gain) on financial instruments	2,954	6,655
Unrealised (gain)/loss on held for trading investments	643	(7,460)
Depreciation and amortisation of non-financial assets	25,712	25,711
Impairment of non-financial assets	6,983	-
(Decrease)/increase in allowance for doubtful debts	(253)	35
(Decrease) in allowance for inventory obsolescence	(1)	(5)
Movements in assets and liabilities		
Decrease/(increase) in other receivables	1,720	(2,072)
(Increase) in inventories	(115)	(96)
(Increase)/decrease in prepayments	(278)	2,725
(Decrease)/increase in payables	(5,801)	2,471
Increase in employee benefits provisions	9,032	2,408
(Decrease)/increase in income received in advance	(224)	2
Net cash inflow from operating activities	**20,276**	**30,869**

Notes to the Financial Statements for the financial year ended 30 June 2016

22. Bank overdraft

MFB has an overdraft facility of $100,000 which is repayable upon demand and may be cancelled at any time upon review by the bank. As at balance date this facility had not been utilised (2015: Nil).

23. Ex-gratia expenses

	2016 $000	2015 $000
Debts determined as un-economical to pursue	38	231
Waiver of receivables due hardship provision	51	106
Settlement of employment matter	-	8
Total	**89**	**345**

The hardship receivable waivers are recorded against sales of goods and services and amounts uneconomical to pursue which are recorded as bad debts expense have been adjusted in the prior period (2014/15) and the employment matter 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 01/07/2015 to 30/06/2016.

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

		Period of tenure:
Responsible Minister	The Honorable J Garrett MP Minister for Emergency Services	01/07/15–10/06/16
	The Honorable J Merlino MP Minister for Emergency Services	10/06/16–30/06/16
	The Hon. W Noonan MP Acting Minister for Emergency Services	01/07/15–12/07/15
	The Honorable L Neville MP Acting Minister for Emergency Services	21/09/15–02/10/15
	The Honorable M Pakula MP Acting Minister for Emergency Services	25/03/16–10/04/16
Board Members	A Diamond President	01/07/15–30/06/16
	J A Bonnington	01/07/15–30/06/16
	K W King	01/07/15–30/06/16
	S F Alford	01/07/15–30/06/16
	D Purchase OAM	01/07/15–30/06/16
	T A Ryan	01/07/15–30/06/16
	D Mueller AO	01/07/15–29/11/15
Accountable Officers	J Higgins ASM – Chief Executive Officer	01/07/15–30/06/16

Notes to the Financial Statements for the financial year ended 30 June 2016

24. Responsible persons (cont)

Related parties

A Diamond is CEO of City of Monash.

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 MFB's Board and at normal commercial terms.

Remuneration of responsible persons

The remuneration of the Responsible Minister is reported separately in the financial statements of the Department of Premier and Cabinet. For information regarding related party transactions of ministers, the register of members interests is publicly available from:
www.parliament.vic.gov.au/publications/register-of-interests

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

	2016 No.	2015 No.
REMUNERATION BAND		
$0–$9,999	1	2
$10,000–$19,999	-	1
$20,000–$29,999	4	5
$30,000–$39,999	1	1
$50,000–$59,999	1	-
	7	**9**
	$000	**$000**
Total remuneration of Board Members:	**182**	**175**

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

	2016 No.	2015 No.
REMUNERATION BAND		
$350,000–$359,999	-	1
$390,000–$399,999	1	-
	1	**1**
	$000	**$000**
Total remuneration of Accountable Officers:	**393**	**353**

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, subsequently accrued remuneration in a year is paid in the following financial year.

Notes to the Financial Statements for the financial year ended 30 June 2016

25. Remuneration of executive officers and payments to other personnel

The number of executive officers, other than Ministers and Accountable Officer's and their total remuneration during the reporting period is shown in the first two columns in the table below in their relevant income bands. Only executives appointed to an executive position are included in the table below (i.e. persons performing in the role of an executive on a temporary basis during leave or absences etc. are not included). 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.

EXECUTIVE OFFICERS REMUNERATION BAND	**TOTAL REMUNERATION**		**BASE REMUNERATION**	
	2016 No.	**2015***(iii)(v)* **No.**	**2016 No.**	**2015***(iii)* **No.**
\$0–\$ 99,999	5	7	6	8
\$100,000–\$109,999	1	-	2	-
\$110,000–\$119,999	2	-	4	1
\$120,000–\$129,999	3	1	-	1
\$130,000–\$139,999	-	-	-	-
\$140,000–\$149,999	-	-	-	-
\$150,000–\$159,999	-	-	-	-
\$160,000–\$169,999	-	-	-	2
\$170,000–\$179,999	-	1	-	2
\$180,000–\$189,999	-	7	4	9
\$190,000–\$199,999	12	3	10	-
\$200,000–\$209,999	2	6	-	6
\$210,000–\$219,999	2	3	4	2
\$220,000–\$229,999	4	2	3	4
\$230,000–\$239,999	2	1	2	-
\$240,000–\$249,999	1	2	1	-
\$250,000–\$259,999	1	1	-	1
\$260,000–\$269,999	1	-	1	1
\$270,000–\$279,999	-	1	2	1
\$280,000–\$289,999	2	2	-	-
\$290,000–\$299,999	1	1	-	-
Total number of executives	**39**	**38**	**39**	**38**
Total annualised employee equivalents (AEE) *(i)*	**33**	**32**	**33**	**32**
Total amount (\$000)	**7,280**	**7,098**	**6,784**	**6,385**

(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) Management determined, in accordance with guidance under FRD 21B Disclosure of Responsible Persons, Executive Officers and Other Personnel (Contractors with Significant Management Responsibilities) in the Financial report, 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. Accordingly, prior year (2014-15) remuneration base and total were restated as these personnel are excluded.
(iv) Some corporate EO roles were rationalised during the period and a number of Assistant Chiefs on long term leave have retired.
(v) Prior year 2015 included erroneously 10 personnel appointed to projects but did not meet definition of executive office, accordingly their base and total remuneration has been adjusted from the above and the total number of executives altered from 48 to 38 (2015).

Notes to the Financial Statements for the financial year ended 30 June 2016

25. Remuneration of executive officers and payments to other personnel (cont)

Notes:

The above remuneration amounts include leave or termination payments of:

REMUNERATION BAND	2016 $000	2015 $000
$0–$99,999	16	63
$120,000–$129,999	40	-
$200,000–$209,999	-	245
$230,000–$239,999	215	-
$240,000–$249,999	-	57
$280,000–$289,999	-	120
Total	**271**	**485**

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 2016 (2015: Nil).

26. Remuneration of auditors

Total remuneration payable to the Auditor-General for auditing the financial statements for the year ended 30 June 2016 was $106,250 (2015: $102,900).

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 educes 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.

Notes to the Financial Statements for the financial year ended 30 June 2016

28. Glossary of terms and style conventions (cont)

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'.This 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 MFB.

Transactions

Transactions are those economic flows that are considered to arise as a result of policy decisions, usually an interaction between two entities by mutual agreement. They also include flows in an entity such as depreciation where the owner is simultaneously acting as the owner of the depreciating asset and as the consumer of the service provided by the asset. Transactions can be in kind (e.g. assets provided/given free of charge or for nominal consideration) or where the final consideration is cash. In simple terms, transactions arise from the policy decisions of the government.

Style conventions

Figures in the tables and in the text have been rounded. Discrepancies in tables between totals and sums of components reflect rounding. Percentage variations in all tables are based on the underlying unrounded amounts.

The notation used in the tables is as follows:

-	zero, or rounded to zero
(xxx.x)	negative numbers
201x	year period
201x-1x	year period

The financial statements and notes are presented based on the illustration for a government department in the 2015–16 *Model Report for Victorian Government Departments*. The presentation of other disclosures is generally consistent with the other disclosures made in earlier publications of MFB's annual reports.

Responsible persons and chief finance and accounting officer's declaration

We certify that the attached financial statements have been prepared for the Metropolitan Fire and Emergency Services Board in accordance with Standing Direction 4.2 of the *Financial Management Act 1994*, applicable Financial Reporting Directions, Australian Accounting Standards, including interpretations and other mandatory professional reporting requirements.

We further state that in our opinion, the information set out in the comprehensive operating statement, balance sheet, statement of changes in equity, cash flow statement and accompanying notes forming part of the financial statements presents fairly the financial transactions during the year ended 30 June 2016 and financial position of the Metropolitan Fire and Emergency Services Board as at 30 June 2016.

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 18 August 2016.

Dr Andi Diamond
President
Melbourne
18 August 2016

James Higgins ASM
Chief Executive Officer
Melbourne
18 August 2016

Russell Eddington
Executive Director, Corporate Services
Melbourne
18 August 2016

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INDEPENDENT AUDITOR'S REPORT

To the Board Members, Metropolitan Fire and Emergency Services Board

The Financial Report

I have audited the accompanying financial report for the year ended 30 June 2016 of the Metropolitan Fire and Emergency Services Board which comprises the comprehensive operating statement, balance sheet, statement of changes in equity, cash flow statement, notes comprising a summary of significant accounting policies and other explanatory information, and the responsible persons and chief finance and accounting officer's declaration.

The Board Members' Responsibility for the Financial Report

The Board Members of the Metropolitan Fire and Emergency Services Board are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards, and the financial reporting requirements of the *Financial Management Act 1994*, and for such internal control as the Board Members determine is necessary to enable the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

As required by the *Audit Act 1994*, my responsibility is to express an opinion on the financial report based on the audit, which has been conducted in accordance with Australian Auditing Standards. Those standards require compliance with relevant ethical requirements relating to audit engagements and that the audit be planned and performed to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The audit procedures selected depend on judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, consideration is given to the internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the Board Members, as well as evaluating the overall presentation of the financial report.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Independent Auditor's Report (continued)

Independence

The Auditor-General's independence is established by the *Constitution Act 1975.* The Auditor-General is not subject to direction by any person about the way in which his powers and responsibilities are to be exercised. In conducting the audit, I and my 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 2016 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
19 August 2016

For T. Dt

Dr Peter Frost
Acting Auditor-General

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