

Annual Report

# 10 17





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**Our purpose**

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

**EMV shared vision**

**Safer and  
more resilient  
communities**

# Letter to the Minister

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

Dear Minister,

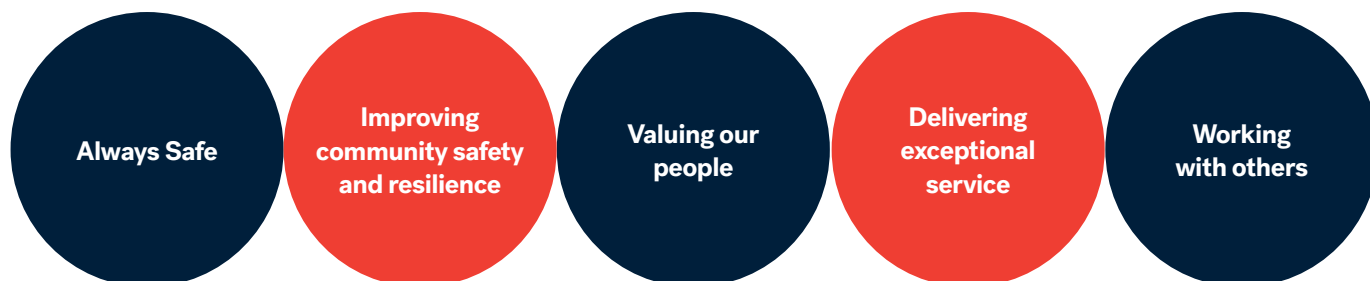
I have much pleasure in submitting the 2016/17 Annual Report of the Metropolitan Fire and Emergency Services Board in accordance with the *Financial Management Act 1994 (Vic.)*.

Yours sincerely,



**Dr Andi Diamond**  
President

## Strategic themes 2015–2018



# President's foreword



## It's been a year of change for MFB in more ways than one with the culmination of our 125th year celebrations and the beginning of a new chapter with fire services reform.

In May, the Victorian Government announced a raft of changes which would modernise the fire services, including the creation of Fire Rescue Victoria, a new organisation which will unite career firefighters from both MFB and CFA.

MFB has welcomed the reform, and has committed to work with government to assist in every way possible in all transition arrangements.

The future presents an opportunity for MFB staff to deliver upon our commitment to a world class fire and emergency service, and every individual has an important role to play in the evolution of the emergency management sector.

MFB today is a very different organisation than it was when first established 126 years ago. As a modern fire service, our focus is no longer just on fighting fires, but providing emergency response to a wide range of complex incidents, prevention and preparedness, specialist operational support, as well as leading research and driving reform.

As an organisation, we can pride ourselves on the professionalism and influence over issues we demonstrate at a strategic level, such as the many inquiries, inquests, research, sector initiatives and projects in which we are involved at both State and Federal level. Often our influence, while not always visible, can have a broad, lasting safety benefit for our people and the community.

A good example of this in practice was MFB's role following London's devastating Grenfell Tower fire in June. The brigade became a global voice, and experts from within our built environment department spoke to global media about MFB's commitment to advocating for improved building safety standards and the need for closer scrutiny of high rise developments.

We continue to see improvements in the equipment we provide our firefighters. Enhancements to the Operational Mapping Tool in 2016 improved the safety of crews by providing incident controllers with an overview of the environment and essential situational awareness.

Our Emergency Medical Response program continues to be a great success story, providing some amazing outcomes for patients and a fantastic example of interoperability. Since the program began, MFB firefighters have helped save at least 227 people. This year 60 recruits underwent EMR training, while a further 432 firefighters were recertified.

The launch of the Victorian Emergency Risk Management System (VERMS) is another accomplishment, providing a streamlined process for local community groups and emergency management stakeholders to work together in identifying and reducing fire and HAZMAT risks.

Just before Christmas, I spoke about the need for everyone to work together, no matter what their role or position, because we all want MFB to be a safer, better place to work. As an organisation we must develop a sense of urgency and commitment to the goal of achieving a workplace that looks after both the physical and mental welfare of our people.

The organisation was challenged after low levels of PFOS were found in the water at VEMTC Craigieburn. It was a matter the organisation dealt with swiftly and seriously, with regular and rigorous testing of our training site and our appliances.

A program for voluntary testing of current, former and retired staff concerned about any potential exposure to PFCs in firefighting foams used prior to 2014 has seen a solid uptake with 277 MFB employees proactively taking up this opportunity during the 2016/17 financial year, taking the total tested to 362 since the program started.

We welcomed three new board members in the past year, bringing a wealth of experience and knowledge to help guide MFB.

I would like to thank Deputy Board President Ken King for his nine years of service, Therese Ryan for her four years, and Jay Bonnington for her 10 years.

Our new board members, Kylie Hall, Fiona Chamberlain and Jasmine Doak will provide us with capable governance as MFB moves towards its exciting future.

I would also like to acknowledge the work of Jim Higgins, who departed MFB on July 7 2017 after more than three years as MFB's Chief Executive Officer.

Jim has always been focused on improving the working environment for all and in particular has had a strong focus on safety. As a Board, we have appreciated Jim's professionalism and commitment to the sector.

The Board and I are grateful for the ongoing support of our Executive Leadership Team over the past 12 months and into the future as MFB embarks on a transformative journey.

At the end of the day, it is the dedication and commitment of each and every employee to creating a safe environment that continues to build on the MFB's reputation within the community we serve. We must strive to continue the delivery of high quality services in all we do.



**Dr Andi Diamond**  
President

**Often our influence, while not  
always visible, can have a broad,  
lasting safety benefit for our  
people and the community**





Whether on station, assessing a fire scene, promoting fire safety in the community, ensuring our fleet is well maintained and our fire stations and offices are well designed and safe, reporting, administering, implementing a new process or system or making sure the old one continues to work, over the last year every person at MFB has continued to play a vital role in delivering our commitment to safer and more resilient communities.

I am pleased to lead the organisation and ensure we are appropriately resourced to continue to provide a world class fire and emergency service for Melbourne and Victorians.

As a leading authority on community safety, MFB continues to be called upon to provide leadership on a range of issues, both locally and internationally. This is a testament to the diverse skills and training of our firefighters, who do so much more than simply fighting fires.

As we closed out the celebrations of our 125th year, MFB continued to showcase the skills and expertise of our people internally and externally, with a particular focus on community safety outcomes as well as our impressive capability. We now look to the future and the impacts of fire services reform and what that means for MFB.

MFB's reputation for excellence in community service is an ongoing source of pride, as the dedication and expertise of MFB's firefighters was demonstrated throughout the year.

The tragic circumstances of a motor vehicle striking multiple pedestrians in the Melbourne CBD in January highlighted the professionalism and skill of MFB personnel, as well as the outstanding interoperability of Victoria's emergency services

**MFB's reputation for excellence in community service is an ongoing source of pride, as the dedication and expertise of MFB's firefighters was demonstrated throughout the year**



sector, and demonstrated the true extent to which we work as one. I am immensely impressed by the professionalism, capability, and resilience of MFB staff who time and again respond when the community calls.

In a year that has witnessed some disruption and uncertainty, MFB has continued to progress its organisational priorities – Always Safe, Improving Community Safety and Resilience, Valuing Our People, Delivering Exceptional Service, and Working with Others – with nearly 90 per cent of our milestones on strategic initiatives on track or substantially met, and 65 per cent of key performance indicator targets met.

At the time of writing, the Victorian Equal Opportunity and Human Rights Commission (VEOHRC) review into discrimination, including bullying, and sexual harassment in CFA and MFB is scheduled for release. MFB fully supports the VEOHRC Review as it furthers the significant work already completed to reform Victoria's fire services, including the Fire Services Review and MFB Employee Support Program Review. We have appointed a Deputy Chief Officer to lead MFB's response to VEOHRC findings, as well as a cultural transformation specialist to develop a whole of organisation approach to culture reform. These appointments will work jointly to ensure MFB responds effectively to VEOHRC recommendations while delivering broad transformational change.

To support the wellbeing of our people, in direct response to the Review of the MFB Employee Support Program completed by Dr Peter Cotton in December 2016, MFB immediately increased resourcing to its mental health programs.

MFB appointed a second Peer Support Coordinator to assist MFB's Peer Support Program, and increased the number of officers from 50 to 85. A Regional Psychologist has joined MFB to provide specialist counselling and support services in areas related to PTSD, trauma exposure, workplace culture, and relationships. In addition wellbeing checks have been expanded across the organisation, with more than 70 per cent of operational staff having now participated. Mental Health First Aid training has also been well received by staff. Future activities will focus on investing in resilience based training, implementing a new MFB Mental Health and Wellbeing Action Plan, and expanding the role of our Peer Support Officers. We are determined to address these issues and are investing resources so that our staff are well supported.

MFB is committed to the fire service reform process, and the benefits of a modern fire service model, and is working with CFA and other stakeholders to ensure we are well prepared for the outcomes of the Parliamentary process.

MFB Corporate and Technical Employees voted in support of the MFB Corporate and Technical Employees Enterprise Agreement 2017. MFB will now submit the proposed Agreement to the Fair Work Commission for approval.

We have continued to invest in infrastructure projects and in the development of our people. Work continues on the improvement of stations, systems and our mobile data capability, while 60 new recruits joined the Brigade. We recently welcomed two new recruit courses at VEMTC Craigieburn who are undertaking the first Victorian Recruit Firefighting Course, delivered by MFB and CFA instructors. This was an exciting milestone for the two organisations as we continue to provide the best training opportunities to prepare our recruits for a fulfilling career as a firefighter.

Throughout the year we have continued with a focus on safety as a priority, with ongoing communication with staff and support to managers, as well as increasing hazard and near miss reporting. As a result we have already seen a reduction in the number of serious injuries experienced by our people and have also implemented world-leading foam safety processes for operational and mechanical maintenance staff.

MFB employees are community-minded people who generously donate their time and energy to raise hundreds of thousands of dollars for very worthy causes including children's charities, cancer and mental health. We value their service to the community and understand that this is their primary focus both in and out of work, with this factor playing a primary role as to why they chose the career that they did.

Finally, I would like acknowledge the work of Jim Higgins, who departed MFB on July 7 2017 after more than three years as MFB's Chief Executive Officer. Jim was incredibly committed to providing the best possible service to the community, demonstrated by his many years of public service.



**Russell Eddington**  
Acting Chief Executive Officer

*Note: Russell Eddington was appointed Acting Chief Executive Officer on 7 July 2017 after Jim Higgins departed MFB.*

# About us

## What we do

Our 2,297 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 severity of emergencies. Activities can be physical or legal measures, such as compliance inspections and audits, 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 severity), planning for the continued availability of essential services and identifying ways to mitigate the potential impacts of an emergency.

### Response

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

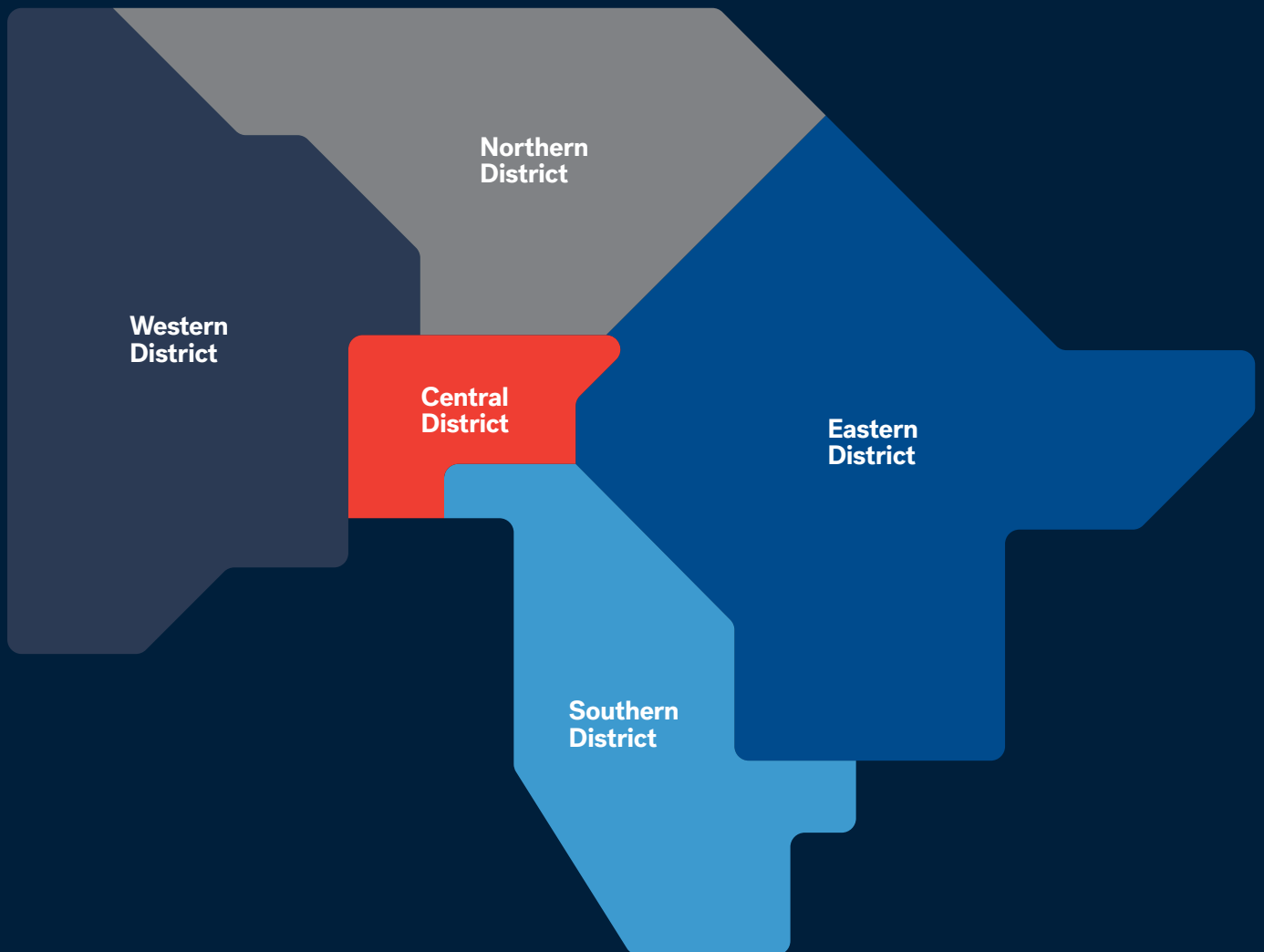
### Recovery

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, through reconnecting the affected communities and individuals with compassion and care.

## Where we work

MFB delivers most of its services in the Metropolitan District – a two-region, five-district area – and currently 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

## President **Dr Andi Diamond**

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 for five years. In this role she oversees a \$181 million budget and a workforce of 781 equivalent full time staff. 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.

## Board member **David Purchase OAM**

Appointed July 2011

After graduating with a law degree from Melbourne University in 1972, David spent 15 years at the Victorian Employers Federation and was appointed Deputy Executive Director. In 1986, David was appointed Executive Director of the Life Insurance Federation of Australia, the representative body for life insurance companies. In 1994 he joined Norwich Union Financial Services Limited as Group Company Secretary and in 1995 became General Manager of Lifescreen Australia Pty Ltd (a subsidiary company of the Norwich Group). David served as Executive Director of Victorian Automobile Chamber of Commerce (VACC) from 1997 to 2014. He is a Panel Member of the Winston Churchill Memorial Trust Committee.

## Board member **Stuart Alford**

Appointed September 2013

Stuart joined the MFB Board following a distinguished career as a chartered accountant, having worked for international accounting firm Ernst and Young for 40 years, including 27 years as a partner. He is currently 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, Deputy Chair of the Audit and Risk Committee for the Department of Education and Training; Chair of the Audit Committee, Office of the Australian Accounting Standards Board and Office of the 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.

## Board member **Kylie Hall**

Appointed November 2016

Kylie is a Special Counsel at Holding Redlich and practices in commercial litigation. She has been admitted to practice for more than 10 years and has worked in numerous high profile disputes. Kylie has experience in a range of jurisdictions and has been involved in a variety of corporate crime and regulatory matters involving ASIC, the ACCC and IBAC. Kylie's experience also extends to general commercial and contractual disputes, insolvency and corporations law.

Kylie is a current member of the Healthy Communities Australia Advisory Committee and a former member of the Shirley Robertson's Children's Centre Committee of Management, having acted as Vice-President and Secretary.

## Board member **Fiona Chamberlain**

Appointed March 2017

Fiona Chamberlain is the Chief Executive Officer of the County Court of Victoria, an appointment she has held since January 2014. As CEO, Fiona's role encompasses a \$90 million budget, leadership of 250 corporate staff, and execution of a comprehensive reform agenda to improve the efficiency, effectiveness, and sustainability of the court system.

Prior to joining the County Court, Fiona held executive roles with the Victorian and Northern Territory governments. With Victoria's Department of Justice and Regulation, she was a Regional Director and the Director of the Victorian Working with Children Check. As an Executive Director within a number of Northern Territory agencies, Fiona spearheaded an historic increase to investment in housing for indigenous people in remote areas, established a sustainable business model for publicly-funded housing in urban centres, and developed a comprehensive set of housing affordability reforms.

Fiona holds Master degrees in International Management and Organisational Leadership.

## Board member **Jasmine Doak**

Appointed June 2017

Jasmine is an experienced lawyer, industrial relations, and human resources professional and is a graduate of the Australian Institute of Company Directors. Jasmine's career includes senior legal and management roles at leading organisations including Minter Ellison, Mazda Australia and Linfox.

Currently Jasmine is the Group Counsel – Employee and Industrial Relations at AGL Energy Ltd. AGL is one of Australia's leading integrated energy companies and largest ASX listed owner, operator and developer of renewable energy generation in the country.

Jasmine is also a committed board member and company secretary of the NSCA Foundation, Australia's leading member-based safety organisation focused on improving workplace health and safety throughout Australia.

Jasmine is often engaged as a professional speaker and facilitator in a range of areas including women in leadership, mental health in the workplace and strategic industrial relations.

## Board member **Ken King**

Appointed July 2008

Appointed Deputy President July 2011

Term ended April 2017

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.



## **Board member** **Therese Ryan**

**Appointed August 2013**

**Resigned February 2017**

Therese is an experienced professional and non-executive director, who has worked across a diverse range of industries. She is non-executive director of Burson Group Limited, Victorian Managed Insurance Authority, VicForests and a trustee director of WA Super. She is 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.

## **Board member** **Jay Bonnington**

**Appointed July 2006**

**Resigned November 2016**

Jay is a chartered accountant and has worked overseas and in Australia with the Transfield Group, as CFO/Finance Director of Yallourn Energy Ltd and the National Electricity Market Management Company. She then moved into financial services and became CEO of a national not-for-profit organisation.

Jay now serves as a professional non-executive company director on a number of boards, including Utilities Trust of Australia; Mercy Health and Aged Care and the Australian Rail Track Corporation. In addition, she is Deputy Chair of the Lord Mayor's Charitable Foundation, is Independent Chair of the Audit / Risk Committee of the Salvation Army's Southern Territory.

## **Executive leadership team**

MFB comprises nine directorates and an office supporting the CEO. On June 30 2017 our Executive Leadership Team comprised:

### **Chief Executive Officer**

**Jim Higgins ASM**

### **Acting Chief Officer**

**Paul Stacchino**

### **Director Office of the CEO**

**Kirstie Schroder**

### **Executive Director Corporate Governance and Corporate Secretary**

**David Goldberg**

### **Executive Director Emergency Management Acting Deputy Chief Officer**

**Adam Dalrymple**

### **Executive Director People and Culture**

**Elizabeth Holley**

### **Executive Director Corporate Services**

**Russell Eddington**

### **Executive Director Organisational Learning and Development Deputy Chief Officer**

**Greg Leach**

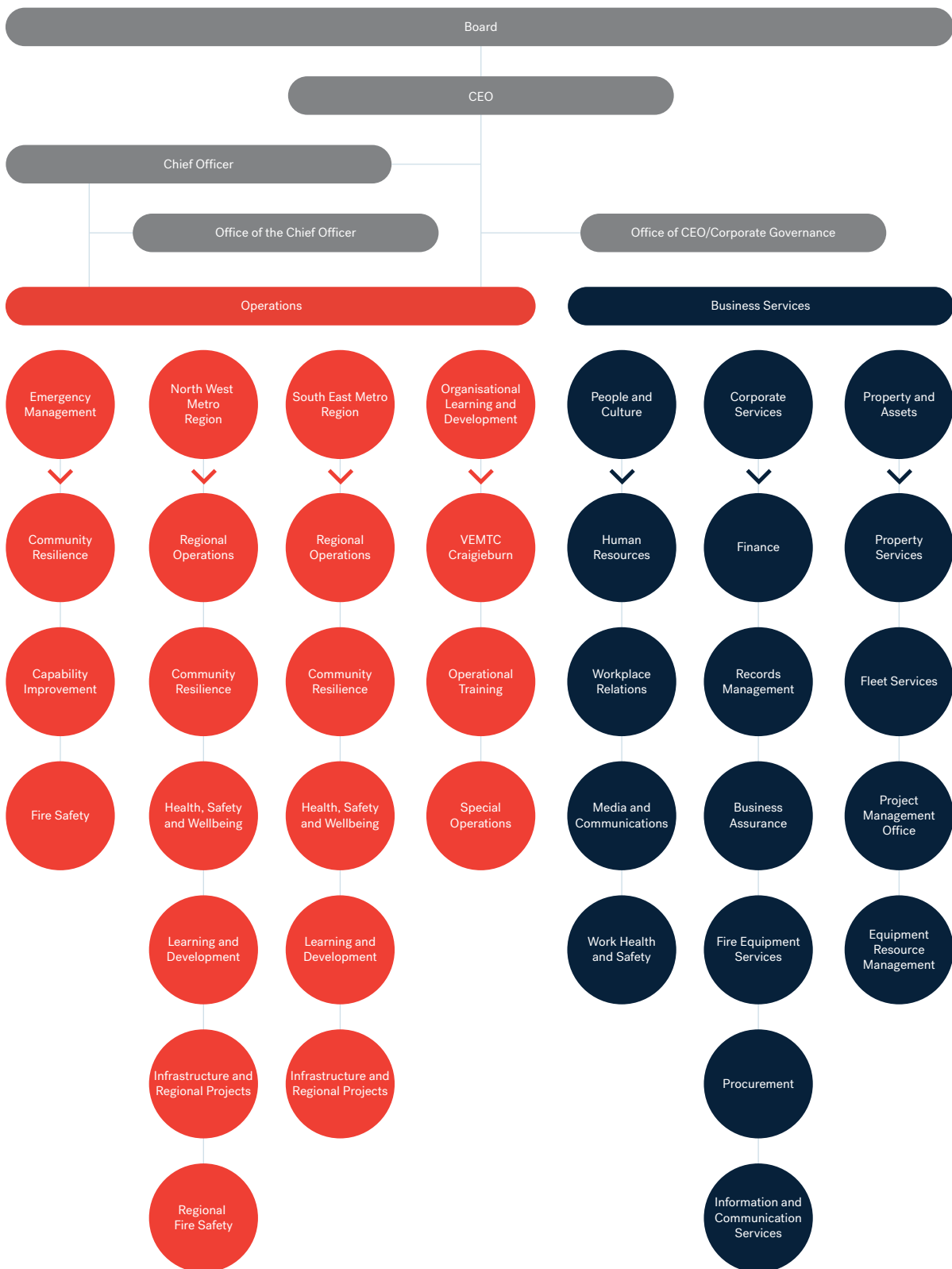
### **Regional Director North West Metro Region Deputy Chief Officer**

**David Bruce**

### **Regional Director South East Metro Region Acting Deputy Chief Officer**

**Ken Brown**

# Organisational structure



# Our performance

## Emergency Management Capability

Performance Measures	Major Outputs/Deliverables	Unit of Measure	2016-17 State Target	2016-17 MFB Target	2016/17 MFB Actual	notes
<b>Quantity</b>						
	Permanent operational staff	number	3203	1919	1954	
	Permanent support staff	number	1359	340	343	
<b>Quality</b>						
	Road crash rescue accredited brigades/units	number	130	5	5	
	Level 3 Incident Controller trained staff and volunteers	number	129	80	79	
	All structural fires contained to room or object of origin	per cent	80%	90%	87%	(1)
<b>Timeliness</b>						
	"Emergency response times meeting benchmarks (All Structural Fires) - Budget Paper 3"	per cent	90%	90%	90%	
	"Emergency response times meeting benchmarks (Road Accident Rescues) - Budget Paper 3"		90%	90%	87%	
	"Emergency response times meeting benchmarks (Emergency Medical Response) - Budget Paper 3"		90%	90%	95%	

## Major Outputs/Deliverables

KPI	Performance Measures	Unit of Measurement	2016-17 Target	2016-17 Outcome	notes
KPI 1	Reduce LTIFR (Lost Time Injury Frequency Rate)	Number	52	65	
KPI 2	Reduce LTISR (Lost Time Injury Severity Rate)	Number	26	20	
KPI 3	Improve Hazard/Near Miss: Injury Rate Ratio	Number	5.5:1	1.38:1	
KPI 4	Increase 4-Person Crewing	Number	9	8.2	
KPI 5	Improve containment of structure fires	Percent	90%	87%	(1)
KPI 6	Reduce structure fires per capita	Percent	-2%	-5%	
KPI 7	Increasing firefighter-generated community and fire safety notifications	Number	894	1326	
KPI 8	Deliver Community Resilience education program	Number	95%	99%	
KPI 9	Increase workforce engagement	Percent	66%	62%	
KPI 10	Complete scheduled skills maintenance	Percent	92%	95%	
KPI 11	Improve gender diversity by 2018	Percent	4%	3.5%	
KPI 12	Timely completion of corporate performance appraisals	Percent	75%	41%	
KPI 13	Increase Structural Fire Behaviour Training	Number	550	581	
KPI 14	Reduce unplanned leave taken	Number	120	135	
KPI 15	Structure fires (SF) response times within benchmark (7.7 minutes)	Percent	90%	90%	
KPI 16	Road accident rescue (RR) response times within benchmark (13.5 minutes)	Percent	90%	87%	
KPI 17	Emergency medical response (EMR) times within benchmark (9.2 minutes)	Percent	90%	95%	
KPI 18	Permanent operational staff	Number	1919	1,954	
KPI 19	Permanent support staff	Number	343	343	
KPI 20	Strategic actions health	Percent	100%	86%	
KPI 21	Achieve net operating result budget	Percent	100%	-100%	
KPI 22	Achieve capital program budget	Percent	100%	52%	
KPI 23	Level 3 Incident Controller trained staff	Number	6	6	(3)
KPI 24	Road crash rescue units	Number	5	5	
KPI 25	MFB employees trained to contribute to State EM arrangements	Number	114	173	
KPI 26	Implementation of Joint Standard Operating Procedures (JSOPs)	Percent	100%	100%	

(1) 80% is the state-wide target. MFB performance is consistently higher than the state-wide target.

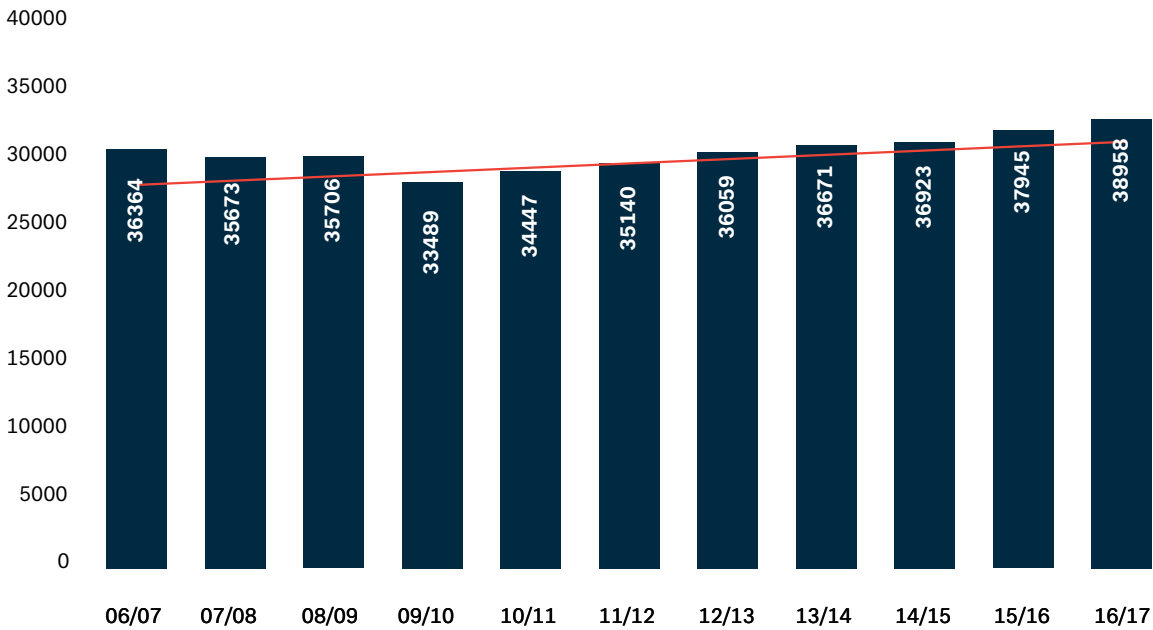
(3) It should be noted that the counting rules for Level 3 Incident Controller trained staff differ from those used to report externally into the BP3 process as the definition of the two differs.

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

# Our performance

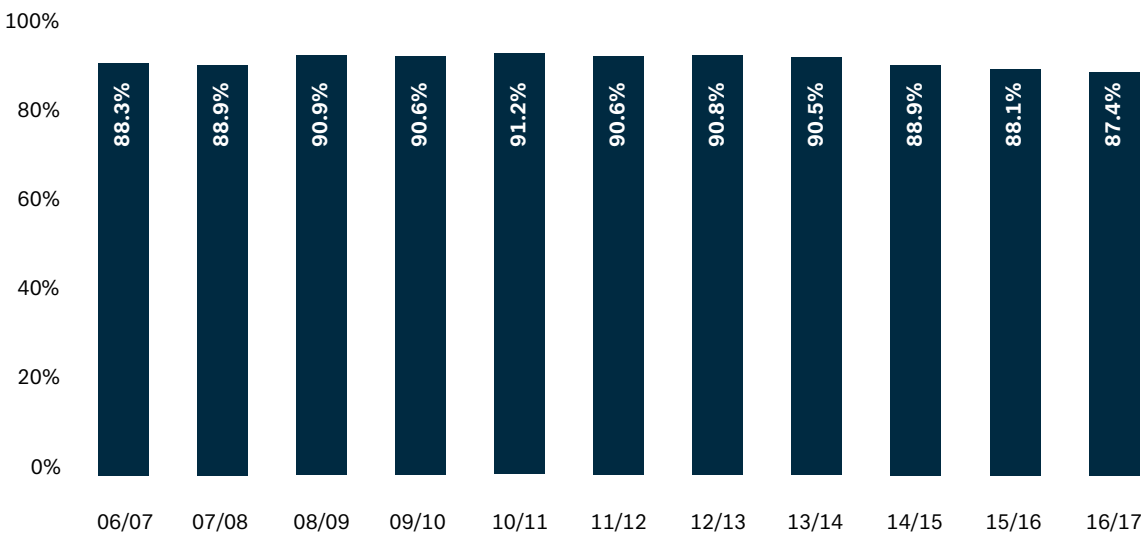
**MFB calls attended  
2006/07-2016/17:**

**Figure 1**



**Containment of structure fires  
to the room of origin 2006/07-2016/17:**

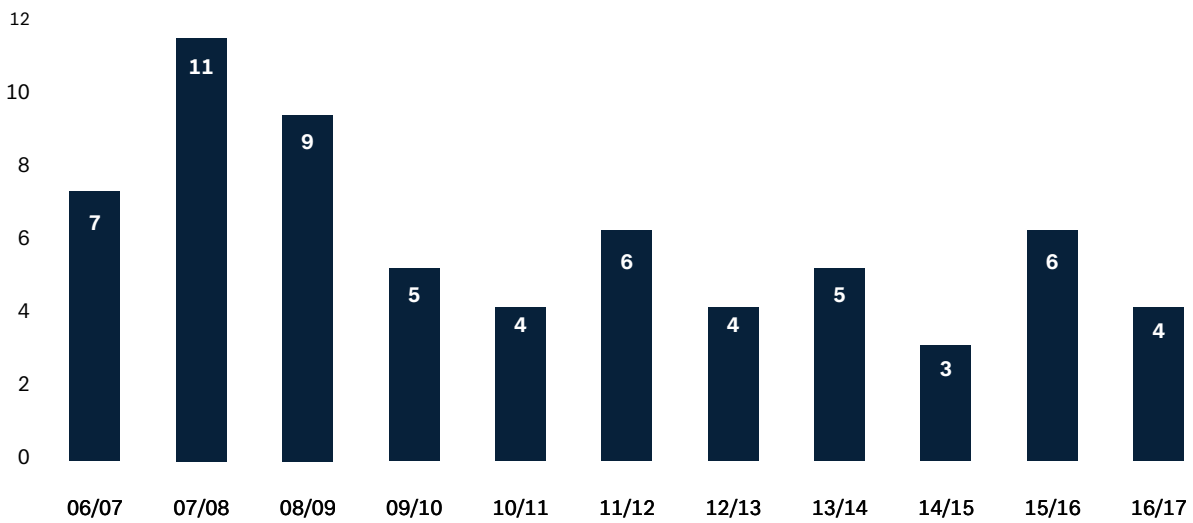
**Figure 2**





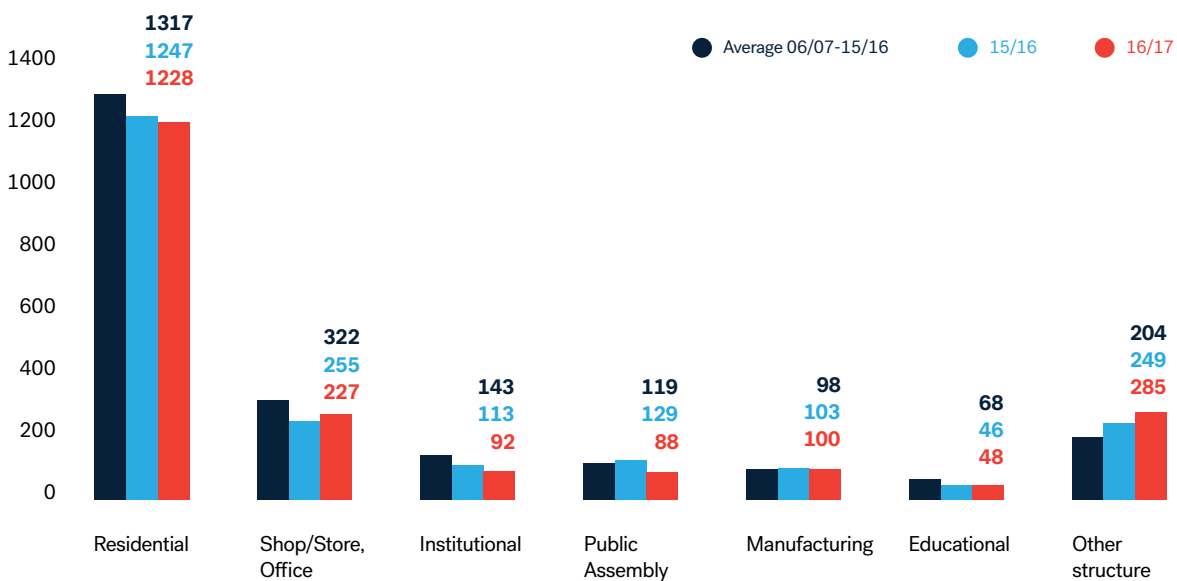
**Preventable fire related fatalities 2006/07-2016/17:**

**Figure 3**



**Breakdown of building fires by type of property use (MD only)**

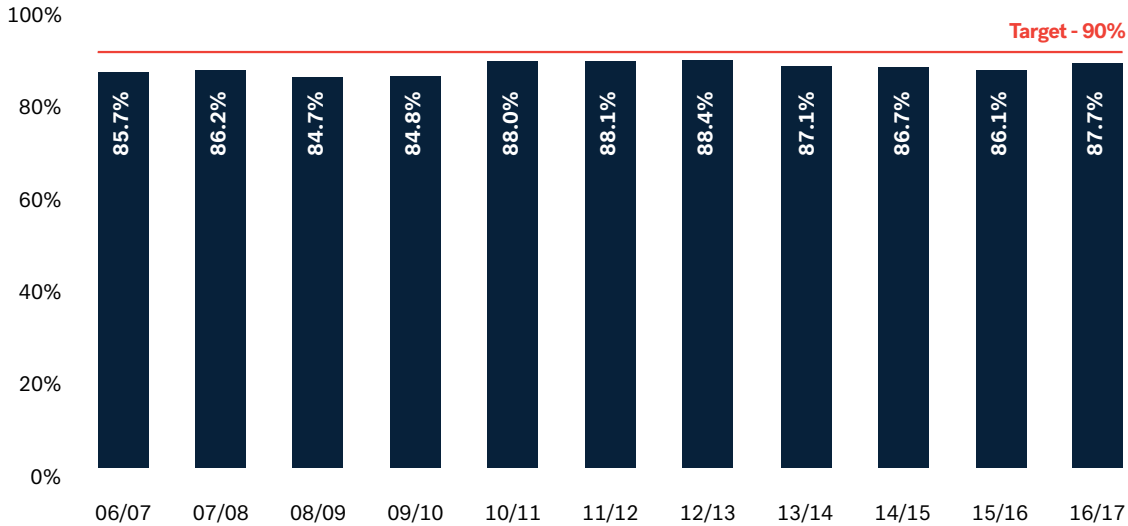
**Figure 4**



# Our performance

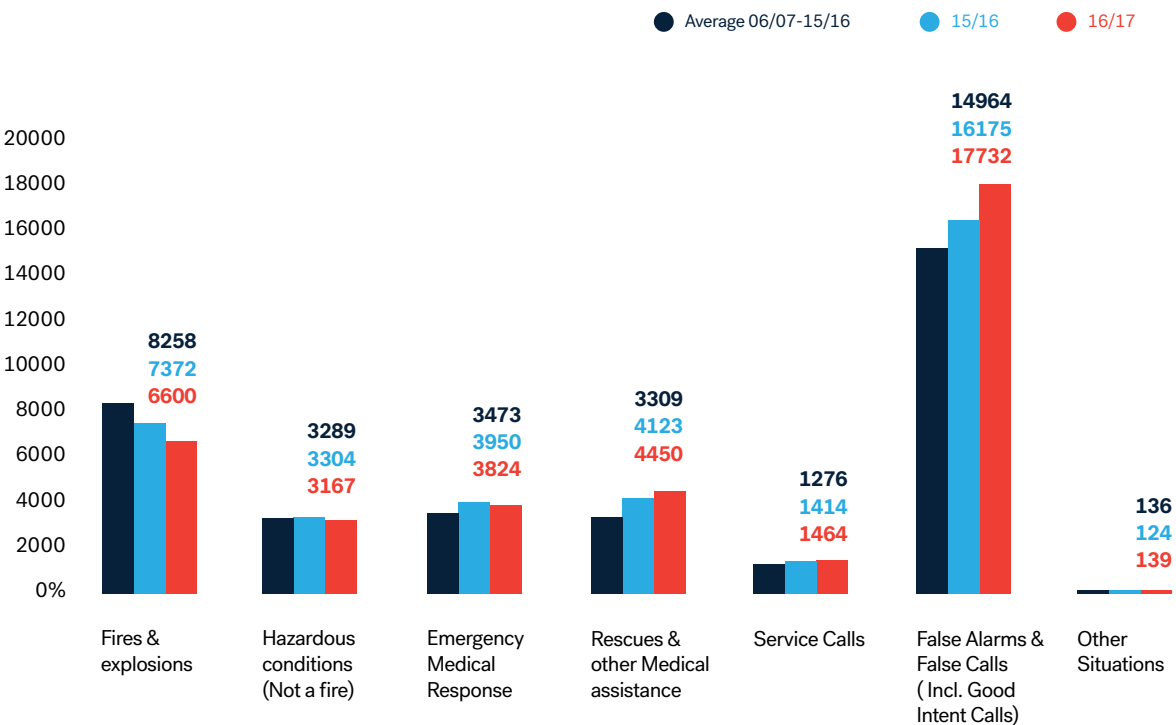
**Emergency response times meeting benchmarks 2006/07-2016/17:**

**Figure 5**



**Breakdown of calls attended by type of incident (MD only) 2006/07-2016/17:**

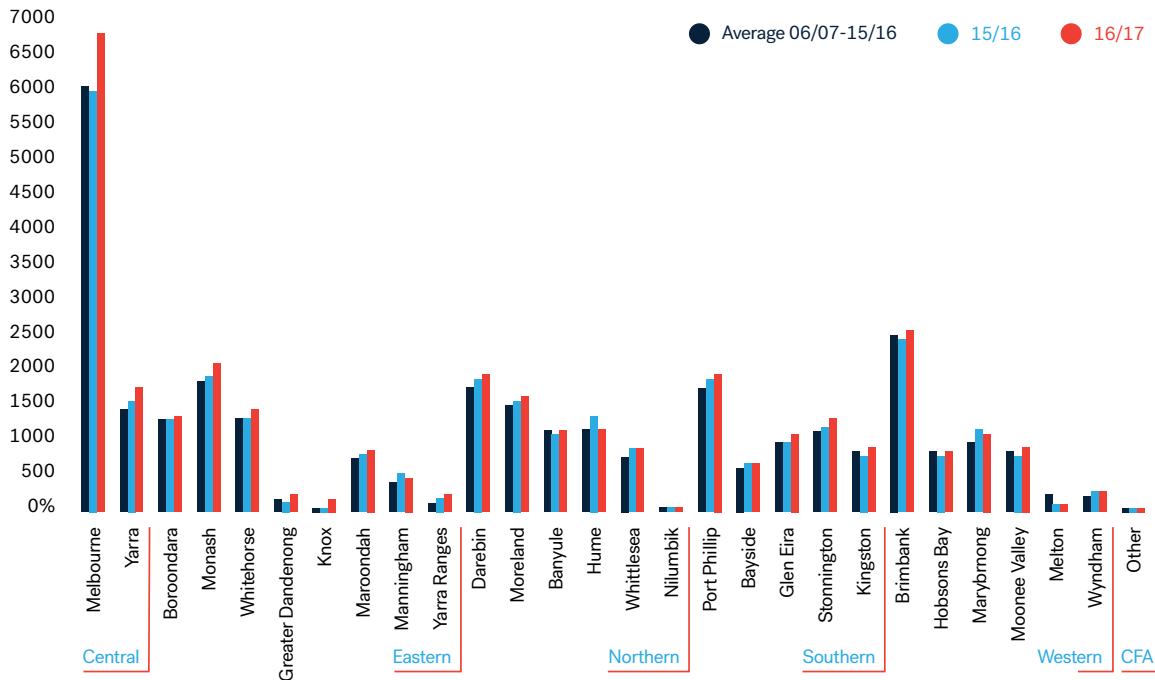
**Figure 6**



*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)*

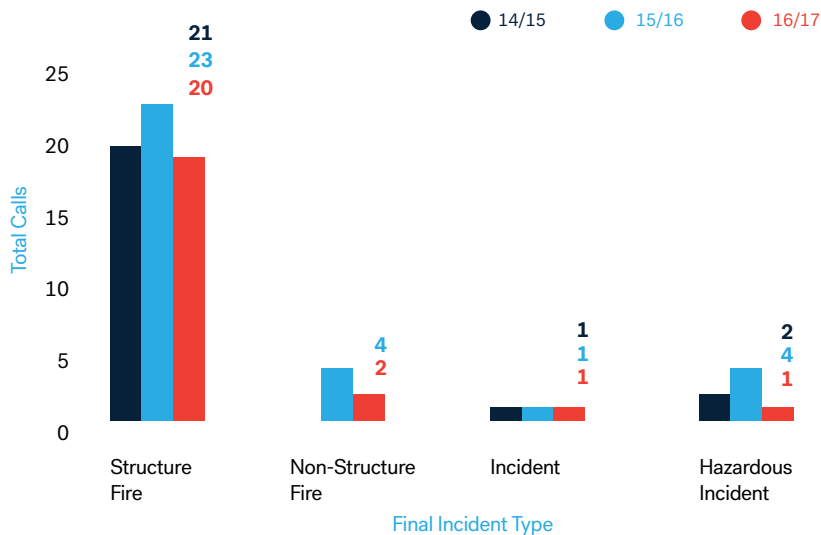
**Number of calls by LGA  
(MD and CFA areas) 2006/07-2016/17:**

**Figure 7**



**Level 3 and above alarms attended by  
MFB in the MD: 2014/15-2016/17:**

**Figure 8**



\*This chart only displays calls that were determined to be 3rd alarm or greater during the incident. Last year's chart included incidents with a similar response profile to Level 3 incidents.

# Our performance

## Summary by suburb

### 2016/17

Suburb	Final incident type	Alarm level	Number of Calls
Altona North	NS	3	1
Broadmeadows	SF	3	1
Broadmeadows	SF	4	1
Brunswick	SF	3	1
Campbellfield	SF	3	1
Clayton	SF	3	1
Coolaroo	SF	3	2
Coolaroo	SF	6	1
Docklands	SF	3	1
Essendon Fields	SF	4	1
Fawkner	SF	3	1
Fitzroy	SF	3	1
Footscray	SF	5	1
Hoppers Crossing	SF	3	1
Keilor East	SF	3	1
Laverton North	SF	4	1
Laverton North	NS	3	1
Melbourne	IN	3	1
Moorabbin	SF	3	1
Preston	SF	3	1
Sunshine North	SF	4	1
Thomastown	SF	3	1
Thomastown	HZ	3	1

### 2015/16

Suburb	Final incident type	Alarm level	Number of Calls
Broadmeadows	SF	4	1
Brooklyn	NS	4	2
Brunswick	SF	3	1
Calder Park	NS	3	1
Campbellfield	SF	3	2
Caulfield South	SF	3	1
Cheltenham	SF	3	1
Coburg	SF	3	1
Deer Park	HZ	3	1
Delahey	FA	3	1
East Melbourne	SF	3	1
Footscray	SF	3	1
Glen Waverley	SF	4	1
Heidelberg West	SF	3	2
Keilor East	HZ	3	1
Laverton North	NS	3	1
Melbourne	SF	3	3
Moonee Ponds	SF	3	1
Mordialloc	SF	4	1
Port Melbourne	SF	4	1
Preston	HZ	3	1
Ringwood	SF	3	1
South Melbourne	SF	5	1
South Yarra	HZ	3	1
Sunshine North	SF	3	1
West Footscray	SF	3	1
West Melbourne	IN	4	1
Williamstown North	SF	3	1

**Our 2,297 employees help safeguard almost four million Melbourne residents, workers and visitors along with assets and infrastructure worth billions of dollars**



2014/15

Suburb	Final incident type	Alarm level	Number of Calls
Ardeer	SF	3	1
Box Hill	SF	3	1
Brighton	SF	3	1
Broadmeadows	SF	3	1
Carlton	SF	3	1
Docklands	SF	4	1
East Melbourne	IN	3	1
Essendon	SF	3	1
Fitzroy North	SF	3	1
Footscray	SF	3	1
Hampton	SF	3	1
Laverton	SF	3	1
Laverton North	SF	3	2
Malvern East	HZ	3	1
Meadow Heights	SF	3	1
Melbourne	SF	3	1
Melbourne	HZ	3	1
Newport	SF	3	1
Newport	SF	4	1
North Melbourne	SF	3	1
Port Melbourne	SF	4	1
Prahran	SF	3	1
Windsor	SF	3	1



# Chief Officer's report



## Having recently commenced as Acting Chief Officer I consider it a privilege to step into this key role within MFB and the wider Victorian emergency management sector.

We are in the midst of an exciting and challenging time, with significant changes for the emergency management sector and the way we are structured under review.

Our core service delivery goals, however, will not change.

Providing exceptional and timely responses, being a strong advocate for safety, doing more than just "fighting fires", and working with our communities to build resilience, mitigate community consequence during emergencies and transition to recovery is where MFB excels.

MFB's involvement in major incidents – including the Bourke Street Mall incident, Essendon plane crash, Little Saigon Market fire, deployment to Mildura to manage the impact of a mini-tornado, delicate rescue of hikers in Clonbinane, and a significant factory fire at SKM Recycling in Coolaroo in February, which forced residents to stay indoors and 100 workers to evacuate – continue to demonstrate the breadth of specialist skills and expertise that our operational crews perform on a daily basis in what is a challenging and increasingly complex environment.

In January MFB co-ordinated a multi-agency exercise, Exercise Enigma, for emergency service agencies to test their capabilities in the event of a major emergency at Melbourne Airport. The exercise provided an opportunity to test and evaluate all levels of command, control and coordination whilst implementing the Melbourne Airport Emergency Plan for a simulated incident. Furthermore, the exercise enabled agencies to evaluate their inter-operability, communications and community connectedness to effectively address community consequences and promote timely emergency resolution.

A significant part of our job is preventing and learning from emergencies. In many ways, we measure our success by the incidents that don't happen. Sharing our observations, expertise and experience is one of the ways we work with the community and create a safer environment for everyone.

Following a spate of commercial kitchen fires in restaurants across Melbourne, including a particularly significant incident at a noodle bar in the CBD, fire investigators in partnership with Energy Safe Victoria (ESV) developed and implemented new safety guidelines to address common causes of commercial kitchen fires. Identified common causes include: inadequate cleaning of extraction systems and other kitchen surfaces; overloading or using uncertified power boards; and incorrectly installed appliances. ESV sent a Gas Safety Alert to all licensed gasfitters in Victoria about the specific requirements when installing similar appliances to raise awareness and prevent similar incidents from occurring.

MFB has been actively advocating for change since the Lacrosse Docklands fire on 25 November 2014 involving non-conforming building products. The Victorian Building Authority's (VBA) audit identified 170 high rise and public buildings in the Melbourne CBD and surrounding suburbs with non-conforming building products. MFB has been proactively supporting the development of community resilience by providing fire safety tips for apartment residents and body corporate managers, assisting with maintenance inspections and working with the regulators in assessing facade risks in medium and high rise residential buildings.

The potential for a fire as severe and devastating as the Grenfell Tower fire in London, while a possibility, is extremely unlikely as the Building Code of Australia requires buildings over 25 metres in height to have sprinkler protection installed. However this incident was a tragic reminder that fire services around the world need to be prepared for the worst case scenarios. The Senate Inquiry into non-conforming building products recently published its report recommending a ban on flammable cladding on buildings after MFB articulated our expert opinion regarding the risks associated with reduced fire safety standards.

We unveiled two memorial boards recognising the contribution of firefighters who have passed away during their service, but not in the line of duty. The Northern District board was unveiled on 1 October 2016 and the Central District board on Saturday 25 March 2017. The project is being rolled out across MFB, with the final two boards to be revealed in September and October 2017.

This year MFB participated in the Parliamentary Inquiry into Fire season Preparedness before the Parliament of Victoria Environment and Planning Committee. The report was published on 22 June 2017.

In May, an announcement about the government's plans to introduce a new fire services model was welcomed by MFB, modernising the way we deliver services and work with our partner agencies in metropolitan Melbourne and beyond.

We also support legislation that would introduce presumptive rights to cancer compensation for both career and volunteer firefighters.

During times of change, as always, a key hallmark of MFB's 126 year history has been the unwavering dedication of our people to serve the Victorian community. I have every confidence that our reputation for excellence in community service will be maintained during this reform period, and into the future.

**Greg Leach**  
Acting Chief Officer

*Note: Greg Leach was appointed Acting Chief Officer on 4 August 2017 after Paul Stacchino departed MFB.*









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

# Significant incidents

## 21.07

### Car wreckers fire in Campbellfield

On 21 July 2016 dozens of firefighters battled an auto spare parts factory fire in Campbellfield. On arrival crews found the factory well alight and a smoke warning was issued to surrounding suburbs.



## 10.09

### Thomastown nitrous acid leak

On 10 September 2016, firefighters rescued four workers trapped during a nitrous acid leak in an industrial area in Thomastown. Staff at Electromold in Holt Parade, Thomastown, sheltered inside while more than 20 firefighters including hazmat crews worked to contain the toxic leak. A 100 litre spill had to be neutralised before firefighters could decant the remaining liquid and remove it safely. Surrounding factories were evacuated and Ambulance Victoria was on scene to treat affected staff.



## 2.10

### Factory fire in Laverton North

On 2 October 2016, a large pile of burning scrap metal sent acrid smoke drifting through Melbourne's western suburbs, prompting warnings for people to stay indoors or avoid the area. The smouldering fire at the Norstar Steel recycling depot in Laverton North was contained to a pile of metal shavings and wood scraps about 100 metres long and up to 10 metres high. It took more than 40 firefighters nearly three hours to bring the blaze under control as strong winds fanned flames and threatened to push the fire into adjacent giant piles of rubbish.



## 11.11

### Woolshed Pub Docklands

On 11 November 2016, patrons at the Woolshed Pub in Docklands and surrounding buildings were evacuated after a large fire threatened to consume the building. On arrival crews found the venue well alight with thick smoke billowing from the roof. Up to 60 firefighters wearing breathing apparatus fought the fire inside the building, while a teleboom attacked the burning structure from above. MFB also dispatched a Fireboat to protect the dock from the spread of fire.



# Significant incidents

## 21.11

### Thunderstorm asthma

On Monday 21 November a storm moved across Victoria, entering the metropolitan area, resulting in elevated dust and pollen levels that triggered a health incident characterised as Thunderstorm Asthma. Ambulance Victoria received 1,900 calls for assistance within a five-hour period, calling on assistance from MFB crews to respond to Priority Zero incidents. As a result, MFB crews were dispatched to 11 cases under the code 6D – Respiratory Distress. This was an unprecedented health incident and AV expressed their appreciation for the assistance of MFB crews in providing support.



## 13.12

### Little Saigon market fire

On 13 December 2016, MFB responded more than 100 firefighters and dozens of appliances to a fifth alarm fire that tore through Footscray's Little Saigon market.

The market was engulfed in flames just after 6am with firefighters battling the blaze from outside, unable to get inside to extinguish it due to fears the building would collapse. It was brought under control around midday.

The Little Saigon market opened in 1992 and was a popular shopping destination for the Vietnamese community and Footscray locals. It was made up of multiple businesses, including fresh fruit markets, fishmongers, restaurants and a bakery.

Investigators determined the cause of the fire was an electrical fault in a switchboard.

The second floor was also home to the Les Twentyman Foundation's back-to-school program, which provided donated textbooks to teenagers who otherwise couldn't afford them. Just before Christmas, the Firefighters Charity Fund donated \$15,000 cash and many thousands of dollars' worth of presents to the Foundation.



## 10.01

### Altona North grassfire

On 10 January 2017, almost 50 firefighters responded to a grassfire on the Princes Freeway in Altona North. The suspicious fire on Kororoit Creek Road forced the closure of two outbound lanes of the freeway, shortly before peak hour. Smoke across the road caused low visibility and drivers were urged to turn their headlights on. MFB's quick response and mitigation restored traffic flow to the major arterial swiftly and without injury or further issue.

## 12.01

### Hoppers Crossing factory fire

MFB and CFA crews worked together to extinguish a large fire in an industrial estate in Hoppers Crossing on 12 January 2017. The blaze broke out in a complex of tilt slab construction factories in Graham Street just after midnight.

Crews arrived to find three of the four factories ablaze. Firefighters used aerial appliances to attack the fire from above. It took 50 firefighters an hour and forty five minutes to bring the blaze under control. MFB Fire Investigators determined the cause of the fire to be suspicious.



## 20.01

### Bourke Street Mall incident

On 20 January 2017 MFB crews provided lifesaving Emergency Medical Response and bystander support during a critical incident in the Bourke Street Mall.

Just after lunchtime, a vehicle drove into pedestrians along the mall and surrounding CBD streets. Firefighters and other emergency service agencies assisted with triaging, treating and transporting patients to hospitals across Melbourne. MFB crews also assisted with establishing an incident management structure, demonstrating their professionalism and skills to support the community during a confronting and distressing incident.



## 23.01

### Campbellfield factory fire

On 23 January 2017, MFB and CFA firefighters were called to a factory fire on Camp Road in Campbellfield. Crews arrived on scene to find a logistics factory, housing raw flammable liquids used for producing a variety of products, well alight.

Due to the large amount of thick black smoke issuing from the fire, an advice message was issued to the immediate community, advising nearby residents to shelter indoors and close windows, doors and air vents. Wind was blowing smoke in an easterly direction and MFB Scientific Officers were on scene to provide specialist advice and monitor the air quality.

As a precaution, trains were stopped from travelling on nearby lines and Melbourne's airports were warned of the smoke. Sydney Road and Camp Road were closed and motorists were advised to avoid the area.

Firefighters were able to stop the spread of fire into the adjoining factory and limited the damage to the roof and wall. The large fire took three hours to bring under control and was subsequently deemed suspicious.



## 21.02

### Essendon plane crash

On 21 February 2017, MFB firefighters responded to a plane crash into a section of the DFO Shopping Centre next to Essendon Airport. Crews were called to Bulla Road just before 9am.

Firefighters focused their efforts on extinguishing the fire and ensuring it did not spread. Crews attacked the fire from ground level and from above, using a ladder platform. MFB also assessed the structural integrity of the building affected by the collision.

Sixteen appliances and more than 60 firefighters attended the incident. MFB also deployed its Air Operations Unit who utilised Remote Piloted Aircraft Systems (RPAS) to provide information directly to the Incident Controller. Five men, including the pilot and his four passengers, died in the incident.

The incident was also attended by Victoria Police, Ambulance Victoria, SES, Airport Fire and Rescue, CFA and other state and federal authorities.



## 28.02

### Recycling plant in Coolaroo

Melbourne's recycling services were affected after a huge fire destroyed the plant that receives more than one third of the city's waste on 28 February 2017.

Local residents were warned to stay indoors and 100 workers were evacuated as 98 firefighters battled the sixth alarm blaze at the SKM Recycling plant in Coolaroo. At one stage an explosion forced fire crews to evacuate the building. The huge fire produced a smoke haze which swept across Melbourne.



# Significant incidents

## 8.03

### Cars destroyed in Moorabbin blaze

On Friday 8 March a fire tore through a Moorabbin car-towing business housing about 70 classic and luxury cars.

More than 50 firefighters from MFB and CFA in breathing apparatus battled the blaze, stopping it from spreading to adjoining businesses. The fire was brought under control in just under an hour. Many of the vehicles were affected by smoke, however only five cars were totally destroyed. The incident was deemed suspicious.

## 29.03

### Fitzroy housing commission blaze

More than 300 residents were evacuated and a firefighter treated for smoke inhalation after a fire at the Napier Street high rise flats on 29 March.

Crews were called to the property just before 5am after smoke forced a mass evacuation. The cause of the fire was later found to be a mattress that had been set alight in a sixth floor corridor. The fire was quickly contained by crews.

The incident resulted in a Post Incident Analysis (PIA) report that Department of Health and Human Services (DHHS) will subsequently utilise to improve resident safety.

## 2.04

### Hikers rescued at Clonbinane

On 2 April MFB led the rescue of three hikers who were exhausted and unable to finish their walk at the Strath Creek Falls. The rescue mission took six hours and involved more than 30 emergency service workers including eight police officers, 10 firefighters, two CFA and SES units and two ambulances.

The hikers were undertaking a 14-kilometre hike at the state forest 80 kilometres from Melbourne, when they became fatigued. High Angle Rescue crews from West Melbourne and Richmond fire stations attended the incident, carrying down blankets and food before winching the trio to safety shortly before midnight.

## 21.04

### RSL Ivanhoe

The heritage-listed Ivanhoe RSL was destroyed by fire just days before Anzac Day, leaving veterans and community members devastated.

Firefighters were called to the RSL shortly after 6.30am on 21 April and the first crews on scene quickly called for additional resources. Firefighters conducted an aggressive attack on the fire, which was declared under control in 52 minutes.

A neighbouring property was evacuated and a Community Advice message was issued due to intense smoke in the area and traffic problems.

The fire was later found to have been caused by an electrical fault in a ceiling fan in the RSL's change rooms.



## 26.04

### Units fire Brunswick

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Four units were severely damaged following a fire in Brunswick in the early hours of 26 April 2017. The fire broke out just after midnight in a block of six units in Hope St and forced the evacuation of residents.

The fire began in one of the units but quickly spread to three others. At the height of the blaze, fifty firefighters were battling to bring the fire under control.

Fire crews were able to save two of the units but the others suffered significant damage. The damage bill was estimated to be more than two million dollars. The blaze took just under an hour to bring under control.

Fire investigators determined the cause of the fire was a poorly maintained ducted heating system, with a build-up of dust and lint which ignited, causing the blaze.



## 2.05

### Fun City Sunshine North

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More than 80 firefighters responded to a significant fire at the Sunshine North Fun City complex on 2 May 2017.

MFB received several calls from the public reporting the fire, after sighting flames and a large volume of smoke issuing from the complex. There were also reports of walls buckling inwards. The former warehouse, of tilt slab construction, had been converted into a go-kart track.

Fire investigators discovered the fire was caused by lithium battery operated torches that had been left charging overnight.



## 30.05

### Keilor East factory fire

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Fire crews from MFB and CFA battled a large factory fire in Keilor East that emitted a large amount of smoke across the Calder Freeway and nearby homes.

The factory, thought to contain flammable gas cylinders and glue, was well alight at one end when firefighters arrived about 4am on 30 May 2017. Flames from the blaze could be seen up to one kilometre away.

Fire crews were hampered by a lack of available water and had to pump water from a main some distance away. About 60 firefighters were called to the incident and fire investigators were called to determine how the fire started.





# Emergency medical response

In readiness for the first Victorian Recruit Firefighter courses combining MFB and CFA recruits commencing in the second half of 2017, the Emergency Medical Response (EMR) Standard Operating Procedures and Work Instructions were aligned to reflect one common operating program to provide consistency and inter-operability for both organisations.

The initial EMR skills acquisition course is currently being mapped against our current course to identify any potential gaps that may exist between the two. If a gap does exist between the two courses then an assessment will be developed to ensure all personnel are EMR trained to the same qualification.

The EMS Department is in the process of developing an electronic Patient Care Record (PCR), which will be user friendly, provide exact call related data and have an automated e-mail response capability. This will assist with reporting, analysing trends and improving patient outcomes.

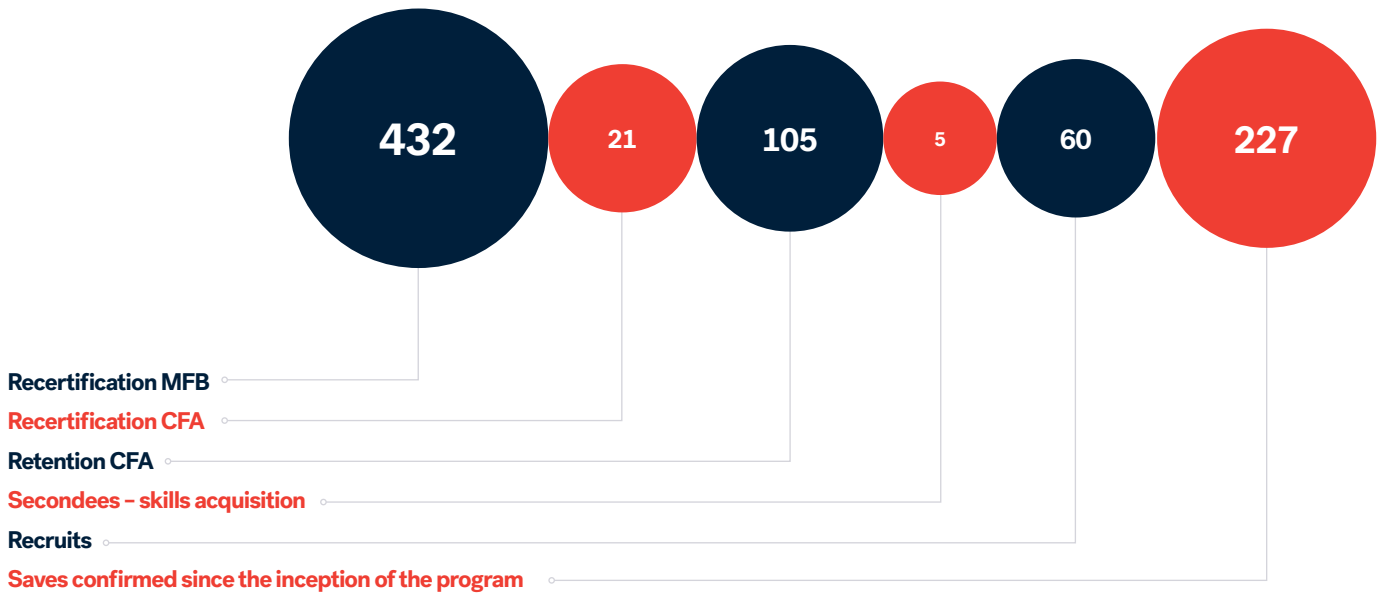
Ambulance Victoria has identified that survival rates from cardiac arrest type events are on the increase and this is reflective of MFB data, which shows that we have participated in 17 successful resuscitations this year. Privacy issues prevent identifying more accurate data, however we are now able to identify the number of patients that are transported to hospital from EMR calls that we attend.

Firefighters are now responding to approximately 5,500 Emergency Medical response calls per year.

The graph below provides a good example of the benefits to the community when MFB First Responders arrive on scene and provide early intervention. The survival rate significantly increases in these situations.

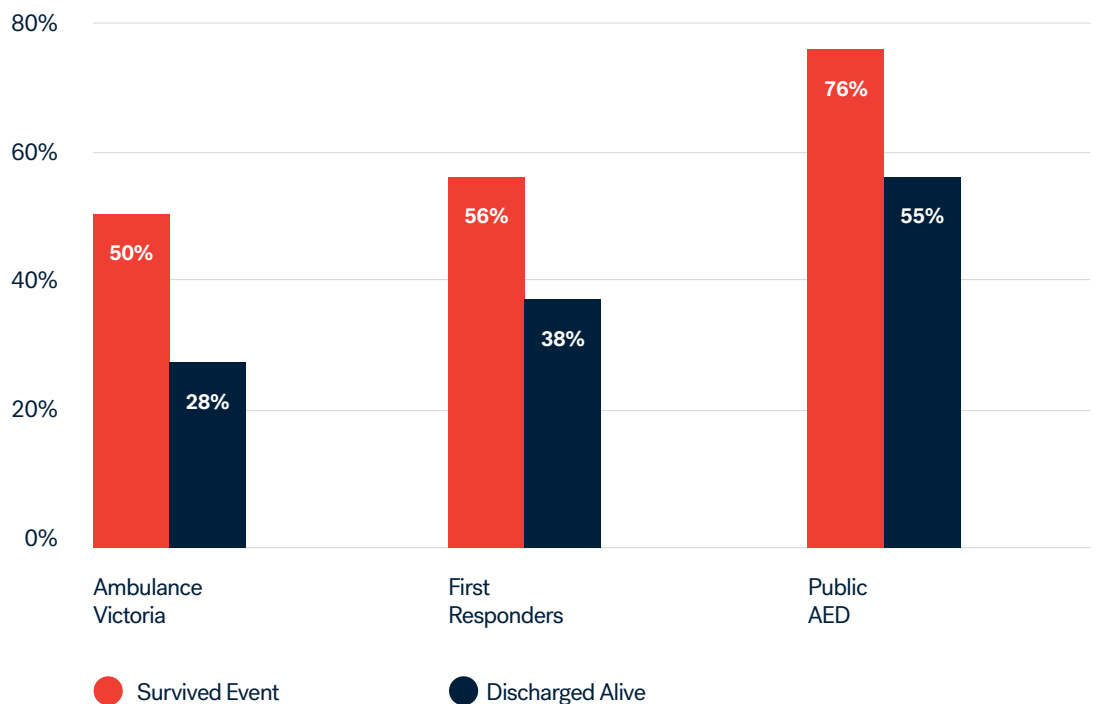


The number of personnel trained by the EMS Department in the 2016/17 period is:



Early Defibrillation

Source: 2015-16 VACAR Annual Report



# Always safe

## Always Safe Program

The Always Safe Action Plan has continued to progress towards the 2018 objectives and the priority for Work Health and Safety (WHS) remains centred on ensuring everyone returns home safe from work.

In January 2017 the Board endorsed key actions to execute the Always Safe Action Plan and improve WHS performance through driving line management accountability. This included building a more collaborative and engaged framework to execute on the key aspects of the Action Plan.

Key achievements in 2016/17 were:

- Establishment of District WHS Committees;
- Development of an industry leading firefighting foam management policy;
- Advancing the Employee Support Program (ESP) towards a best-practice framework in supporting mental resilience;
- More than 80 per cent of the organisation having completed wellbeing checks.

WorkCover claim numbers remain comparable to previous years and musculoskeletal injuries remain prevalent. WHS has worked collaboratively with operational firefighters in driving two new lead indicators aimed at reducing the effects of these injuries: Same Day Reporting and Early Treatment. By getting early notifications of injuries and early access to treatment, we aim to reduce the severity of injuries and promote improved recovery. Through the proactive work of the WHS Commanders and the WHS team, outcomes have been positive.

The Health and Fitness program underwent an internal review that has informed some key objectives in supporting fitness and physical longevity in operational roles. A major focus for WHS in supporting a more proactive approach to injury prevention is to improve the visibility of the Health and Fitness unit across the organisation. In leveraging the success of Wellbeing Checks, the Health and Fitness team has partnered with the Employee Support Program to begin delivery of a Joint Health and Wellbeing Check, providing a holistic approach to improving mental and physical resilience across MFB.

Future projects include a review of the current health model, improved return to work planning, greater investigation capabilities and integration into a decentralised WHS district model. These initiatives are intended to ensure the organisation is focused on setting its workforce up for success, now and into the future.

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## Case Study

**“Recently I requested a referral to the four MFB funded physio sessions through the Injury Management Advisor (IMA) as I had some discomfort in my knee and the flexion of the knee was restricted. Due to this restriction I found that I was twisting my torso to overcompensate when walking up and down stairs.**

**I diligently followed the exercises the physiotherapist prescribed and over the following weeks made some tremendous improvements. At the completion of the four sessions I had substantial increased movement in the knee and the discomfort had subsided.**

**I know that I must continue following this exercise regime to build strength and conditioning to the knee but the sage advice I had received from the physiotherapist was invaluable. I recommend anyone who is experiencing any niggling pain or discomfort to contact your IMA and get some treatment early before it becomes debilitating.”**

**—MFB Commander**





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

# Always safe

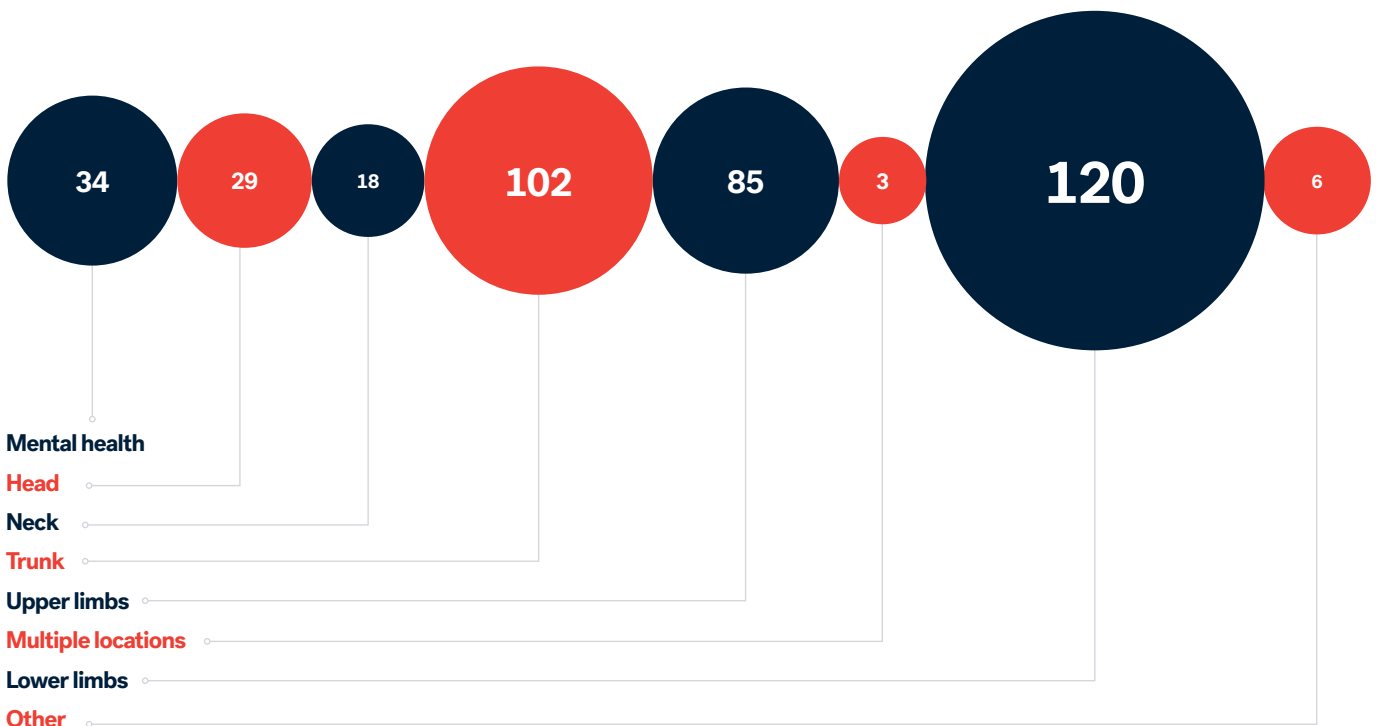
## WorkCover Data

There was a 5.9 per cent increase in the number of WorkCover claims received compared to the previous year with a corresponding 14.7 per cent increase in lost time injuries. However there was a significant improvement in the average number of lost shifts for a lost time injury, which improved by 14.1 per cent.

The number of mental health claims increased as MFB continues to encourage employees to seek early professional support. The rate of mental health claims remains lower than that experienced by the Victorian workers' compensation scheme as a whole.

Year	Total claims received	Lost time injury (LTI) claims	Lost shifts	Severity Rate (average shifts lost per LTI)
2016-17	397	257	5129	19.96
2015-16	375	224	5206	23.24
2014-15	322	189	4852	25.67
2013-14	373	216	5379	24.90
2012-13	353	202	5416	26.81

## Number of Injuries by body location



## Increase four-person crewing

In the 2016/17 financial year MFB continued the work that was commenced in December 2015 to increase the number of four-person crewed appliances.

MFB welcomed 30 new recruit firefighters that graduated from Recruit Course 120 at the Victorian Emergency Management Training Centre (VEMTC) Craigieburn in November 2016 and a further 30 recruits that graduated from Recruit Course 121 in June 2017. The deployment of these recruits is assisting with meeting the Chief Officer's commitment to deploy above the minimum strength of 271 to increase the number of four-person crewed primary appliances.

## Hostile Act Response

According to Australian security organisations, the terrorist threat in Australia remains elevated with little prospect of significant improvement in the next 12 months. This increased and changing risk environment has meant that those responsible for crisis and consequence management in Victoria will need to continually evaluate and understand the climate to effectively prepare for a wider range of responses to multiple incidents and politically motivated violence.

In preparation, MFB continues its work in understanding the challenges, directions and priorities of the organisation in response to the emerging and changing terrorism risk environment, through the development of alliances and collaboration with our partner agencies.

When developing our strategic direction we explore past practise, look at current capability and consider future expectations of our agency. An act of terrorism is a crisis, requiring crisis planning and crisis leadership capabilities.

The primary focus of our approach is to enhance responder and community safety via the development of a process that is partnership and evidence based driven.

The development of MFB's formal position continues to focus on three key elements:

1. Creation and advocacy of a common and coordinated vision for Counter Terrorism Capability Development across the Victorian Emergency Management sector,
2. Promotion of strategic alliances that enhance capability through improved collaboration and interoperability,
3. Optimisation of responder and community safety

These preparedness activities will ensure that we can respond quickly, effectively and safely to events of this nature. Our approach will guide the development of contemporary operating procedures, enhance crisis leadership competencies for command staff and guide operational training and awareness program design and delivery.

**14.1% improvement  
in the average  
number of lost shifts**

# Improving community safety and resilience

## Capability framework

MFB is experiencing increasing demand for our services across the state and beyond. This change in demand is driven by major community, sector, environmental and economic trends. In response MFB is continuing work to develop an operational capability framework in line with the direction set by the State.

The MFB operational capability plan will map the capabilities across the organisation to ensure that current and future capability needs are met. The framework will be used to assess the supporting elements of capabilities such as the governance, systems, process, resources and people. It will ensure MFB continually assesses capability against current needs and provides the supporting mechanisms to ensure effective service delivery.

## Community Resilience strategy

MFB's Community Resilience strategy has continued to deliver community outreach and engagement programs and progress policy and advocacy work.

The three teams (Community Education, At Risk Groups and Community Development) have also been driving stakeholder engagement on preventable residential fires and working with agencies to conduct research and produce Basic Home Fire Safety training materials.

Key achievements include:

### Community Education

- Fit2 Drive: 77 presentations
- Flames: 28 presentations
- Juvenile Fire Awareness Intervention Program (JFAIP): received 65 referrals
- Research conducted by Victoria University, in collaboration with MFB and CFA, identified that the JFAIP Behaviour Risk Tool is effective for identifying young people at high risk for repeat fire risk behaviour.
- Scoping of a new reporting system for Fire Education to ensure all sessions delivered by firefighters are easily and consistently captured.

## At Risk Groups

- Conducted a national review of the Basic Home Fire Safety Training Materials, which are the endorsed fire services training materials for use by Registered Training Organisations that deliver the Community Services and Health Industry Training Packages, such as in home community care, aged care and indigenous care, in all states and territories.
- Developed a video for national fire services, which promotes the use of the Basic Home Fire Safety Training Materials by community care providers.
- In partnership with the Transport Accident Commission (TAC) following the release of coronial recommendations in relation to the death of a TAC client in a preventable residential fire:
  - Conducted fire safety inspections in the homes of catastrophically injured TAC clients;
  - Delivered home fire safety information training sessions for all TAC workers who assess, manage and coordinate client care; and
  - Produced a video for the TAC website for their registered providers of "in home care" instructing them how to deliver the Basic Home Fire Safety Training Materials to their workers, which is now a TAC registration requirement.
- Awarded a \$100,000 research grant via the Bushfire and Natural Hazards CRC Tactical Research Fund to undertake study of preventable residential fire fatalities and demography on behalf of national fire services.
- 293 Residential Risk Referrals received from firefighters and external agencies
- 143 referrals were received via the Hoarding Notification System from external agencies
- The Hoarding Notification System and Residential Risk Referrals were added to the Operational Skills Acquisition calendar to support skills maintenance and reporting, and drive increased reporting of risk in our communities.
- Conducted a bulk purchase of smoke alarms via the MFB State-wide Smoke Alarm Buyers group, which supports community aged and disability service providers to purchase photoelectric smoke alarms with a 10-year long life lithium battery at a reduced cost for use in the homes of their high risk clients.



### Community development

The Victorian Built Environment Risk Assessment Process (V-BERAP) and Victorian Emergency Risk Management System (VERMS) are linked initiatives developed by MFB to support communities and Local Government to better identify, understand and implement treatments for local risk.

V-BERAP is a risk assessment guideline, which utilises the National Emergency Risk Assessment Guideline (NERAG) 2014, is underpinned by ISO 31000 and supported by the State Fire Management Planning Committee (SFMPC).

Using data, intelligence and local knowledge, regional stakeholders work together via MFB facilitated workshops to undertake a local risk assessment analysis. This information is then input into the VERMS. This online platform provides inbuilt risk assessments, which are consistent, comparable, and evidence-based to support an increased understanding of community risk profiles by emergency management stakeholders and deliver improved safety outcomes. The development of VERMS is a collaboration between the MFB Community Development and CFA Risk Intelligence and over the last year has:

- Conducted pilots of the V-BERAP process with six Local Government Areas;
- Completed a review of the piloting process;
- Finalised the development and build of the VERMS platform, which went live in June 2017
- Continued developing the V-BERAP/VERMS roll out plan to Local Government Agencies, which will begin in the first half of the 2017/18 financial year; and
- Developed a communications plan to engage all stakeholders including state and regional planning committees.

VERMS represents a significant investment in collaborative fire management planning with our partners in the community.



# Improving community safety and resilience

## Compliance and advice services

Department	Service	Stats
Dangerous Goods	Dangerous Goods Reports	188
	Dangerous Goods Letters	6
Building, Codes and Audits	Letters of Advice	871
	309 Applications	763
	1003 Variations	871
Community Safety Technical Department	Fire Engineering Briefs	569
	Fire Engineering Reports	458
Fire Investigation and Analysis	Accidental Fires attended	80
	Suspicious Fires attended	32
	Electrical Fires attended	95
	Undetermined Fires attended	6
	Fatal (non-preventable)	14
	Fatal (preventable)	4
	Injuries	34
	Actual loss	\$75 million
	Potential loss	\$1 billion
Building Inspections and Compliance	Class 1B – A single dwelling being a detached house or one or more attached dwellings	7
	Class 2 – A building containing two or more sole occupancy units each being a separate dwelling	66
	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	41
	Class 5 – An office building used for professional or commercial purposes, excluding buildings of Class 6, 7, 8 or 9	52
	Class 6 – A shop or other building for the sale of goods by retail or the supply of services direct to the public	107
	Class 7 – A building which is a car park or is for storage or display of goods or produce for sale by wholesale	41
	Class 8 – A laboratory or a building in which a handcraft or process for the production, assembling, altering, repairing, packing, finishing, or cleaning of goods of produce is carried on for trade, sale or gain	13



Department	Service	Stats
<b>Building Inspections and Compliance</b>	Class 9A - A health care building	6
	Class 9B - An assembly building in a primary or secondary school, but excluding any other parts of the building that are of another class	60
	Class 9C - An aged care building	17
	ESM	38
	Compliance Inspections	2
	BINS	2
	1st Inspections	412
	2nd Inspections	43
	Total inspections	457
	<b>Alarm Assessment</b>	Total False Alarms
	Total False Alarms Exchange Calls	5788
	Total False Alarms Auto Alarms	12453

**MFB's Community Resilience Strategy has continued to deliver community outreach and engagement programs and progress policy and advocacy work**

# Valuing our people

## Influential leadership

Fulfilling its role as a leader in emergency management, MFB delivered a bespoke middle management leadership program in late 2016. The program focused on four key themes of trust, courage, communication and accountability while also strengthening authentic leadership skills to deliver on business outcomes.

The program was attended by 27 participants, comprising MFB and emergency service employees from Country Fire Authority (CFA), Victoria Police and the Emergency Services Telecommunications Authority (ESTA). The opportunity for cross-sector collaboration made the program richer and has established a leadership community beyond the bounds of MFB.

## Professional development

As a learning organisation that is committed to its employees, MFB's purpose 'to provide a world class fire and emergency service for Melbourne and Victorians' is delivered by the professional standards of its people.

From strengthening and improving the culture through leaders' ability to initiate challenging conversations, to project management fundamentals and mental health first aid, our people have continued to seek out opportunities to improve themselves professionally.

The organisation also shared experience and learnings through participation in the Australasian Fire and Emergency Service Authorities Council (AFAC) and Women and Firefighting Australasia (WAFA) conferences. Our people are also up skilling through formal learning courses, including Masters in Emergency Management and post-graduate studies in project management, occupational hazard management and disaster management.

## Contemporary workplace conditions

MFB Corporate and Technical Employees voted in support of the MFB Corporate and Technical Employees Enterprise Agreement 2017. MFB will now submit the proposed Agreement to the Fair Work Commission for approval.

MFB, together with CFA, successfully achieved the introduction of flexible work practices for Corporate and Technical employees, through the Fair Work Commission's Modern Award review, by the inclusion of part-time work as a flexible work option in the Modern Award.

MFB has continued to engage in negotiations for a new Agreement for our Operational employees, and these negotiations are ongoing.

## Sustainable workforce

A comprehensive learning and development strategy has been developed, which sets out a suite of actions to ensure our operational workforce has the right capabilities to respond to changes in our urban environment, the increasing complexity of events we respond to and meet the needs of our diverse community.

Development of a workforce capability framework is underway, which will determine our current and future operational capability requirements and deliver the right people and skills to respond to community expectations of a contemporary emergency management service.

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**“Sharing ideas, meeting people, learning that ‘there are other ways to get things done’ and that one size does not fit all.”**

**—Course Participant**

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**“Keep providing the program to all organisations as this provided everyone with an ability to understand the similarities faced within each of the organisations.”**

**—Course Participant**

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

# Valuing our people

## Diversity and inclusion

MFB is connected to the community it serves through all of its interactions. We strive to reflect the community through our workforce and we do this by making our practices, processes and culture more inclusive.

To provide a more inclusive level of support for all firefighter recruit candidates, enhancements have been made to the recruitment practices used by MFB. We have provided more support for all candidates in the Physical Aptitude Test (PAT) familiarisation stage – encouraging those from communities and backgrounds less likely to have a firefighting tradition to progress through in the comprehensive application process.

We have also established a working party with the United Firefighters Union to consider and develop strategies to attract and recruit candidates from diverse groups.

Achievements this year that have supported an inclusive workplace and culture include the successful implementation of a pregnancy policy for operational firefighters, continued work in the development of both Disability and Koori inclusion plans and ongoing workplace behaviour training across the organisation.





## MFB staff gender and age breakdown

	2017			2016		
	Total	Ongoing	Temporary	Total	Ongoing	Temporary
<b>Gender</b>						
<b>Total</b>	<b>2,297</b>	<b>2,267</b>	<b>30</b>	<b>2,287</b>	<b>2,258</b>	<b>29</b>
<b>Female</b>	234	217	17	231	217	14
<b>Male</b>	2,063	2,050	13	2,056	2,041	15
<b>Age</b>						
<b>Total</b>	<b>2,297</b>	<b>2,267</b>	<b>30</b>	<b>2,287</b>	<b>2,258</b>	<b>29</b>
Under 25	11	9	2	12	11	1
25-34	383	373	10	396	387	9
35-44	562	551	11	540	532	8
45-54	638	634	4	707	699	8
55-64	658	656	2	593	590	3
Over 64	45	44	1	39	39	0

## MFB staff breakdown

	Year	Operations	Corporate
	<b>Headcount</b>	2017	1954
	2016	1938	353
<b>FTE</b>	2017	1952.55	321.39
	2016	1936.55	<b>338.88</b>

## Operation and corporate staff by gender percentage

Year	Operations Female	Operations Male	Corporate Female	Corporate Male
<b>2017</b>	3.5%	96.5%	48.1%	51.9%
<b>2016</b>	3.6%	96.4%	46.4%	53.6%
<b>2015</b>	3.5%	96.5%	45.7%	54.3%
<b>2014</b>	3.3%	96.7%	43.8%	56.2%
<b>2013</b>	3.4%	96.6%	43.7%	56.3%
<b>2012</b>	3.7%	96.3%	44.0%	56.0%
<b>2011</b>	3.6%	96.4%	43.8%	56.2%
<b>2010</b>	3.4%	96.6%	43.9%	56.1%

# Valuing our people

## Unplanned Absences

MFB takes the care of our people seriously. We monitor unplanned absences to ensure we understand the overall health of our people and to provide them with support when they need it.

MFB has worked over the past 12 months to understand the underlying reasons for unplanned leave and to work with leaders in having supportive conversations with people taking unplanned leave. Reporting and metrics have been improved, providing more useful data to assist people managers in their conversations.





## MFB unplanned absences

Year	Sick Leave %	Family Leave %	Sick & Family Leave %	Hours Per FTE	Target Hours Per FTE	Workcover %	Total Unplanned Absences %
2016-17	4.03	1.97	6.00	126	<120	2.25	8.25
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

## MFB cost of overtime

Year	Total Overtime	Recall Overtime	Maintain Strength Overtime	Fire Call	Muster & Dismissed	Standby & Dismissed	Excess Travel	Other
2016-17	19,897,782	6,684,865	5,557,296	1,219,345	241,695	486,522	1,797,946	3,910,114
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

## MFB staff numbers

2016-2017		Total	Budgeted	Total Permanent	Permanent Full Time	Permanent Part Time	Total Temporary	Temporary Full Time	Temporary Part Time
<b>Total</b>	Headcount	2,297	2185	2,267	2,238	29	30	22	8
	FTE	2,273.94	2185	2,247.00	2,229.49	17.52	26.94	22.00	4.94
<b>Corporate Staff</b>	Headcount	343	340	313	286	27	30	22	8
	FTE	321.39	340	294.45	277.99	16.46	26.94	22.00	4.94
<b>Operations Staff</b>	Headcount	1,954	1870	1,954	1,952	2	0	0	0
	FTE	1,952.55	1870	1,952.55	1,951.50	1.05	0.00	0.00	0.00

2015-2016		Total	Budgeted	Total Permanent	Permanent Full Time	Permanent Part Time	Total Temporary	Temporary Full Time	Temporary Part time
<b>Total</b>	Headcount	2,287	2185	2,258	2,229	29	29	22	7
	FTE	2,271.44	2185	2,245.04	2,228.10	16.94	26.40	22.00	4.40
<b>Corporate Staff</b>	Headcount	349	340	320	293	27	29	22	7
	FTE	334.88	340	308.48	292.60	15.88	26.40	22.00	4.40
<b>Operations Staff</b>	Headcount	1,938	1870	1,938	1,936	2	0	0	0
	FTE	1,936.55	1870	1,936.55	1,935.50	1.05	0.00	0.00	0.00

# Valuing our people

## Remuneration of executive officers

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

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

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

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

Executive Officers Remuneration Band	Total Remuneration		Base remuneration	
	2017	2016	2017	2016
\$ 0 - \$ 99,999	5	5	11	6
\$ 100,000 - \$ 109,999	4	1	2	2
\$ 110,000 - \$ 119,999		2		4
\$ 120,000 - \$ 129,999	1	3	1	
\$ 130,000 - \$ 139,999				
\$ 140,000 - \$ 149,999				
\$ 150,000 - \$ 159,999	1		2	
\$ 160,000 - \$ 169,999	2			
\$ 170,000 - \$ 179,999	1		1	
\$ 180,000 - \$ 189,999	1		1	4
\$ 190,000 - \$ 199,999	7	12	8	10
\$ 200,000 - \$ 209,999	6	2	5	
\$ 210,000 - \$ 219,999	6	2	6	4
\$ 220,000 - \$ 229,999		4		3
\$ 230,000 - \$ 239,999		2		2
\$ 240,000 - \$ 249,999	1	1	1	1
\$ 250,000 - \$ 259,999	1	1	1	
\$ 260,000 - \$ 269,999		1		1
\$ 270,000 - \$ 279,999	2		2	2
\$ 280,000 - \$ 289,999		2		
\$ 290,000 - \$ 299,999		1		
\$ 300,000 - \$ 309,999				
\$ 340,000 - \$ 349,999	1			
\$ 360,000 - \$ 369,999				
\$ 400,000 - \$ 409,999				
\$ 430,000 - \$ 439,999	1			
\$ 610,000 - \$ 619,999	1			
<b>Total number of executives</b>	<b>41</b>	<b>39</b>	<b>41</b>	<b>39</b>
<b>Total annualised employee equivalents (AEE) (i)</b>	<b>32.5</b>	<b>32.65</b>	<b>32.5</b>	<b>32.65</b>
<b>Total amount (\$000)</b>	<b>7,958</b>	<b>7,280</b>	<b>6,548</b>	<b>6,784</b>

Note: the above remuneration excludes post-employment benefits (primarily superannuation) and other long term benefits

## Ethical and respectful culture

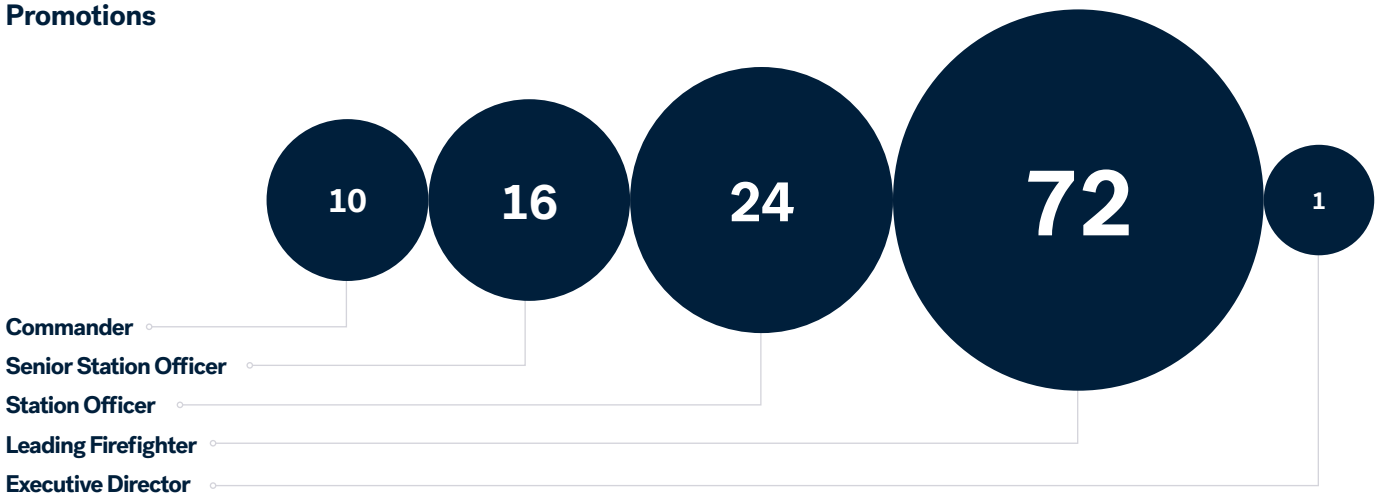
A world class fire and emergency service needs a fair, safe and respectful workplace for all employees.

MFB supports the building of this culture through many means. A face-to-face training program, complemented by an online module, has been delivered to employees. The focus of the training is respectful workplace behaviour and human rights. To date, 85 per cent of the workforce has completed this training, with a total of 139 training sessions delivered by the Victorian Equal Opportunity and Human Rights Commission (VEOHRC).

MFB also maintains high ethical standards through its rigorous approach to merit based recruitment and selection, procurement of goods and services that align to government ministerial directions and decision making regarding safety and community standards.

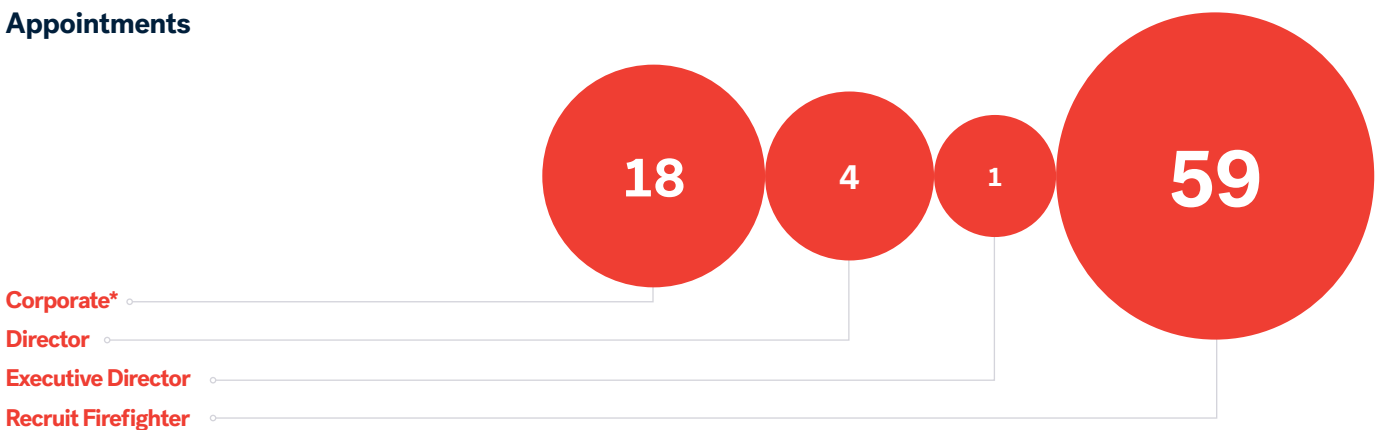
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## Promotions



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## Appointments



\*Permanent Appointments – does not include Fixed Term

# Valuing our people

## Government House Honours

**Acting Deputy Chief Officer**  
**Adam Dalrymple-**  
Australian Fire Service Medal

**Former Deputy Chief Officer**  
**David Youssef-**  
Australian Fire Service Medal

## Chief Officer's Commendations

Leading Firefighter **Anthony Leatch** in recognition of his initiative and early intervention that contributed to successfully saving two lives from imminent death.

**Dominic Chimirri (civilian)** in recognition of a selfless act of bravery displayed when rescuing an occupant from a house fire on 6 April 2016 in Brunswick. Prior to the arrival of MFB, Mr Chimirri entered a smoke filled house and guided an 88 year old lady, who was distressed, confused and incapacitated by fear, to safety outside.

Leading Firefighter **John Ryan** for leadership, specifically in the delivery of continuation and skills maintenance of firefighter graduates. For his work with Vic Roads in particular, the identification of hazards along Western Ring Road which has improved the safety for commuters using this vital arterial link. Also for his work with City West Water in the identification of fire water supply sources, which has led to an improved reporting and rectification process that reduces first attack times, thereby reducing potential property losses.

## Bourke Street Incident

Fire Services  
Communications  
Controller  
**Heather Stockton**

Station Officer  
**John Mahon**

Qualified Firefighter  
**Anthony Crea**

Firefighter  
**Thomas McMillan**

Senior Station Officer  
**Darren Gellie**

Leading Firefighter  
**Paul Reynolds**

Leading Firefighter  
**Andrew Lloyd**

Qualified Firefighter  
**Wes Lasker**

Station Officer  
**Peter Leonard**

Leading Firefighter  
**Wylie Hodder**

Leading Firefighter  
**Jeff Southall**

Firefighter  
**Bradley Bristowe**

Senior Station  
Officer **Chris Bourne**

Leading Firefighter  
**Steve Marsh**

Firefighter  
**Stewart Aitken**

Firefighter  
**Jono Barnett**

Senior Station Officer  
**Darren Borschmann**

Leading Firefighter  
**Callum Irvine**

Firefighter  
**Steve Fasoli**

Firefighter  
**Max Rampling**

Station Officer  
**Shane Gore**

Leading Firefighter  
**Owen Sullivan**

Leading Firefighter  
**Ash Mair**

Qualified Firefighter  
**Jesse Hastie**

Leading Firefighter  
**Adam Douglas**

Leading Firefighter  
**Andrew Picker**

Assistant Chief Fire Officer  
**Peter Thomas**

Commander  
**Graeme O'Sullivan**

Commander  
**Dominic Scarfe**



## District Fire Safety Award

**Amar Rafei** for saving her family from a house fire in Coburg

**Terri Atwell** for assisting and supporting a fire casualty in need of critical care as a result of a fire.

**Peter Atwell** for assisting and supporting a fire casualty in need of critical care as a result of a fire, and suppressing a fire, preventing further spread.

## Long and Good Service Awards

CEO's Safety Award—  
**The Peer Support Group**

CEO's Special Recognition Award—  
**MFB Tunnel Safety Team, comprising Senior Station Officer Colin Rose, Christine Iliaskos and Tony O'Meagher**

CEO's Special Recognition Award (highly commended)—  
**Fleet Services Department**

Chief Officer's Scholarship—  
**Station Officer Stephane Victor**

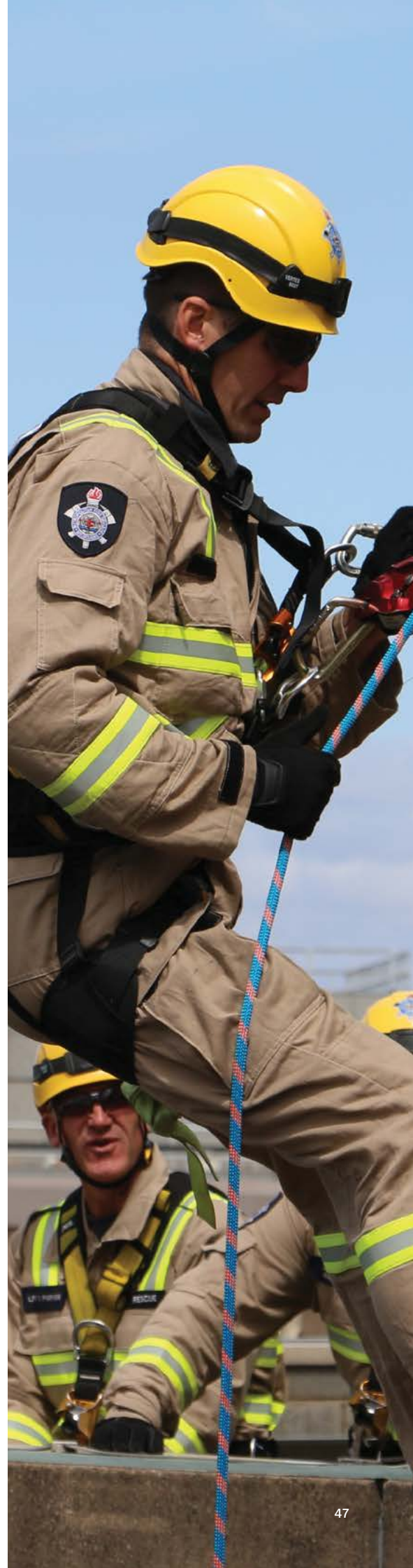
## Fire Awareness Awards

Access and Inclusion Award (finalist)—  
**Taste of Harmony, led by Laverton Community Integrated Services Inc.**

## Truck naming ceremony

Teleboom 7 named in honour of Leading Firefighter **Scott Morrison**, 1 October 2016

Pumper 47 named in honour of Senior Station Officer **Damien Burke**, 4 March 2017



# 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 providing access to realistic firefighting and emergency training scenarios, including road, rail, tunnel and marine fires as well as urban search and rescue. VEMTC Craigieburn delivers key skills capability in a range of high-end urban and specialist response areas, including recruit, promotional and specialist training programs, and demands for skills acquisition and skills maintenance training programs continues to grow from MFB and across the sector.

MFB's operational risk profile continues to diversify, placing increased demands on training services and VEMTC Craigieburn's infrastructure capacity. Emergency Management Victoria's State Fire and Emergency Services Training framework sets the foundations for a unified approach to training across Victoria's fire and emergency services and supports the identification of common training needs and increased collaboration in delivering training across the sector.

In response to increasing training service delivery demand and pressure on current infrastructure, MFB has developed a Training Infrastructure Investment Strategy and identified options for infrastructure investment to increase capacity at VEMTC Craigieburn to meet emergency management sector needs in the medium and long term.

To support interoperability measures, VEMTC Craigieburn has hosted all MFB and CFA recruit training and delivered training courses and events to a range of emergency management organisations across the sector. A key area of focus has been working with CFA to develop the Victorian Recruit Firefighter Course, a generic career firefighter syllabus, which will see the delivery of recruitment firefighter training to all MFB and CFA recruits at VEMTC Craigieburn from July 2017.

## Training

VEMTC Craigieburn Training Delivered Financial Year 2016/2017	Course Delivered	Total Participants	Total Training Days	Hours Per Course	Total Hours
<b>Organisational</b>					
MFB Recruits	2	60	152	10	1,520
CFA Recruits	5	180	380	10	3,800
Continuation/ Retention	8	118	66	10	660
Leading Firefighter	22	110	88	10	880
Station Officer	2	44	144	10	1,440
Senior Station Officer	1	16	65	10	650
Station Officer pre-entry (54)	1	51	60	10	600
Commander	1	10	55	10	550
Cert IV Training and Assessment	2	11	9	10	90
<b>Operational</b>					
Trench Rescue	5	24	20	10	200
HAZMAT	2	32	26	10	260
HART	2	32	46	10	460
Atmospheric Monitoring	7	48	14	10	140

<b>VEMTC Craigieburn Training Delivered Financial Year 2016/2017</b>	<b>Course Delivered</b>	<b>Total Participants</b>	<b>Total Training Days</b>	<b>Hours Per Course</b>	<b>Total Hours</b>
Compartment Fire Behaviour (CFBT)	71	505	142	10	1,420
Driver training	21	126	164	10	1,640
Driver Trailer Training	7	51	7	10	70
Water Emergency Response	3	28	73	10	730
USAR	3	54	105	10	1,050
Heavy Rescue	5	40	68	10	680
Teleboom	12	48	48	10	480
BA Trial	4	99	24	10	240
Ladder Platform	1	4	2	10	20
Ladder Platform Conversion	13	42	32	10	320
Strike Team Refresher	2	16	2	10	20
CFBT Instructor Course	1	12	15	10	150
Return to work	5	5	5	10	50
Safe working from heights	1	8	1	10	10
Water Tanker	8	35	8	10	80
<b>External Training</b>					
USAR External Agency (CFA, AV and SARDA)	3	20	105	10	1,050
SES HAZMAT	1	2	13	10	130
CFBT for CFA MFB Executives	1	6	1	10	10
Special Operation Unit, VICPOL	1	12	1	8	8
Cert IV CFA	1	3	14	10	140
AMC Cold Harbour Drill	1	30	1	10	10
CFA CFBT	10	76	14	10	140
Secondment Program	1	16	15	10	150
VIC POL HAZMAT	1	2	13	10	130
Exchange Firefighter Program	1	1	5	10	50
MIMIC Course (4 VICPOL, 1 EMV, 1 CFA & 1 SES)	1	7	5	10	50

# Sector learning and development strategy

VEMTC Craigieburn Training Delivered Financial Year 2016/2017	Course Delivered	Total Participants	Total Training Days	Hours Per Course	Total Hours
<b>External Leadership Training and Events</b>					
Japan Fire Service Site Tour	1	15	1	5	5
Korean Fire Service Site Tour	5	36	5	23	115
New Zealand Fire Service Site Tour	1	4	1	4	4
Ambulance Tasmania Site Tour	1	5	1	4	4
Western Australian Fire Service Site Tour	1	4	1	4	4
Australian Defence Force Site Tour	1	1	1	4	4
Physical Aptitude Test	2	44	2	10	20
Physical Aptitude Familiarisation	8	254	8	10	80
EMV Resilience Committee Meeting	1	22	1	22	22
CFA Fleet/ Workshop tour	1	15	1	4	4
VEMTC Public Open Day	1	1,890	1	10	10
<b>Total Hours</b>		<b>4,274</b>			<b>20,350</b>

**Members of the community and the emergency services sector joined MFB firefighters and staff for an evening of reflection and festivity**



# 125th Anniversary commemorations

In 2016 MFB marked 125 years with an array of events and activities celebrating the long and rich history of one of Melbourne's oldest organisations.

## MFB 125th Anniversary Gala Ball

On Saturday 2 July 2016 a black tie Gala Ball was held at the Melbourne Convention and Exhibition Centre. Hundreds of members of the community and the emergency services sector joined MFB firefighters and staff for an evening of reflection and festivity, as we paid tribute to the people and the events that helped shape MFB.

## Travelling Photo Display

MFB's 125th Anniversary traveling photo display commenced on 9 May 2016 and featured a display of images that demonstrated the evolution of MFB over its 125 years. The display began at Eastern Hill Headquarters and visited the Burnley Complex, Northern District Office, VEMTC Craigieburn, and Western District Office and concluded at Thornbury Workshops.

Due to the popularity of the display and the numerous requests received, additional copies of the photos were printed and framed to be permanently displayed at VEMTC Craigieburn, Western District Office and Thornbury Workshops.

## VEMTC Opens Its Doors To Melbourne

On Sunday 17 July 2016, VEMTC Craigieburn welcomed more than 1,500 MFB employees, their families and members of the public to tour the facility. This was a rare opportunity for attendees to get a sneak peek of the world-class training centre and provided MFB with an opportunity to demonstrate its capabilities including fire fighting, Emergency Medical Response (EMR), high angle rescue as well as the way MFB works in partnership with other Victorian emergency services.

## MFB's Student Fire Safety Film Competition

Victorian students were challenged to take part in MFB's Student Fire Safety Film Competition. Students from Foundation/Prep to Year Ten from across the state were invited to create a 30 second film that would appeal to their age group. Films were required to include a key fire safety message such as 'Stop, Drop, Cover and Roll'. The winners were announced at an awards ceremony on Thursday 15 September 2016.

## 125th Anniversary Photography Competition

MFB employees were invited to participate in a photography competition. The theme of the competition was reflections. The winner was selected by popular vote, with FSCC Steve Moore taking out first place.



# Delivering exceptional service

## Continuous Improvement Framework

Development of the Continuous Improvement framework has continued during 2016/17 with co-design of an idea capture and continuous improvement platform for both MFB and CFA.

The platform “Impeller” will enable staff to respond to “a call to action” for organisational improvements and make suggestions for improvement.

This initiative supports recommendation #12 of the Fire Services Review together with four of the five MFB strategic themes.

## Implementation of an IT strategy and ICS upgrades

The Information Technology Strategy continues its implementation plan through 2016/17. Building on last year’s work on replacing legacy IT infrastructure, MFB has undertaken significant projects to replace servers, printers, laptops, and smart-phones in line with revised asset management plans. Strategies have also been developed for future storage replacement and data centre relocation options.

The replacement of MFB’s core IT systems still remains a priority for MFB. The new Electronic Document Records Management System is currently being rolled out across the organisation. The Victorian Emergency Risk Management System (VERMS) and an upgrade to our Business Intelligence environment have been implemented. A new Candidate Management system and a refresh of our intranet is well progressed. Operational Training has also been enhanced with the implementation of a computer simulation solution.

The proof of concept pilot for the use of mobile data in our operational appliances has been built and will progress to the training and pilot evaluation stage in the coming months.

Planning for fire services reform has meant that it is appropriate to pause key initiatives such as the replacement of the existing Enterprise Resource Planning (ERP) and Rostering systems. These projects will be reprioritised pending the outcome of sector reform legislation.

## Whole-of-Life Asset Management

The 2015 – 2018 Asset Management Strategy uses a whole-of-life approach to safeguard Victorian community assets and infrastructure, worth billions of dollars, covering an area of more than 1,000 kilometres.

During 2016/17, MFB completed operational plans, improved accountability and modernised asset management practices aligned with ISO 55000 standards to assure safe, fit-for-purpose and reliable assets for our firefighters during emergency events.

MFB asset management leadership and accountability readiness practices were also assessed against the Victorian Government’s Asset Management Accountability Framework (AMAF).

This will ensure our people have the knowledge, processes and tools to deliver critical services to the Victorian community.

## Ready to Go Strategy

MFB’s Ready To Go (R2G) strategy is part of the Delivering Exceptional Service strategic theme in the MFB Plan. The strategy was developed to enhance MFB’s operational service delivery by optimising response times to structure fires, road accident rescues and emergency medical incidents and containing fires to the room of origin.

As the city expands, challenges such as traffic congestion, taller buildings and population density have to be addressed. The realisation of key milestones within the R2G strategy directly contributes to addressing these modern challenges to keep Melbourne’s growing community safe.

R2G contained more than 50 initiatives to deliver operational performance. The key focus areas of the strategy were information/technology, research/analysis, training/information, procedures/doctrine and resourcing/infrastructure.

Mobile Data for Vehicles is now being trialled at fire stations under the R2G strategy. This project will see all MFB appliances fitted with robust, modern tablet technology and will equip firefighters with improved access to information when turning out and provide enhanced communications to and from the appliance while en route to the incident, during the incident and after the incident.

Continuous improvement work is being carried out under the strategy with policy and procedure reviews, infrastructure improvements, boundary realignments, strategic response time and turnout reporting, automatic vehicle location and enhanced communication tools.

The R2G strategy is at the heart of what MFB does – responding to the alarm of fire in a speedy manner with the safety of both the firefighters and the community front of mind.

## **Fleet upgrades**

The construction of new firefighting appliances continued during 2016/17 as part of the appliance replacement program. One Ladder Platform was built and delivered to MFB while a number of other projects are nearing completion. They include: six Pumper Tankers, one Ultra Large Pumper, four Pumpers and another Ladder Platform.

Design work has begun on another six Pumper Tankers and one Ladder Platform. Throughout the year, modifications were completed on the remaining 14 Pumper Tankers to address health and safety standards.

Appliance availability over the year decreased from 83 per cent to 80.8 per cent due to the PFOS decontamination program. This program was implemented to reduce the risk of PFOS exposure to our people and enhance our approach to Health and Safety. Appliance availability is expected to increase above the long term average over the coming months.

## **Fire Station refits and rebuilds**

MFB has fire stations currently in concept and design phase for the new FS49 Derrimut (currently North Laverton) and the new FS20 Box Hill. These will continue to the design and development stage through 2017/18 to be ready for construction thereafter.

The new FS40 Laverton Fire Station is scheduled for completion by October 2017. The new transition areas for stations at FS03 Carlton, FS23 Burwood, and FS33 Mentone have completed the design and documentation phase and will be put out for construction tender in the second half of 2017.

Land has been sourced for a new fire station at FS45 Spotswood, with contracts of sale to purchase a site currently being prepared.

Eastern Hill Headquarters underwent an internal refurbishment, which is almost complete, allowing for more cohesively situated departments.

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 in the design and construction of the fire station. The fire station was subsequently demolished and further extensive defects were identified during demolition. MFB has secured an extension of the lease at the current Malvern East Fire Station until the works on the new Glen Iris station are expected to be completed.

## **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, 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 87.5 per cent of MFB total revenue.

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

# Working with others

## State Emergency Management Processes and Response

With sector partner agencies MFB is engaged in the development and refinement of the processes and elements that support the delivery of emergency management. In addition to the previous undertakings to develop Level 3 Incident Controllers, MFB is integrating an accreditation process to support the development of Incident Management Team personnel for significant state events outside the Metropolitan District.

This undertaking directly aligns with the sector wide Workforce Planning Project, to which MFB is also contributing. In addition to these projects, MFB provides expertise to the development and maintenance of common doctrine and the development of a State Event Planning guideline.

## Emergency Management Victoria Operational Review

The State Review Team (SRT) is multi-agency and provides guidance and coordination of review, debrief, monitoring, lessons management and performance improvement across the emergency management sector. The SRT's primary objective is to promote continuous improvement in a coordinated and effective manner. To help support these learnings, an IT system is currently being developed to allow insights, observations and lessons to be shared across all emergency management agencies.

The Emergency Management Operational Review 2015-16 was produced by Emergency Management Victoria to highlight good practice, changes and improvements that have occurred across the Victorian emergency management sector in the past year. The Operational Review aims to support the continuous improvement of the sector by the sharing of lessons so that all agencies are able to utilise the information provided to achieve the best outcomes for the community.

MFB contributed to this publication through the sharing of various learnings from both incidents and exercises, and a case study on the January 2016 Broadmeadows Tyre Fire. Assurance activities occur throughout the year and the outcomes of these activities are then collated to analyse and identify best practice and opportunities for learning and improvement.

## Sector-wide information standard for emergency management

MFB is working with our sector partners to develop and deliver the common terminology for emergency management applications.

EMV and MFB have worked with the Emergency Services Telecommunications Authority (ESTA) to develop a proof of concept around Emergency Management Common Operating Picture (EMCOP), which has now been working successfully for some time.

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## Case Study

**MFB deployed nine firefighters to assist with the recovery process following the mini-tornado that struck Mildura and surrounds on Friday 11 November 2016.**

**Fifteen personnel from CFA's south west region were also deployed, along with eight Forest Fire Management Victoria personnel from Geelong and the Otways, and 14 personnel from Victoria's State Emergency Service in the south west area.**

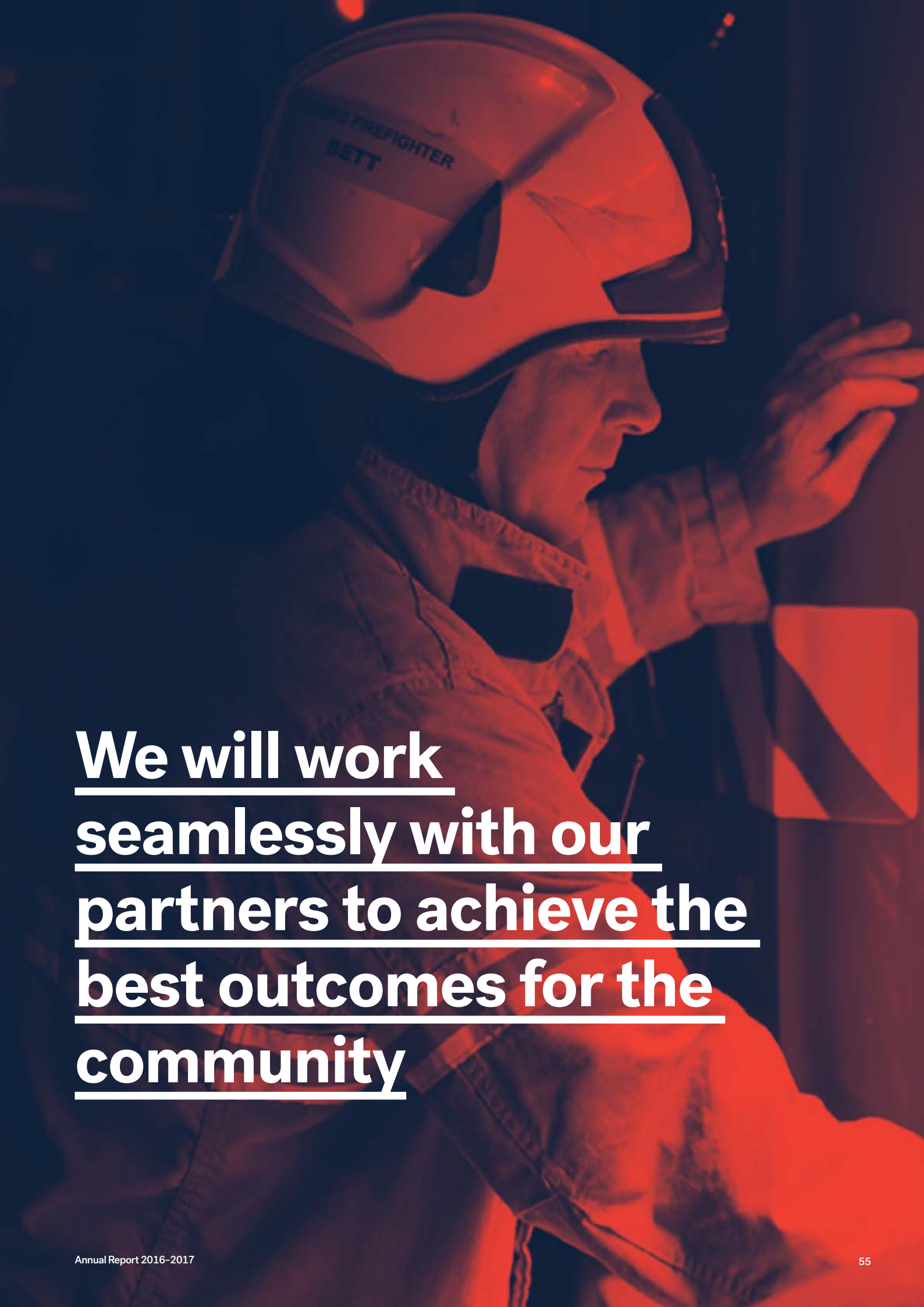
**Severe thunderstorms characterised by strong, destructive winds, large hail stones of up to 7cm in diameter and heavy rain impacted the area around Mildura in the Loddon Mallee region, impacting an area of approximately 300 square kilometres. Mildura received 29 millimetres of rain in 15 minutes and wind gusts of almost 100 kilometres per hour were recorded at Mildura Airport about the same time.**

**Emergency services received more than 350 requests for assistance following significant damage to property, agriculture and infrastructure. More than 20 homes had lost their roofs and up to 50 trees had fallen either in front yards or onto the houses themselves. The storm caused the most damage in the areas around Merbein, Mildura and Red Cliffs.**

**MFB personnel were tasked to assess and understand the impacts and consequences for the Sunraysia community and ensure the communities were connected to support services including response, relief and recovery.**

**The deployment was a fantastic example of the interoperability of Victoria's emergency services, as personnel from all agencies were able to respond efficiently and effectively to a community in need, working well together and capitalising on the broader range of skillsets available.**





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

# Environment information

## 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.

Environmental Indicator	Unit of Measure	2005-06 Baseline	2013-14	2014-15	2015-16	2016-17
<b>Water<sup>2</sup></b>						
Total Metered Consumption	kL	29,171	30,031	48,263	43,052	40,061
Consumption per FTE <sup>3</sup>	kL per FTE	15.7	13.5	21.7	18.9	17.5
Energy Consumption	GJ	44,788	48,555	48,475	52,778	48,520
Energy Consumption per FTE	GJ per FTE	24.1	21.8	21.8	22.8	21.2
% Green Power Purchased	Percentage	15%	8%	0%	23%	23%
<b>Greenhouse Emissions<sup>5</sup></b>						
Electricity Use	tCO <sub>2</sub> -e	8,219	10,141	11,710	10,575	9,511
Gas Use	tCO <sub>2</sub> -e	1,177	1,034	1,059	1,007	882
Vehicle Use	tCO <sub>2</sub> -e	2,978	3,123	3,081	2,675	2,878
Total MFB Greenhouse Emissions From These Sources	tCO <sub>2</sub> -e	12,374	14,298	15,850	14,258	13,271
<b>Transportation<sup>1</sup></b>						
Total Fuel Consumption	GJ	40,762	41,682	41,117	38,566	41,303
Consumption per FTE	GJ per FTE	22.0	18.6	18.5	16.9	18.0
<b>Total Distance Travelled</b>	<b>Kilometres</b>	<b>5,313,338</b>	<b>5,431,954</b>	<b>5,491,737</b>	<b>5,495,629</b>	<b>5,636,638</b>
<b>Total Travel per FTE</b>	<b>Kilometres per FTE</b>	<b>2,861</b>	<b>2,430</b>	<b>2,470</b>	<b>2,396</b>	<b>2,462</b>

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 July 2016 to June 2017 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. 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

This statement outlines MFB's Corporate Governance practices.

## Responsible Minister

The responsible Minister is the Minister for Emergency Services.

## Functions and Powers

MFB is an independent 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, *Metropolitan Fire Brigades (General) Interim Regulations 2016* (Vic) ('the MFB Regulations'), *Country Fire Authority Act 1958* (Vic), *Electricity Safety Act 1998* (Vic), *Emergency Management Act 1986* (Vic), *Emergency Management Act 2013* (Vic), *Occupational Health and Safety Act 2004* (Vic), *Gas Safety Act 1997* (Vic), *Coroners Act 2008* (Vic), *Building Act 1993*, *Building Regulations 2006*, *Residential Tenancies Act 1997* (Vic), *Residential Tenancies (Caravan Parks and Movable Dwellings Registration and Standards) Regulations 2010* (Vic) and other legislation.

MFB's principal decision-making powers affecting members of the public are enshrined within the MFB Act and MFB Regulations.

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

## Changes to Governing Legislation

In accordance with the *Subordinate Legislation Act 1994* (Vic) and the Victorian Guide to Regulation (November 2016), the MFB Regulations automatically sunset every 10 years and must be remade by Government. The MFB Regulations were due to sunset on 25 October 2017. Emergency Management Victoria (EMV) has advised MFB that, in light of the Government's proposed major reforms of Victoria's fire services, the Minister has determined to seek an exemption from the Premier under the *Subordinate Legislation Act 1994* (Vic), to re-make the MFB Regulations without a Regulatory Impact Statement for a further period of 12 months. EMV has advised that the Minister has made a formal request to the Premier for this purpose. As a Premier's certificate may only be granted for regulations of 12 months (or less) duration, the MFB Regulations would then expire on 24 October 2018.

## MFB corporate governance framework

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

- the Corporate Governance Charter, which sets out the composition, roles, and accountabilities of the Board of Management, Board Committees, and their members;
- a policy framework and hierarchy of documents, which provides for the development, approval, implementation, publication and review of organisational policies and procedures;
- individual policies addressing governance, financial, and strategic issues (such as risk management, fraud control, financial code of practice, and health safety and welfare) which the Board approves periodically; 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)
- Stuart Alford
- David Purchase
- Kylie Hall (commenced 15 November 2016)
- Fiona Chamberlain (commenced 27 March 2017)
- Jasmine Doak (commenced 6 June 2017)
- Therese Ryan Commenced August 2013 (resigned 2 February 2017)
- Jay Bonnington Commenced July 2006 (resigned Board 29 November 2016)
- Ken King (Appointed Deputy President) Commenced July 2008 (term ended 21 April 2017)

The Board met on 19 occasions in 2016/17. 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 at each Board meeting for Board members' information.

All Board members and staff are required to act with integrity in the performance of their duties. The MFB Board and Executive Leadership Team are committed to the promotion of the Public Sector Values and Employment Principles in Sections 7 and 8 of the *Public Administration Act 2004*.

## Board Professional Development

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

## Board Performance

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.

The Committee's name was recently amended to acknowledge the Committee's compliance responsibilities.

### Membership for 2016/17

- Stuart Alford (Chair)
- David Purchase
- Andi Diamond (*ex officio*)
- Fiona Chamberlain (from May 2017)
- Jay Bonnington (Chair to November 2016)
- Therese Ryan (to February 2017)

### 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 2016/17

- Ken King (Chair)
- Stuart Alford
- Kylie Hall (from April 2017)
- Andi Diamond (*ex officio*)
- Jay Bonnington (to November 2016)

This Committee was officially discontinued by Board Resolution 69/2017 on 26 April 2017. The work of this Committee has been redistributed to the other Board Committees.

### 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 2016/17

- Ken King (Chair)
- David Purchase
- Kylie Hall (from April 2017)
- Andi Diamond (*ex officio*)
- Therese Ryan (Chair to February 2017)

### 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.

# Corporate governance report

## 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
<b>Number of meetings to 30 June 2017</b>	19	5	4	4	4
<b>A Diamond</b>	17/19	1/1			3/4
<b>S. Alford</b>	19/19	5/5	4/4		4/4
<b>D Purchase</b>	18/19	5/5		4/4	4/4
<b>Kylie Hall</b>	7/11		1/1	2/2	3/3
<b>Fiona Chamberlain</b>	5/5	1/1			
<b>Jasmine Doak</b>	2/2				
<b>T. Ryan</b>	11/11	1/3		2/2	2/2
<b>J. Bonnington</b>	5/9	0/3	2/2		0/1
<b>K King</b>	12/14		4/4	4/4	4/4

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

## Internal Control

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

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

## Risk Management

MFB's Risk Management Framework was reviewed during 2016/17. The refreshed documents continue to support MFB's capacity to comply with the Victorian Government Risk Management Framework (VGRMF) and embeds 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 3.7.1 'Risk Management Framework and Processes' 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 – 9 relating to the Risk Management requirements and 3 relating to the Insurance Requirements.*
- *The Attestation for 2016/17 incorporates the Insurance Attestation which in previous years required a separate attestation from the agency under the Financial Management Compliance Framework.*
- *The following standard Risk Attestation Statement was presented to the Audit, Risk and Compliance Committee at the meeting of 23 May 2017 and to the MFB Board at the meeting of 27 June 2017. 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, Chair of the Metropolitan Fire and Emergency Services Board, certify that the Metropolitan Fire and Emergency Services Board has complied with the Ministerial Standing Direction 3.7.1 – Risk Management Framework and Processes as verified by the Audit, Risk and Compliance Committee.

## Insurance

MFB manages its insurance program in accordance with the requirements set out in Standing Direction 3.7.1 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.

# Corporate governance report

## Consultancies under \$10,000

In 2016/17, there were no consultants engaged where the fees were less than \$10,000.

## Major Contract Compliance

During 2016/17, there were no contracts with a value greater than \$10 million entered into by MFB.

Contracts with a value of \$100,000 and above are placed on [www.tenders.vic.gov.au](http://www.tenders.vic.gov.au) in accordance with Victorian Government Purchasing Policy.

## Victorian Industry Participation Policy Act 2003

The Victorian Industry Participation Policy ('VIIPP') applies when contracts greater than \$3m in the metropolitan area are entered into. During 2016/17, there were two contracts entered into by MFB that exceeded \$3m. One contract was for the manufacture, supply and delivery of six Fire Appliances and the other contract was for Glen Iris Station Rectification Works.

## 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.

## Details of consultancies over \$10,000

Consultant	Purpose of consultancy	Start Date	End Date	Total approved project fee (ex. GST)	Expenditure 2016/17 (ex. GST)	Future expenditure (ex. GST)
Australasian Safety Services	Diesel Particulate Testing and Report	May-17	May-17	\$17,095	\$15,795	\$1,300
Bastion Reputation Management	Develop and prepare communications strategy	Jul-16	Oct-16	\$84,100	\$84,100	\$0
Business Aspect Pty Ltd	Storage strategy	Nov-16	Mar-17	\$73,962	\$73,962	\$0
Deloitte	Concept of Operations and Marine Capability Improvement Plan	Sep-16	Jun-17	\$290,312	\$290,312	\$0
IPP Consulting Pty Ltd	Relocation of data centre	Jul-16	Nov-16	\$34,000	\$34,000	\$0
McCrohan Consulting Pty Ltd	Strategic communications advice	Apr-16	Feb-17	\$110,000	\$80,000	\$0
TAG Consult	Review of marine responsibilities	Nov-16	Mar-17	\$29,569	\$29,569	\$0
The Trustee For Lynch Cotton	Review of Employee Support Project (ESP) Program	Jun-16	Oct-16	\$41,800	\$41,800	\$0
<b>Total</b>				<b>\$680,838</b>	<b>\$649,538</b>	

## 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 \$28.40 application fee (as at 1 July 2017). 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.

## 2016/17 FOI Statistics

During the year MFB received 493 requests for access to documents under the *Freedom of Information Act*.

Requests Received	493
Part Access	490
Denied	3
Access Granted	0
Not Finalised as at 30 June 2017	10
Applicant Did Not Proceed (Including S25a Decisions)	0
<b>Appeal Avenues:</b>	
FOI Commissioner	2
VCAT Hearing	





# Corporate governance report

## **Protected Disclosure Act 2012**

The Corporate Secretary, Mr David Goldberg, is the Protected Disclosure Coordinator for the purpose of administering the requirements of the *Protected Disclosure Act 2012*.

## **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](http://www.mfb.vic.gov.au).

MFB is not a public body that can receive protected disclosures under the *Protected Disclosure Act 2012*. Accordingly, it is not able to report on the number of protected disclosures made in relation to its operations.

## **Additional information available on request**

The following information has been retained by MFB and is 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

During the 2016/17 financial year the MFB Board and executive Wto maintain its focus on close budgetary management and long term financial sustainability. This has been driven by disciplined capital asset management and acquisitions, together with continuous improvement in recurrent cost efficiencies. The net result for the 2016/17 financial reporting period was a deficit of \$31.0 million which compares to the prior financial year restated (2015/16) net result of a deficit of \$5.8 million.

The deficit result for the year was largely driven by external factors that included the industrial work bans impacting revenue collection, the state government approved salary and allowance increases to employee benefits expenses and the asset writedown on capital programs that may be impacted by the Fire Services Legislation Amendment (Reform) Bill Proposal.

The major source of income for the MFB is provided by the Fire Services Property Levy which is recorded as grant income. The MFB continue 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 income from transactions for 2016/17 was \$407.9 million which is an increase of \$18.7 million on the previous financial year.

The main increase in income is grant income from the State Government grant. Grant income includes \$6.2 million ERSC committee specific funding for extra operational staff, \$1.6 million for the Victorian Bushfire Royal Commission initiatives and an increase in the base FSL grant income of 2.5%.

Sales of goods and services decreased by \$0.9 million to \$33.4 million due mainly to reduced false alarm charges resulting from industrial work bans. Fire suppression equipment servicing and sales increased by \$1.4 million. Interest income reduced by \$1.1 million, due mainly to reduced working capital balances. VFMC distribution income (clarified as Dividends in the statements) reduced by \$1.4 million reflecting reduced income distributed from the unit trust. Distributions are fully re-invested back into the VFMC fund.

## Expenses

Total operating expenses from transactions for the financial year 2016/17 increased by \$49.6 million on the previous financial year due to increased salaries and employee expenses of \$46.4 million reflective of the 5% and 1.5% salary increases approved by the state government, as well as, increased overtime expense of \$1.1 million due to large incidents during the year, plus additional inter-agency assistance provided by the MFB.

The other key expense impact was an increase in employee leave benefit provisions, which increased \$3.0 million, mainly due to the impact of salary increases in employee leave provisions.

Other operating expenses increased by \$6.1 million from the prior financial year to \$74.2 million. Overall the operating expenditure, which is the second highest expense category, remained relatively stable but was impacted by recognising \$5.6 million in project pre development expenses on certain capital projects that may be impacted by the Fire Services Legislation Amendment (Reform) Bill 2017 proposal.

## Other Economic Flows included in Net Result

Included in the net result, are other economic flows that in total resulted in an additional surplus of \$8.4 million, which when added to the net result from transactions of \$39.4 million, lead to a Net Result of a deficit for 2016/17 of \$31.0 million. The other economic flows reported were: a gain on non-financial assets of \$1.9 million primarily constituting revaluations gains of \$3.6 million on investment property, offset by an impairment loss of \$0.8 million on IT Software and \$0.9 million relating to amortisation expense. Additionally there was a net gain on financial instruments of \$4.6 million as a result of an unrealised gain on investments due to increases in equity markets, as well as, a net \$2.0 million gain 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, all land, buildings and plant and equipment were assessed for revaluation. Land values as determined by the Victorian Valuer General had materially increased for the year resulting in a revaluation surplus of \$35.9 million which is also reported as other economic flows in the Operating Statement. After accounting for this revaluation gain; the overall comprehensive result for 2016/17 was a net surplus of \$4.9 million.

## Balance Sheet

The MFB maintains a strong balance sheet and regularly updates investments and cash flow forecasts to meet commitments and settle accounts as they fall due. Net assets for the organisation total \$749.9 million, which is a slight increase over the previous year by \$4.9 million and Net Worth (Equity) represents a solid 82% of Total Assets.

Total assets as at 30 June 2017 were \$906.5 million, comprising of \$154.0 million in financial assets, including the VFMC investment portfolio of \$128.1 million and the balance is non-financial assets totalling \$752.5 million; which is significantly property, plant and equipment with a fair value total of \$689.1 million. The MFB maintains a capital investment program that invested in cash terms \$20.7 million in new appliances, station refurbishments, new and upgraded ICT systems and hardware, and equipment.

## Total liabilities

Total liabilities as at 30 June 2017 were \$156.6 million, an increase of \$17.7 million on the prior financial year. The payables balance increased by \$12.2 million relating to large year end accounting accrual entries to record agreed operational staff and technical and corporate staff salary and allowances increases including portions related to back pay obligations. An increase in employee leave and on costs provisions of \$6.5 million as a result of the staff salary increase referred to earlier, as well as, marginal increase in staff leave balances.

Net Assets as at 30 June 2017 were \$749.9 million as compared to \$745.0 million as at 30 June 2016.

**Page 65 inclusive is not part of the financial statements considered in the Audit opinion issued by the Victorian Auditor-General's Office.**

# Financial report

MFB has pleasure in presenting its audited general purpose financial statements for the financial year ended 30 June 2017 and provides users with the information about MFB's stewardship of resource entrusted to it. It is presented in the following structure:

## Financial statements

Comprehensive operating statement

Balance sheet

Statement of changes in equity

Cash flow statement

## Notes to the Financial Statements:

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The basis on which the financial statements have been prepared and compliance with reporting regulations

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## Comprehensive operating statement

For the financial year ended 30 June 2017

	Notes	2017 (\$ 000)	2016 (\$ 000)
<b>Continuing operations</b>			
<b>Income from transactions</b>			
Grants	2.2	362,471	340,625
Sale of services and goods	2.3.1	33,424	34,336
Interest	2.3.2	993	2,055
Dividends	2.3.3	5,594	6,984
Gain on financial instruments - investments	2.3.4	192	-
Other income	2.3.5	5,175	5,164
<b>Total income from transactions</b>		<b>407,849</b>	<b>389,164</b>
<b>Expenses from transactions</b>			
Employee expenses	3.1.1(a)	329,375	282,966
Depreciation and amortisation	3.1.2	24,484	24,794
Contract services with State Government entities	3.1.3	19,195	18,826
Loss on financial instruments - investments	3.1.4	-	2,954
Other operating expenses	3.1.5	74,229	68,140
<b>Total expenses from transactions</b>		<b>447,283</b>	<b>397,680</b>
<b>Net result from transactions (net operating balance)</b>		<b>(39,434)</b>	<b>(8,516)</b>
<b>Other economic flows included in net result</b>			
Net gain/(loss) on non financial assets <sup>(i)</sup> <sup>(iii)</sup>		1,891	6,436
Net gain/(loss) on financial instruments <sup>(ii)</sup>		4,569	(427)
Other gains/(losses) from other economic flows		2,007	(3,251)
<b>Total other economic flows included in net result</b>	8.2	<b>8,467</b>	<b>2,758</b>
<b>Net result</b>		<b>(30,967)</b>	<b>(5,758)</b>
<b>Other economic flows - other comprehensive income</b>			
<b>Items that will not be reclassified to net result</b>			
Changes in physical asset revaluation surplus <sup>(iii)</sup>	4.1.3	35,893	164,539
<b>Items that may be reclassified subsequently to net result</b>			
Changes to financial assets available for sale revaluation surplus		-	-
<b>Total other economic flows - other comprehensive income</b>		<b>35,893</b>	<b>164,539</b>
<b>Comprehensive result</b>		<b>4,926</b>	<b>158,781</b>

(i) 'Net gain/(loss) on non financial assets' includes unrealised and realised gains/(losses) from revaluations, impairments, and disposals of all physical assets and intangible assets, except when these are taken through the asset revaluation surplus. Refer to Note 4.1

(ii) 'Net gain/(loss) on financial instruments' includes bad and doubtful debts from other economic flows, unrealised and realised gains/(losses) from revaluations, impairments and reversals of impairment, and gains/(losses) from disposals of financial instruments, except when these are taken through the financial assets available for sale revaluation surplus. Refer to Note 7.1

(iii) Prior year non-financial assets economic flow adjusted due reclassification of land to investment property. Refer to Notes 8.3 and 4.2

# Financial report

## Balance sheet

As at 30 June 2017

	Notes	2017 (\$'000)	2016 (\$'000)
<b>Assets</b>			
<b>Financial Assets</b>			
Cash and deposits	6.3	13,035	34,896
Receivables	5.1	12,908	7,720
Investments and other financial assets	4.4	128,072	122,534
<b>Total financial assets</b>		<b>154,015</b>	<b>165,150</b>
<b>Non-financial assets</b>			
Inventories	5.3	1,754	1,638
Property, plant and equipment	4.1	689,100	660,051
Investment properties	4.2	46,925	43,324
Intangible assets	4.3	12,707	12,113
Other non-financial assets	5.4	1,996	1,663
<b>Total non-financial assets</b>		<b>752,482</b>	<b>718,789</b>
<b>Total assets</b>		<b>906,497</b>	<b>883,939</b>
<b>Liabilities</b>			
Payables	5.2	28,532	16,293
Borrowings	6.1	1,427	1,665
Employee related provisions	3.1.1(b)	125,557	119,117
Other liabilities		1,043	1,852
<b>Total liabilities</b>		<b>156,559</b>	<b>138,927</b>
<b>Net assets</b>		<b>749,938</b>	<b>745,012</b>
<b>Equity</b>			
Accumulated surplus <sup>(i)</sup>		201,459	232,426
Physical asset revaluation surplus	4.1.3, 8.9	423,120	387,227
Contributed capital		125,359	125,359
<b>Net worth</b>		<b>749,938</b>	<b>745,012</b>

(i) Prior year balances of accumulated surplus adjusted for revaluation on Property reclassified as Investment Property as at 30 June 2016. Refer to Notes 8.8 and 8.9.



## Statement of changes in equity

For the financial year ended 30 June 2017

	Notes	Physical asset revaluation surplus	Available for sale financial asset revaluation surplus	Accumulated surplus	Contributions by owner	Total (\$'000)
<b>Balance at 1 July 2015</b>		<b>222,688</b>	-	<b>238,184</b>	<b>123,513</b>	<b>584,385</b>
Net result for the year <sup>(i)</sup>		-	-	(5,758)	-	(5,758)
Other comprehensive income for the year	8.9	164,539	-	-	-	164,539
Capital appropriations by State Government		-	-	-	1,846	1,846
<b>Balance at 30 June 2016</b>		<b>387,227</b>	-	<b>232,426</b>	<b>125,359</b>	<b>745,012</b>
<b>Net result for the year</b>		-	-	<b>(30,967)</b>	-	<b>(30,967)</b>
Other comprehensive income for the year	8.9	35,893	-	-	-	35,893
<b>Balance at 30 June 2017</b>		<b>423,120</b>	-	<b>201,459</b>	<b>125,359</b>	<b>749,938</b>

(i) Prior year balances of accumulated surplus adjusted for revaluation on Property reclassified as Investment Property as at 30 June 2016. Refer to Notes 8.8 and 8.9.

# Financial report

## Cash flow statement

For the financial year ended 30 June 2017

	Notes	2017 (\$000)	2016 (\$000)
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Receipts from government		362,471	341,100
Receipts from other entities		41,479	43,233
Interest received		1,074	1,985
Dividends received <sup>(i)</sup>		5,594	6,984
Goods and Services Tax recovered from the ATO <sup>(ii)</sup>		8,239	6,985
<b>Total receipts</b>		<b>418,857</b>	<b>400,287</b>
<b>Payments</b>			
Payments to suppliers and employees		(414,918)	(380,011)
<b>Total payments</b>		<b>(414,918)</b>	<b>(380,011)</b>
<b>Net cash flows from/(used in) operating activities</b>	6.3.1	<b>3,939</b>	<b>20,276</b>
<b>Cash flows from investing activities</b>			
Payments for investments <sup>(iii)</sup>		(5,590)	(132,114)
Proceeds from sale of investments <sup>(iii)</sup>		-	124,859
Purchases of non financial assets		(20,663)	(15,276)
Proceeds from sales of non-financial assets		691	868
<b>Net cash flows from/(used in) investing activities</b>		<b>(25,562)</b>	<b>(21,663)</b>
<b>Cash flows from financing activities</b>			
Owner contributions by State Government		-	1,846
Repayment of borrowings <sup>(iv)</sup>		(238)	-
<b>Net cash flows from/(used in) financing activities</b>		<b>(238)</b>	<b>1,846</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(21,861)</b>	<b>459</b>
Cash and cash equivalents at beginning of financial year		34,896	34,437
<b>Cash and cash equivalents at end of financial year</b>	6.3	<b>13,035</b>	<b>34,896</b>

(i) 'Dividends received' is recognised as cash flow from operating activities.

(ii) Goods and Services Tax paid to and recovered from the ATO is presented on a net basis.

(iii) Proceeds from sales on investments and payments for investments relate to the managed investment portfolio invested through Victorian Funds Management Corporation.

(iv) The loan repayment relates to an energy efficiency program loan provided by State Government. Refer to Note 6.1.

## 1. About this report

The Metropolitan Fire and Emergency Services Board is a statutory authority established under the Metropolitan Fire Brigades Act 1958.

Its principal address is:

**Metropolitan Fire and Emergency Services Board**  
**456 Albert Street**  
**East Melbourne Vic 3002**

A description of the nature of its operations and its principal activities is included in the **'Report of Operations'** which does not form part of these financial statements.

### Basis of preparation

These financial statements are in Australian dollars and the historical cost convention is used unless a different measurement basis is specifically disclosed in the note associated with the item measured on a different basis.

The accrual basis of accounting has been applied in preparing 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.

Consistent with the requirements of AASB 1004 *Contributions*, contributions by owners (that is, contributed capital and its repayment) are treated as equity transactions and, therefore, do not form part of the income and expenses of MFB.

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 to or distributions by owners have also been designated as contributions by owners.

Judgements, estimates and assumptions are required to be made about financial information being presented. The significant judgements made in the preparation of these financial statements are disclosed in the notes where amounts affected by those judgements are disclosed. 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 applying AAS that have significant effects on the financial statements and estimates are disclosed in the notes under the heading: 'Significant judgement or estimates'.

These financial statements cover MFB as an individual reporting entity and include all the controlled activities of MFB.

All amounts in the financial statements have been rounded to the nearest \$1,000 unless otherwise stated.

### Compliance information

These general purpose financial statements have been prepared in accordance with the *Financial Management Act 1994 (FMA)* and applicable Australian Accounting Standards (**AASs**) which include Interpretations, issued by the Australian Accounting Standards Board (**AASB**).

# Financial report

## 2. Funding delivery of our services

### Introduction

MFB provides comprehensive fire, rescue and emergency response services including community resilience and education programs to residents within the metropolitan fire district with the key objective to reduce the incidence and impact of fire and other emergencies on the community. MFB works closely and jointly with other organisations in the emergency services sector.

To enable MFB to fulfil the above mentioned services, the organisation is primarily funded from the Fire Services Levy. The levy applies to property owners, including local municipal councils who remit the levy annually to the State Revenue Office. The State Government determines the annual grant income funding for MFB as detailed in these financial statements. MFB also receives market based service fees, statutory service fees and other income as detailed in these statements.

### Structure

- 2.1 Summary of income that funds the delivery of our services
- 2.2 Grants.
- 2.3 Income from transactions
  - 2.3.1 Sale of goods and services
  - 2.3.2 Interest
  - 2.3.3 Dividends
  - 2.3.4 Gain on financial instruments – investments
  - 2.3.5 Other income

### 2.1 Summary of income that funds the delivery of our services

	Notes	2017 (\$000)	2016 (\$000)
Grants	2.2	362,471	340,625
Sale of goods and services	2.3.1	33,424	34,336
Interest	2.3.2	993	2,055
Dividends - VFMC investment	2.3.3	5,594	6,984
Gain on financial instruments – investments	2.3.4	192	-
Other income	2.3.5	5,175	5,164
<b>Total income from transactions</b>		<b>407,849</b>	<b>389,164</b>

Income is recognised to the extent it is probable the economic benefits will flow to MFB and the income can be reliably measured at fair value. Where applicable, amounts disclosed as income are net of returns, allowances, duties and taxes.

### 2.2 Grants

	2017 (\$000)	2016 (\$000)
General Purpose	362,471	340,625
<b>Total grants</b>	<b>362,471</b>	<b>340,625</b>

**Grant income** arises from transactions in which a party provides goods or assets (or extinguishes a liability) to MFB without receiving approximately equal value in return. While grants may result in the provision of some goods or services to the transferring party, they do not provide a claim to receive benefits directly of approximately equal value (and are termed 'non-reciprocal' transfers). Receipt and sacrifice of approximately equal value may occur, but only by coincidence.

For non-reciprocal grants, MFB recognises revenue when the grant is receivable or received.

Grants can be received as **general purpose grants** which refers to grants which are not subject to conditions regarding their use. Alternatively, they may be received as **specific purpose grants** which are paid for a particular purpose and/or have conditions attached regarding their use.



## 2.3 Income from transactions

### 2.3.1 Sales of goods and services

	2017 (\$000)	2016 (\$000)
False alarm charges	548	4,550
Fire suppression equipment sales and servicing	21,582	20,180
Other sales	11,294	9,606
<b>Total sale of goods and services</b>	<b>33,424</b>	<b>34,336</b>

The main source of income from sales of goods and services relates to FES equipment and fire containment systems. The sales income 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.

Regulatory fees are recognised at the time of billing.

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 this 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.

### 2.3.2 Interest

	2017 (\$000)	2016 (\$000)
<b>Interest from financial assets not at fair value through profit and loss</b>		
Interest on bank	180	297
Interest on term deposits with Treasury Corporation Victoria	813	1,217
<b>Total interest from financial assets not at fair value through profit and loss</b>	<b>993</b>	<b>1,514</b>
Interest from financial assets at fair value through profit and loss		
Interest from financial instruments investments	-	541
<b>Total interest from financial assets at fair value through profit and loss</b>	<b>-</b>	<b>541</b>
<b>Total interest</b>	<b>993</b>	<b>2,055</b>

Interest income includes interest received on bank term deposits 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 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.

# Financial report

## 2.3.3 Dividends

	2017 (\$000)	2016 (\$000)
Dividends	5,594	6,984
<b>Total Dividends</b>	<b>5,594</b>	<b>6,984</b>

**Dividend income** is recognised when the right to receive payment is established. Dividends represent the income arising from MFB's investments in financial assets.

## 2.3.4 Gain on financial instruments – investments

	2017 (\$000)	2016 (\$000)
Gain on financial instruments	192	-
<b>Total gain on financial instruments</b>	<b>192</b>	<b>-</b>

MFB portfolio of investments managed through the Victorian Funds Management Corporation consists of equities, bonds and other financial instruments. As is customary in the financial markets, investments are traded in that they are sold and then other securities purchased. This results in realised gains or losses from securities that are purchased and sold. In March 2016, MFB in conjunction with VFMC, altered our investment holdings from an "in trust for MFB" arrangement to MFB being the direct investment holder. As a consequence, realised gains or losses on financial instruments is solely based on withdrawals from the investment; and comparing the initial unit purchase price to the unit sale price, multiplied by the number of units withdrawn.

The investment portfolios are also priced 'to market prices' at regular intervals, this pricing to market price results in unrealised gains or losses. Unrealised gains or losses from the portfolio investments is not recorded under Income from transactions, but is separately reported under Other economic flows included in net result.

## 2.3.5 Other income

	2017 (\$000)	2016 (\$000)
Workers compensation recovered from Workcover	2,787	3,065
Property rental	363	404
Other	2,025	1,695
<b>Total other income</b>	<b>5,175</b>	<b>5,164</b>

**Rental income** from shared usage of MFB stations and several operating leases is recognised on a straight line basis over the lease term.

### 3. The cost of delivering services

#### Introduction

This section provides an account of the expenses incurred by MFB in delivering services and outputs. In Section 2, the funds that enable the provision of services were disclosed and in this note the cost associated with provision of services is recorded.

#### Structure

- 3.1 Expenses incurred in delivery of services
  - 3.1.1 Employee benefits
  - 3.1.2 Depreciation and amortisation expense
  - 3.1.3 Contract services with State Government entities
  - 3.1.4 Loss on financial instruments – investments
  - 3.1.5 Other operating expenses

#### 3.1 Expenses incurred in delivery of services

	Notes	2017 (\$000)	2016 (\$000)
Employee benefits	3.1.1	329,375	282,966
Depreciation and amortisation	3.1.2	24,484	24,794
Contract services with State Government entities	3.1.3	19,195	18,826
Loss on financial instruments - VFMC investments	3.1.4	-	2,954
Other operating expenses	3.1.5	74,229	68,140
<b>Total expenses incurred in delivery of services</b>		<b>447,283</b>	<b>397,680</b>

#### 3.1.1(a) Employee benefits in the comprehensive operating statement

	2017 (\$000)	2016 (\$000)
Salaries and wages, annual leave and long service leave	247,387	214,533
Overtime	21,122	20,005
Defined benefit superannuation expense	20,994	16,204
Defined contribution superannuation expense	2,756	2,422
Movement in employee leave benefit provisions (excluding discount rate changes)	8,649	5,740
Payroll tax	14,083	12,293
Workcover	13,259	10,539
Fringe benefits tax	1,125	1,230
<b>Total employee expenses</b>	<b>329,375</b>	<b>282,966</b>

Employee expenses include all costs related to employment including wages and salaries, fringe benefits tax, leave entitlements, termination payments and WorkCover premiums.

The amount recognised in the comprehensive operating statement in relation to **superannuation** is employer contributions for members of both defined benefit and defined contribution superannuation plans that are paid or payable during the reporting period. MFB does not recognise any defined benefit liabilities because it has no legal or constructive obligation to pay future benefits relating to its employees. Instead, the Department of Treasury and Finance discloses in its annual financial statements the net defined benefit cost related to the members of these plans as an administered liability (on behalf of the State as the sponsoring employer).

**Termination benefits** are payable when employment is terminated before normal retirement date, or when an employee accepts an offer of benefits in exchange for the termination of employment.

Termination benefits are recognised when MFB is demonstrably committed to 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.

# Financial report

## 3.1.1(b) Employee benefits in the balance sheet

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave (LSL) for services rendered to the reporting date and recorded as an expense during the period the services are delivered.

	2017 (\$000)	2016 (\$000)
<b>Current provisions</b>		
Annual leave		
Unconditional and expected to settle within 12 months <sup>(i)</sup>	19,993	18,006
Unconditional and expected to settle after 12 months <sup>(i)</sup>	13,691	11,957
<b>Accrued leave</b>		
Unconditional and expected to settle within 12 months	530	467
Unconditional and expected to settle after 12 months	4,038	3,601
<b>Long service leave</b>		
Unconditional and expected to settle within 12 months	6,110	5,595
Unconditional and expected to settle after 12 months	56,021	55,698
<b>Provisions for on costs</b>		
Unconditional and expected to settle within 12 months <sup>(i)</sup>	5,478	5,233
Unconditional and expected to settle after 12 months <sup>(i)</sup>	13,816	13,325
<b>Total current provisions for employee benefits</b>	<b>119,677</b>	<b>113,882</b>
<b>Non current provisions</b>		
Long Service Leave	4,944	4,420
On-costs	936	815
<b>Total non-current provisions for employee benefits</b>	<b>5,880</b>	<b>5,235</b>
<b>Total provisions for employee benefits</b>	<b>125,557</b>	<b>119,117</b>

(i) Restatement of 2016 on-costs. Refer to Note 8.3

## Reconciliation of movement in on-cost provision

	2017 (\$000)	2016 (\$000)
<b>Opening balance <sup>(i)</sup></b>	<b>19,373</b>	<b>18,215</b>
Additional provisions recognised <sup>(ii)</sup>	11,033	11,530
Reductions arising from payments/other sacrifices of future economic benefits	(11,039)	(10,017)
Unwind of discount and effect of changes in the discount rate <sup>(ii)</sup>	863	(355)
<b>Closing balance</b>	<b>20,230</b>	<b>19,373</b>
Current	19,294	18,558
Non-current	936	815

(i) Restatement of 2016 on-costs. Refer to Note 8.3

(ii) Restatement of 2016 is the unwind of discount and effect of changes in the discount rate that had been included movement in long service leave liability, but was on-costs related. Refer to Note 8.3

**Wages and salaries, and annual leave:** Liabilities for wages and salaries (including non-monetary benefits, annual leave, and on-costs) are recognised as part of the employee benefit provision as current liabilities, because the State does not have an unconditional right to defer settlements of these liabilities.

**Unconditional long service leave** is disclosed 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 this current LSL liability 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.

**Conditional long service leave** 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 long service 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' in the net result.



# Financial report

## 3.1.1(c) Superannuation contributions

Employees of MFB are entitled to receive superannuation benefits and MFB contributes to both defined benefit and defined contribution plans. The defined benefit plan(s) provides benefits based on years of service and final average salary.

As noted in 3.1.1(a), the defined benefit liability is recognised in Department of Treasury and Finance accounts as an administered liability. However, superannuation contributions paid or payable

for the reporting period are included as part of employee benefits in the comprehensive operating statement of MFB.

The name, details and amounts expensed in relation to the major employee superannuation funds and contributions made by MFB are as follows:

	Paid contribution for the year		Contribution outstanding at year end	
	2017 (\$000)	2016 (\$000)	2017 (\$000)	2016 (\$000)
<b>Defined Benefit Plans<sup>(i)</sup></b>				
Emergency Services Superannuation Fund	20,233	16,201	761	-
Other	-	-	-	-
<b>Defined Contribution Plans</b>				
Emergency Services Superannuation Fund	1,850	1,927	10	-
Other	896	495	-	-
<b>Total</b>	<b>22,979</b>	<b>18,623</b>	<b>771</b>	<b>-</b>

(i) The basis for determining the level of contributions is determined by the various actuaries of the defined benefit superannuation plans.

## 3.1.2 Depreciation and amortisation expense

	2017 (\$000)	2016 (\$000)
<b>Depreciation - amortisation by asset class</b>		
Buildings	11,521	12,149
Plant, equipment and vehicles	11,567	11,367
Intangible assets amortisation (software, licence agreements)	1,396	1,278
<b>Total depreciation and amortisation</b>	<b>24,484</b>	<b>24,794</b>

All non-financial physical assets including buildings, training facilities, plant and equipment, excluding assets designated as held for sale or investment property, have finite useful asset lives and are depreciated. Depreciation is generally calculated on a straight line basis according to the assets useful life.

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period and adjustments made where appropriate. Refer Note 4.1.1 for further details on valuations and asset useful lives.

### 3.1.3 Contract services with State Government entities

	2017 (\$000)	2016 (\$000)
Department of Justice and Regulation	8,969	8,854
Emergency Services Telecommunications Authority (ESTA)	9,344	9,573
Other	882	399
<b>Total contract services with State Government entities</b>	<b>19,195</b>	<b>18,826</b>

### 3.1.4 Loss on financial instruments - investments

	2017 (\$ 000)	2016 (\$ 000)
Loss on financial instruments - investments	-	(2,954)
<b>Total loss on financial instruments</b>	<b>-</b>	<b>(2,954)</b>

MFB portfolio of investments managed through the Victorian Funds Management Corporation consists of equities, bonds and other financial instruments. As is customary in the financial markets, these investments are traded in that they are sold and then other securities purchased. This results in realised gains or losses from securities that are purchased and sold. The investment portfolios are also priced 'to market prices' at regular intervals, this pricing to market price results in unrealised gains or losses. Unrealised gains or losses from the portfolio investments is not recorded under Income from transactions, but is separately reported under Other economic flows included in net result.

# Financial report

## 3.1.5 Other operating expenses

	2017 (\$000)	2016 (\$000)
<b>Supplies and services</b>		
Fire systems contractor services expense	12,453	11,361
Property utilities, rates and maintenance	11,247	11,129
Supplies and consumables	5,209	5,491
Plant and equipment maintenance	9,569	5,547
Information technology	6,100	5,284
Motor vehicles fuel and maintenance	4,737	4,911
Uniforms	5,092	4,944
Legals	2,593	4,544
Travel	3,341	3,375
Training and development	3,338	3,018
Communications	2,138	2,373
Insurance	936	973
Property leases	2,065	800
Cost of goods sold	534	541
Internal audit and compliance audit	1,080	463
Consultants	650	293
Advertising and promotional activity	183	195
Other	2,964	2,898
<b>Total other operating expenses</b>	<b>74,229</b>	<b>68,140</b>

Other operating expenses generally represent the day-to-day running costs incurred in normal operations. It also includes bad debts expense from transactions that are mutually agreed.

Supplies and services 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 the inventories are distributed.

Operating lease payments (including contingent rentals) are recognised 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.

## 4. Key assets available to support output delivery

### Introduction

MFB controls investments that are utilised in fulfilling its objectives and conducting its activities. They represent the key resources that are controlled by MFB to be utilised for delivery of those outputs.

### Structure

- 4.1 Property, plant and equipment
  - 4.1.1 Depreciation and impairment
  - 4.1.2 Carrying values by purpose groups
  - 4.1.3 Reconciliation of movements in carrying values of property, plant and equipment

- 4.2 Investment properties
- 4.3 Intangible assets
- 4.4 Investments and other financial assets

### Significant judgement: classification of investments as 'Key Assets'

MFB has made the judgement that investments are key assets utilised to support MFB's objectives and outputs.

### Fair value measurement

Where the assets included in this section are carried at fair value, additional information is disclosed in Note 7.3 in connection with how those fair values were determined.

## 4.1 Property, plant and equipment

	Gross Carrying Amount		Accumulated Depreciation		Net Carrying Amount	
	2017 (\$000)	2016 (\$000)	2017 (\$000)	2016 (\$000)	2017 (\$000)	2016 (\$000)
Land at fair value <sup>(i)</sup>	326,843	290,950	-	-	326,843	290,950
Buildings at fair value <sup>(i)</sup>	300,946	300,497	11,536	20	289,410	300,477
Plant, equipment and vehicles at fair value	96,324	93,507	42,571	32,865	53,753	60,642
Assets under construction at cost	19,094	7,982	-	-	19,094	7,982
<b>Net carrying amount</b>	<b>743,207</b>	<b>692,936</b>	<b>54,107</b>	<b>32,885</b>	<b>689,100</b>	<b>660,051</b>

(i) MFB land and buildings are predominantly classified as specialised refer to Note 7.3.2 for detailed classification

### Initial recognition

Items of property, plant and equipment, are measured initially at cost and subsequently revalued at fair value less accumulated depreciation and impairment. Where an asset is acquired for no or nominal cost, the cost is its fair value at the date of acquisition. Assets transferred as part of a machinery of government change are transferred at their carrying amount.

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.

The cost of leasehold improvements is capitalised and depreciated over the shorter of the remaining term of the lease or their estimated useful lives.

# Financial report

## Subsequent measurement

Property, plant and equipment are subsequently measured at fair value less accumulated depreciation and impairment. Fair value is determined with regard to the asset's highest and best use (considering legal or physical restrictions imposed on the asset, public announcements or commitments made in relation to the intended use of the asset) and is summarised below by asset category.

**Non-specialised land and non-specialised buildings** are valued using the market approach, whereby assets are compared to recent comparable sales or sales of comparable assets that are considered to have nominal value.

**Specialised land and specialised buildings:** The market approach is also used for specialised land, although is adjusted for the community service obligation (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.

For the majority of MFB's specialised buildings, the depreciated replacement cost method is used, adjusting for the associated depreciation.

**Heritage assets** are valued using the depreciated replacement cost method. This cost generally represents the replacement

cost of the building/component after applying depreciation rates on a useful life basis. However, for some heritage and iconic 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.

**Vehicles** are valued using the depreciated replacement cost method. MFB acquires new vehicles and at times disposes of them before 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.

Fair value for **plant and equipment** that are specialised in use (such that it is rarely sold other than as part of a going concern) is determined using the depreciated replacement cost method.

Note 7.3 includes additional information in connection with fair value determination of property, plant and equipment.

Land class of assets was revalued as at 30 June 2017 based upon land price indices movements provided by the Victorian Valuer Generals' office.

Buildings were fully revalued as at 30 June 2016 by the Victorian Valuer General as required under the 5 year revaluation cycle as determined by DTF.

### 4.1.1 Depreciation and impairment

## Charge for the period

	2017 (\$000)	2016 (\$000)
Buildings	(11,521)	(12,149)
Plant, equipment and vehicles	(11,567)	(11,367)
Intangible produced assets	(1,396)	(1,278)
<b>Total depreciation</b>	<b>(24,484)</b>	<b>(24,794)</b>

All buildings, plant and equipment and other non financial physical assets that have finite useful lives, are depreciated. The exceptions to this rule include items under operating leases, assets held for sale, land and investment properties.

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.

Typical estimated useful lives for the different asset classes for current and prior years are included in the table below:

Asset	Useful life: years
Buildings	40
VEMTC training props	5-25
Plant, equipment and vehicles (including leased assets)	3-15



The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period, and adjustments made where appropriate.

Leasehold improvements are depreciated over the shorter of the lease term and their useful lives.

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).

**Indefinite life assets:** Land which is considered to have an indefinite life is not depreciated. Depreciation is not recognised in respect of these assets because their service potential has not, in any material sense, been consumed during the reporting period.

**Impairment:** Non-financial assets, including items of Property, Plant and Equipment, are tested for impairment whenever there is an indication that the asset may be impaired.

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 it 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 reversal in impairment, the carrying amount shall be increased to its recoverable amount. However this reversal should not increase the asset's carrying amount above what would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised in prior years.

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

#### 4.1.2 Carrying values by purpose groups <sup>(i)</sup>

	Public safety and environment			Total
	2017	2016	2017	(\$000) 2016
<b>Nature based classification</b>				
Land at fair value <sup>(ii)</sup>	326,843	290,950	326,843	290,950
Buildings at fair value	289,410	300,477	289,410	300,477
Plant, equipment and vehicles at fair value	53,753	60,642	53,753	60,642
Assets under construction at cost	19,094	7,982	19,094	7,982
<b>Net carrying amount</b>	<b>689,100</b>	<b>660,051</b>	<b>689,100</b>	<b>660,051</b>

(i) 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 in a purpose group are further sub categorised according to the asset's 'nature' (i.e. buildings, plant etc.), with each sub category being classified as a separate class of asset for financial reporting purposes. All MFB assets are classified in the Purpose Group "Public Safety and Environment".

(ii) Land at Fair Value 2016 has been restated. Refer to Note 8.3

# Financial report

## 4.1.3 Reconciliation of movements in carrying values of property, plant and equipment

2017	Land at fair value	Buildings at fair value	Plant, equipment and vehicles at fair value	Assets under construction at cost	Total (\$'000)
<b>Opening balance <sup>(ii)</sup></b>	<b>290,950</b>	<b>300,477</b>	<b>60,642</b>	<b>7,982</b>	<b>660,051</b>
Additions	-	-	5,015	12,017	17,032
Disposals	-	-	(788)	-	(788)
Transfer in/out of assets under construction	-	454	451	(905)	-
Revaluation of PPE	35,893	-	-	-	35,893
Impairment of assets	-	-	-	-	-
Depreciation	-	(11,521)	(11,567)	-	(23,088)
<b>Closing balance</b>	<b>326,843</b>	<b>289,410</b>	<b>53,753</b>	<b>19,094</b>	<b>689,100</b>

2016	Land at fair value	Buildings at fair value	Plant, equipment and vehicles at fair value	Assets under construction at cost	Total (\$'000)
<b>Opening balance <sup>(ii)</sup></b>	<b>164,421</b>	<b>268,523</b>	<b>64,459</b>	<b>17,115</b>	<b>514,518</b>
Additions	-	-	5,973	6,585	12,558
Disposals	-	-	(1,066)	-	(1,066)
Transfer in/out of assets under construction	-	6,876	1,860	(8,736)	-
Revaluation of PPE	126,529	37,227	783	-	164,539
Impairment of assets	-	-	-	(6,982)	(6,982)
Depreciation	-	(12,149)	(11,367)	-	(23,516)
<b>Closing balance</b>	<b>290,950</b>	<b>300,477</b>	<b>60,642</b>	<b>7,982</b>	<b>660,051</b>

(i) Fair value assessments have been performed for all classes of assets in this purpose group and the decision was made that movements were not material (i.e. less than or equal to 10 per cent). Subsequently revaluation was not required. The next scheduled full revaluation for this purpose group will be conducted in 2021.

(ii) Opening Land at Fair Value 2016 has been restated. Refer to Note 8.3

## 4.2 Investment properties

	2017 (\$000)	2016 (\$000)
<b>Balance at beginning of financial year <sup>(i)</sup></b>	<b>43,324</b>	<b>24,575</b>
Net gain/(loss) from fair value adjustments	3,601	14,535
Transfers to investment property	-	4,214
<b>Balance at end of financial year</b>	<b>46,925</b>	<b>43,324</b>

(i) Opening balance 2016 was restated - refer to Note 8.3 Correction of a prior period error

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 recognised 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.

Subsequent 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.

# Financial report

## 4.3 Intangible assets

<b>2017</b>	<b>Computer Software</b>	<b>Licences, other</b>	<b>WIP</b>	<b>Total (\$'000)</b>
Gross carrying amount				
<b>Opening balance</b>	<b>22,303</b>	<b>13,268</b>	<b>1,502</b>	<b>37,073</b>
Additions	1,703	-	1,926	3,629
Transfers from construction in progress	532	-	(532)	-
Disposals or classified as held for sale	-	-	-	-
<b>Closing balance</b>	<b>24,538</b>	<b>13,268</b>	<b>2,896</b>	<b>40,702</b>
Accumulated depreciation, amortisation and impairment				
<b>Opening balance</b>	<b>(16,437)</b>	<b>(8,523)</b>	-	<b>(24,960)</b>
Depreciation of intangible produced assets <sup>(i)</sup>	-	(861)	-	(861)
Amortisation of intangible non-produced assets <sup>(i)</sup>	(1,396)	-	-	(1,396)
Disposals or classified as held for sale	-	-	-	-
Impairment losses charged to net result <sup>(ii)</sup>	(778)	-	-	(778)
<b>Closing balance</b>	<b>(18,611)</b>	<b>(9,384)</b>	-	<b>(27,995)</b>
<b>Net book value at end of financial year</b>	<b>5,927</b>	<b>3,884</b>	<b>2,896</b>	<b>12,707</b>

<b>2016</b>	<b>Computer Software</b>	<b>Licences, other</b>	<b>WIP</b>	<b>Total (\$'000)</b>
Gross carrying amount				
<b>Opening balance</b>	<b>18,807</b>	<b>13,268</b>	<b>2,302</b>	<b>34,377</b>
Additions	1,371	-	1,347	2,718
Transfers from construction in progress	2,147	-	(2,147)	-
Disposals or classified as held for sale	(22)	-	-	(22)
<b>Closing balance</b>	<b>22,303</b>	<b>13,268</b>	<b>1,502</b>	<b>37,073</b>
Accumulated depreciation, amortisation and impairment				
<b>Opening balance</b>	<b>(15,181)</b>	<b>(7,603)</b>	-	<b>(22,784)</b>
Depreciation of intangible produced assets <sup>(i)</sup>	-	(920)	-	(920)
Amortisation of intangible non-produced assets <sup>(i)</sup>	(1,278)	-	-	(1,278)
Disposals or classified as held for sale	22	-	-	22
Impairment losses charged to net result <sup>(ii)</sup>	-	-	-	-
<b>Closing balance</b>	<b>(16,437)</b>	<b>(8,523)</b>	-	<b>(24,960)</b>
<b>Net book value at end of financial year</b>	<b>5,866</b>	<b>4,745</b>	<b>1,502</b>	<b>12,113</b>

(i) The consumption of intangible produced assets is included in 'depreciation' line item, where the consumption of the intangible non produced assets is included in 'net gain/(loss) on non financial assets' line item on the comprehensive operating statement.

(ii) Impairment losses are included in the line item 'net gain/(loss) on non-financial assets' in the comprehensive operating statement.

(iii) 2016 balances for Intellectual Property have now been merged with Software.

## Initial recognition

**Purchased intangible assets** are initially recognised at cost. When the recognition criteria in AASB 138 *Intangible Assets* is met, internally generated intangible assets are recognised at cost.

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

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 sell the intangible asset; and
- (f) the ability to measure reliably the expenditure attributable to the intangible asset during its development.

## Subsequent measurement

Intangible produced assets with finite useful lives, are depreciated as an 'expense from transactions' on a straight line basis over their useful lives. Produced intangible assets have useful lives of between 3 - 5 years.

Intangible non produced assets with finite lives are amortised as an 'other economic flow' on a straight line basis over their useful lives. The amortisation period is 3 - 5 years.

## Impairment of intangible assets

Intangible assets with finite useful lives are tested for impairment whenever an indication of impairment is identified. As at reporting date, MFB does not hold any indefinite life intangible assets.

Annually impairment testing is undertaken which involves detailed analysis with the asset managers to determine if any events such as policy changes, new technology, emerging systems etc, that impact the expected future life usage of the intangible assets or potential future cash flows anticipated.

If impairment is indicated, the asset value is adjusted to its expected remaining useful life and the resulting change is treated as an impairment loss to the operating statement.

## 4.4 Investments and other financial assets

	2017 (\$000)	2016 (\$000)
<b>Term deposits: <sup>(i)</sup></b>	-	-
<b>Total current investments and other financial assets</b>	-	-
VFMC Balanced Fund	114,340	110,184
VFMC Growth Fund	13,732	12,350
Australian dollar term deposits > 12 months	-	-
<b>Total non-current investments and other financial assets</b>	<b>128,072</b>	<b>122,534</b>
<b>Total investments and other financial assets</b>	<b>128,072</b>	<b>122,534</b>

(i) Term deposits under 'investments and other financial assets' class include only term deposits with maturity greater than 90 days.

(ii) MFB designated all its equities and managed investment schemes at fair value through profit or loss. Unless such assets are part of a disposal group held for sale, all equities and managed investment schemes are classified as non current. The investment portfolios are managed through Victorian Funds Management Corporation.



# Financial report

## 5. Other assets and liabilities

### Introduction

This section sets out those assets and liabilities that arose from MFB's controlled operations.

### Structure

- 5.1 Receivables
  - 5.1.1 Movement in the provision for doubtful debt
  - 5.1.2 Ageing analysis of contractual receivables
- 5.2 Payables
- 5.3 Inventories
- 5.4 Other non-financial assets

### 5.1 Receivables

	2017 (\$000)	2016 (\$000)
<b>Contractual</b>		
Sale of goods and services	5,317	6,131
Accrued investment income	1	-
Other receivables	5,044	110
Provision for doubtful contractual receivables	(115)	(184)
<b>Statutory</b>		
GST input tax credit recoverable	1,475	1,022
Regulatory fees charges	1,186	641
<b>Total receivables</b>	<b>12,908</b>	<b>7,720</b>
Represented by:		
Current receivables	12,908	7,720
Non-current receivables	-	-

**Contractual receivables** are classified as financial instruments and categorised as 'loans and receivables'. They are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial measurement they are measured at amortised cost using the effective interest method, less any impairment.

**Statutory receivables** do not arise from contracts and are recognised and measured similarly to contractual receivables (except for impairment), but are not classified as financial instruments.

### 5.1.1 Movement in the provision for doubtful debts

	2017 (\$000)	2016 (\$000)
<b>Balance at beginning of the year</b>	<b>184</b>	<b>437</b>
Reversal of unused provision recognised in the net result	2	1
Transfers out/amounts written off	(258)	(38)
(Decrease) / increase in provision recognised in the net result	187	(216)
<b>Balance at end of the year</b>	<b>115</b>	<b>184</b>

**Doubtful debts:** Receivables are assessed for bad and doubtful debts on a regular basis. A provision for doubtful debts is recognised when there is objective evidence that the debts may not be collected and bad debts are written off when identified. 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*.

A provision is made for estimated irrecoverable amounts from the sale of goods when there is objective evidence that an individual receivable is impaired. The increase in the provision for the year is recognised in the net result.

Bad debts considered as written off by mutual consent are classified as a transaction expense. Bad debts not written off, but included in the provision for doubtful debts, are classified as other economic flows in the net result.

### 5.1.2 Ageing analysis of contractual receivables

	Carrying amount	Not past due and not impaired	Past due but not impaired				(\$ 000)
			Less than 1 month	1-3 months	3 months - 1 year	1 - 5 years	
<b>2017</b>							
Sale of goods and services	5,317	4,385	535	256	141	-	
Accrued investment income	1	1	-	-	-	-	
Other receivables	5,044	5,021	-	-	23	-	
<b>Total</b>	<b>10,362</b>	<b>9,407</b>	<b>535</b>	<b>256</b>	<b>164</b>	<b>-</b>	
<b>2016</b>							
Sale of goods and services	6,131	5,051	575	488	24	-	
Accrued investment income	81	81	-	-	-	-	
Other receivables	29	-	-	1	21	-	
<b>Total</b>	<b>6,241</b>	<b>5,132</b>	<b>575</b>	<b>489</b>	<b>45</b>	<b>-</b>	

Interest is not charged on overdue receivables, irrespective, all receivables are actively followed up. In particular cases, upon application to and agreed by MFB, receivable payment plans are established which are reflected in past due not impaired amounts referred in the above tables. There are no material financial assets that are individually determined to be impaired. Currently MFB does not hold any collateral as security nor credit enhancements relating to any of its financial assets.

There are no financial assets that have had their terms renegotiated so as to prevent them from being past due or impaired, and they are stated at the carrying amounts as indicated.

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## 5.2 Payables

	2017 (\$000)	2016 (\$000)
<b>Contractual</b>		
Supplies and services	10,944	9,593
Amounts payable to government and agencies	182	71
Other payables	14,046	4,124
<b>Statutory</b>		
FBT payable	298	298
Group tax on salaries payable	1,237	1,215
Payroll tax on salaries payable	1,825	992
<b>Total payables</b>	<b>28,532</b>	<b>16,293</b>
Represented by:		
Current payables	28,532	16,293
Non-current payables	-	-

Payables consist of:

- **contractual payables**, classified as financial instruments and measured at amortised cost. Accounts payable represent liabilities for goods and services provided to MFB prior to the end of the financial year that are unpaid; and
- **statutory payables**, that 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 contracts

Payables for supplies and services have an average credit period of 30 days. No interest is charged on the 'other payables' for the first 30 days from the date of the invoice and there have been no claims by suppliers for interest for late payment (Fair Payments – government policy provides for such claims).

The terms and conditions of amounts payable to the government and agencies vary according to the particular agreements and as they are not legislative payables, they are not classified as financial instruments.

**Financial guarantees:** Payments that are contingent under financial guarantee contracts are recognised as a liability, at fair value, at the time the guarantee is issued. Subsequently, should there be a material increase in the likelihood that the guarantee may have to exercised, the liability is recognised at the higher of the amount determined in accordance with AASB 137 or the amount initially recognised.

MFB provides minimal financial guarantees and none are material in nature or amount.

In the determination of fair value, consideration is given to factors including the overall capital management/prudential supervision framework in operation, the protection provided by the State Government by way of funding should the probability of default increase, probability of default by the guaranteed party and the likely loss to MFB in the event of default.

### 5.2.1 Maturity analysis of contractual payables <sup>(i)</sup>

2017	Carrying amount	Nominal amount	Maturity dates			(\$000)
			Less than 1 month	1-3 months	3 months - 1 year	1 - 5 years
Supplies and services	10,944	10,944	9,882	1,062	-	-
Amounts payable to government and agencies	182	182	182	-	-	-
Other payables	14,046	14,046	11,282	364	2,400	-
<b>Total</b>	<b>25,172</b>	<b>25,172</b>	<b>21,346</b>	<b>1,426</b>	<b>2,400</b>	<b>-</b>

2016	Carrying amount	Nominal amount	Less than 1 month	1-3 months	3 months - 1 year	1 - 5 years
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	-
<b>Total</b>	<b>13,788</b>	<b>13,788</b>	<b>10,236</b>	<b>2,852</b>	<b>700</b>	<b>-</b>

(i) Maturity analysis is presented using the contractual undiscounted cash flows.

### 5.3 Inventories

	2017 (\$000)	2016 (\$000)
<b>Current inventories</b>		
Supplies and consumables: at cost	2,005	1,899
<b>Total current inventories</b>	<b>2,005</b>	<b>1,899</b>
Loss of service potential	(251)	(261)
<b>Total inventories</b>	<b>1,754</b>	<b>1,638</b>

Inventories are recorded at cost upon receipt and then measured on the basis of weighted average cost.

Inventory is assessed regularly for obsolescence and carrying values are adjusted where applicable. 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.

### 5.4 Other non-financial assets

	2017 (\$000)	2016 (\$000)
<b>Current other assets</b>		
Prepayments	1,976	1,642
<b>Total current other assets</b>	<b>1,976</b>	<b>1,642</b>
<b>Non-current other assets</b>		
Other	20	21
<b>Total non-current other assets</b>	<b>20</b>	<b>21</b>
<b>Total other assets</b>	<b>1,996</b>	<b>1,663</b>

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

# Financial report

## 6. How we financed our operations

### Introduction

This section provides information on the sources of finance utilised by MFB during its operations, along with interest expenses (the cost of borrowings) and other information related to financing activities of MFB.

This section includes disclosures of balances that are financial instruments (such as borrowings and cash balances). Note 7.1 and sub set notes provide additional, specific financial instrument disclosures.

### Structure

- 6.1 Borrowings
  - 6.1.1 Maturity analysis of borrowings
- 6.2 Leases
  - 6.2.1 Operating leases
- 6.3 Cash flow information and balances
  - 6.3.1 Reconciliation of net result for the period to cash flow from operating activities
  - 6.3.2 Financing facilities
- 6.4 Commitments for expenditure
  - 6.4.1 Total commitments payable
  - 6.4.2 Details of commitments

### 6.1 Borrowings

	2017 (\$000)	2016 (\$000)
<b>Current borrowings</b>		
Advances from government <sup>(i)</sup>	238	238
<b>Total current borrowings</b>	<b>238</b>	<b>238</b>
<b>Non-current borrowings</b>		
Advances from government <sup>(i)</sup>	1,189	1,425
<b>Total non current borrowings</b>	<b>1,189</b>	<b>1,425</b>
<b>Total borrowings - Loan from State Government</b>	<b>1,427</b>	<b>1,665</b>

(i) The interest free loan from State Government is recognised at the fair value of the consideration.



### 6.1.1 Maturity analysis of borrowings

2017	Carrying amount	Nominal amount	Less than 1 month	Maturity dates			(\$000)
				1-3 months	3 months - 1 year	1 - 5 years	5+ years
Advances from government	1,427	1,427	238	-	-	1,189	-
<b>Total</b>	<b>1,427</b>	<b>1,427</b>	<b>238</b>	-	-	<b>1,189</b>	-

2016	Carrying amount	Nominal amount	Less than 1 month	1-3 months	3 months - 1 year	1 - 5 years	5+ years
Advances from government	1,665	1,665	238	-	-	1,190	237
<b>Total</b>	<b>1,665</b>	<b>1,665</b>	<b>238</b>	-	-	<b>1,190</b>	<b>237</b>

## 6.2 Leases

### 6.2.1 Operating leases

Lease Type	Commitment 2017/18	Commitment 2018/19	Commitment 2019/20	Total (\$000)
Office Rental	350	208	26	<b>584</b>
Berth (Fire Boat)	62	11	-	<b>73</b>
Temporary station rental	163	-	-	<b>163</b>
<b>Total</b>	<b>575</b>	<b>219</b>	<b>26</b>	<b>820</b>

### 6.3 Cash flow information and balances

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.

For cash flow statement presentation purposes, cash and cash equivalents include bank overdrafts, which are included as current borrowings on the balance sheet, as indicated in the reconciliation below.

	2017 (\$000)	2016 (\$000)
Total cash and deposits disclosed in the balance sheet	13,035	34,896
<b>Balance as per cash flow statement</b>	<b>13,035</b>	<b>34,896</b>

MFB does not generally hold a large cash reserve in its bank accounts to align with State government guidance on investment and funding arrangements.

MFB manages all banking accounts under MFB name, subsequently all receipts and payments are managed through MFB designated bank accounts and investment accounts.

# Financial report

## 6.3.1 Reconciliation of net result for the period to cash flow from operating activities

	2017 (\$000)	2016 (\$000)
<b>Net result for the period</b>	<b>(30,967)</b>	<b>(5,758)</b>
<b>Non-cash movements:</b>		
(Gain)/loss on sale or disposal of non-financial assets	69	198
(Gain)/loss on revaluation of investment property	(3,601)	(14,536)
Depreciation and amortisation of non current assets	25,345	25,712
Impairment of non-current assets	807	6,983
Unrealised (gain)/loss on held for trading investments	(4,756)	643
Net (gain)/loss on financial instruments	(192)	2,954
(Decrease)/increase in allowance for doubtful debts	(69)	(253)
Other non-cash movements	(11)	(1)
<b>Movements included in investing and financing activities:</b>		
Sale proceeds from held for trading investments	5,000	-
<b>Movements in assets and liabilities:</b>		
(Increase)/decrease in receivables	(5,119)	1,720
(Increase)/decrease in inventories	(101)	(115)
(increase)/decrease in prepayments	(336)	(278)
Increase/(decrease) in payables	12,239	(5,801)
Increase/(decrease) in provisions	6,440	9,032
Increase/(decrease) in other liabilities	(809)	(224)
<b>Net cash flows from/(used in) operating activities</b>	<b>3,939</b>	<b>20,276</b>

## 6.3.2 Financing facilities

MFB has access to a bank overdraft facility of \$100,000 and unsecured VISA credit facility of \$960,000. Invariably at month and year end reporting periods, only a small portion of the VISA facility is utilised, the overdraft facility has not been utilised in the past reporting period.

## 6.4 Commitments for expenditure

Commitments for future expenditure include operating and capital commitments arising from contracts. These commitments are recorded below at their nominal value and inclusive of GST. Where it is considered appropriate and provides additional relevant information to users, the net present values of significant individual projects are stated. These future expenditures cease to be disclosed as commitments once the related liabilities are recognised in the balance sheet.

#### 6.4.1 Total commitments payable <sup>(i)</sup>

2017	Less than 1 year	Between 1 and 5 years	Over 5 years	Total (\$'000)
<b>Nominal Amounts</b>				
Capital expenditure commitments payable	11,169	-	-	11,169
Operating and lease commitments payable <sup>(i)</sup>	575	245	-	820
Intangible assets commitments payable	-	-	-	-
Other commitments payable	19,111	-	-	19,111
<b>Total commitments (inclusive of GST)</b>	<b>30,855</b>	<b>245</b>	<b>-</b>	<b>31,100</b>
Less GST recoverable from the Australian Tax Office	2,805	22	-	2,827
<b>Total commitments (exclusive of GST)</b>	<b>28,050</b>	<b>223</b>	<b>-</b>	<b>28,273</b>

2016	Less than 1 year	Between 1 and 5 years	Over 5 years	Total (\$'000)
<b>Nominal Amounts</b>				
Capital expenditure commitments payable	3,467	-	-	3,467
Operating and lease commitments payable <sup>(i)</sup>	668	634	-	1,302
Intangible assets commitments payable	-	-	-	-
Other commitments payable	21,310	192	-	21,502
<b>Total commitments (inclusive of GST)</b>	<b>25,445</b>	<b>826</b>	<b>-</b>	<b>26,271</b>
Less GST recoverable from the Australian Tax Office	2,313	75	-	2,388
<b>Total commitments (exclusive of GST)</b>	<b>23,132</b>	<b>751</b>	<b>-</b>	<b>23,883</b>

(i) Operating lease commitments relate to fire station and office facilities with lease terms between 1 and 3 years. These contracts do not allow MFB to purchase the facilities after the lease ends.

#### 6.4.2 Details of commitments

	2017 Nominal value (inc GST) (\$'000)	2016 Nominal value (inc GST) (\$'000)
Capital expenditure commitments: Plant, equipment and vehicles	11,169	3,467
Intangible asset commitments	-	-
Operating and lease commitments: temporary station and office	820	1,302
Other operational supplies and services commitments <sup>(i)</sup>	19,111	21,502
<b>Total commitments</b>	<b>31,100</b>	<b>26,271</b>

(i) Prior year other operating supplies, services commitments altered. Refer to Note 8.3.

# Financial report

## 7 Risks, contingencies and valuation judgements

### Introduction

MFB is exposed to risk from its activities and outside factors. In addition, it is often necessary to make judgements and estimates associated with recognition and measurement of items in the financial statements. This section sets out financial instrument specific information, (including exposures to financial risks) as well as those items that are contingent in nature or require a high level of judgement to be applied, which for MFB related mainly to fair value determination.

### Structure

- 7.1 Financial instruments specific disclosures
- 7.2 Contingent assets and contingent liabilities
- 7.3 Fair value determination

#### 7.1 Financial instruments specific disclosures

##### Introduction

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 (for example taxes, fines and penalties). Such assets and liabilities do not meet the definition of financial instruments in AASB 132 *Financial Instruments: Presentation*.

Guarantees issued on behalf of MFB are financial instruments because, although authorised under statute, terms and conditions for each financial guarantee may vary and are subject to an agreement.

##### Categories of financial instruments

**Loans and receivables and cash** are financial instrument assets with fixed and determinable payments that are not quoted on an active market. These assets and liabilities 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 (and for assets, less any impairment). MFB recognises the following assets in this category:

- cash and deposits
- receivables (excluding statutory receivables);
- term deposits.

**Available-for-sale financial instrument assets** are those designated as available-for-sale or not classified in any other category of financial instrument asset. Such assets are initially recognised at fair value. Subsequent to initial recognition, they are measured at fair value with gains and losses arising from changes in fair value, recognised in 'Other economic flows – other comprehensive income' until the investment is disposed. Movements resulting from impairment and foreign currency changes are recognised in the net result as other economic flows. On disposal, the cumulative gain or loss previously recognised in 'Other economic flows – other comprehensive income' is transferred to other economic flows in the net result. MFB recognises investments in managed investment schemes which include equities, in this category.

**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. These 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.

MFB makes limited use of this classification because any sale or reclassification of more than an insignificant amount of held to maturity investments not close to their maturity, would result in the whole category being reclassified as available-for-sale. The held to maturity category includes certain term deposits and debt securities for which MFB intends to hold to maturity.

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 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 net result are initially measured at fair value; attributable transaction costs are expensed as incurred. Subsequently, any changes in fair value are recognised in the net result as other economic flows. MFB recognises certain debt securities in this category.

**Financial liabilities at amortised cost** 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. MFB recognises the following liabilities in this category:

- payables (excluding statutory payables); and
- borrowings.

**Derivative financial instruments** are classified as held for trading financial assets and liabilities. They are initially recognised at fair value on the date on which a derivative contract is entered into. Derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative. Any gains or losses arising from changes in the fair value of derivatives after initial recognition are recognised in the consolidated comprehensive operating statement as an 'other economic flow' included in the net result.

**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 concerned has a legal right to offset the amounts and intend either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Some master netting arrangements do not result in an offset of balance sheet assets and liabilities. Where MFB does not have a legally enforceable right to offset recognised amounts, because the right to offset is enforceable only on the occurrence of future events such as default, insolvency or bankruptcy, they are reported on a gross basis.

**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 or 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.

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*.

**Reclassification of financial instruments:** Subsequent to initial recognition and under rare circumstances, non-derivative financial instruments assets that have not been designated at fair value through profit or loss upon recognition, may be reclassified out of the fair value through profit or loss category, if they are no longer held for the purpose of selling or repurchasing in the near term.

Financial instrument assets that meet the definition of loans and receivables may be reclassified out of the fair value through profit and loss category into the loans and receivables category, where they would have met the definition of loans and receivables had they not been required to be classified as fair value through profit and loss. In these cases, the financial instrument assets may be reclassified out of the fair value through profit and loss category, if there is the intention and ability to hold them for the foreseeable future or until maturity.

Available for sale financial instrument assets that meet the definition of loans and receivables may be reclassified into the loans and receivables category if there is the intention and ability to hold them for the foreseeable future or until maturity.

**Derecognition of financial liabilities:** A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised as an 'other economic flow' in the comprehensive operating statement.



# Financial report

## 7.1.1 Financial instruments: Categorisation

(\$000)	Contractual financial assets/liabilities designated at fair value through profit/loss	Contractual financial assets/liabilities held for trading at fair value through profit/loss	Contractual financial assets – loans and receivables and cash	Contractual financial assets – available for sale	Contractual financial liabilities at amortised cost	Total
<b>2017</b>						
<b>Contractual financial assets</b>						
Cash and deposits	-	-	13,035	-	-	13,035
<b>Receivables <sup>(i)</sup></b>						
Sale of goods and services	-	-	5,317	-	-	5,317
Accrued investment income	-	-	1	-	-	1
Other receivables	-	-	5,044	-	-	5,044
<b>Investments and other contractual financial assets</b>						
VFMC investment portfolio	128,072	-	-	-	-	128,072
<b>Total contractual financial assets</b>	<b>128,072</b>	<b>-</b>	<b>23,397</b>	<b>-</b>	<b>-</b>	<b>151,469</b>
<b>Contractual financial liabilities</b>						
<b>Payables <sup>(i)</sup></b>						
Supplies and services	-	-	-	-	10,944	10,944
Amounts payable to government and agencies	-	-	-	-	182	182
Other payables	-	-	-	-	14,046	14,046
<b>Borrowings</b>						
State Government loan	-	-	-	-	1,427	1,427
<b>Total contractual financial liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>26,599</b>	<b>26,599</b>

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

(\$000)	Contractual financial assets/ liabilities designated at fair value through profit/loss	Contractual financial assets/ liabilities held for trading at fair value through profit/loss	Contractual financial assets - loans and receivables and cash	Contractual financial assets - available for sale	Contractual financial liabilities at amortised cost	Total
<b>2016</b>						
<b>Contractual financial assets</b>						
Cash and deposits	-	-	34,896	-	-	34,896
<b>Receivables <sup>(i)</sup></b>						
Sale of goods and services	-	-	6,131	-	-	6,131
Accrued investment income	-	-	81	-	-	81
Other receivables	-	-	29	-	-	29
<b>Investments and other contractual financial assets</b>						
VFMC investment portfolio	122,534	-	-	-	-	122,534
<b>Total contractual financial assets</b>	<b>122,534</b>	<b>-</b>	<b>41,137</b>	<b>-</b>	<b>-</b>	<b>163,671</b>
<b>Contractual financial liabilities</b>						
<b>Payables <sup>(i)</sup></b>						
Supplies and services	-	-	-	-	9,593	9,593
Amounts payable to government and agencies	-	-	-	-	71	71
Other payables	-	-	-	-	4,124	4,124
<b>Borrowings</b>						
State Government loan	-	-	-	-	1,665	1,665
<b>Total contractual financial liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>15,453</b>	<b>15,453</b>

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

# Financial report

## 7.1.2 Financial instruments: Net holding gain/(loss) on financial instruments by category

(\$000)	Net holding gain/(loss)	Total interest income/(expense)	Fee income/(expense)	Impairment loss	Total
<b>2017</b>					
<b>Contractual financial assets</b>					
Financial assets designated at fair value through profit/loss	5,538	-	-	-	5,538
Financial assets – loans and receivables	-	813	-	-	813
Financial assets available-for-sale recognised in net result	-	-	-	-	-
Financial assets available-for-sale recognised in other comprehensive result	-	-	-	-	-
<b>Total contractual financial assets</b>	<b>5,538</b>	<b>813</b>	<b>-</b>	<b>-</b>	<b>6,351</b>
<b>Contractual financial liabilities</b>					
Financial liabilities at amortised cost	-	-	-	-	-
Financial liabilities designated at fair value through profit/loss	-	-	-	-	-
<b>Total contractual financial liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>2016</b>					
<b>Contractual financial assets</b>					
Financial assets designated at fair value through profit/loss	3,925	-	(69)	-	3,856
Financial assets – loans and receivables	-	1,217	-	-	1,217
<b>Total contractual financial assets</b>	<b>3,925</b>	<b>1,217</b>	<b>(69)</b>	<b>-</b>	<b>5,073</b>
<b>Contractual financial liabilities</b>					
Financial liabilities at amortised cost	-	-	-	-	-
Financial liabilities designated at fair value through profit/loss	-	-	-	-	-
<b>Total contractual financial liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

[Note: Amounts disclosed in this table exclude holding gains and losses related to statutory financial assets and liabilities.]

The net holding gains or losses disclosed above are determined as follows:

- for cash and cash equivalents, loans or receivables and available-for-sale financial assets, the net gain or loss is calculated by taking the movement in the fair value of the asset, the interest income, plus or minus foreign exchange gains or losses arising from revaluation of the financial assets, and minus any impairment recognised in the net result;
- for financial liabilities measured at amortised cost, the net gain or loss is calculated by taking the interest expense, plus or minus foreign exchange gains or losses arising from the revaluation of financial liabilities measured at amortised cost; and
- 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 in the fair value of the financial asset or liability.

### 7.1.3 Financial risk management objectives and policies

MFB is exposed to a number of financial risks, including:



As a whole, MFB’s financial risk management program seeks to manage these risks and the associated volatility of its financial performance.

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement, and the basis on which income and expenses are recognised, with respect to each class of financial asset, financial liability and equity instrument above are disclosed in Note 7.3.

The main purpose in holding financial instruments is to prudentially manage MFB’s financial risks within the government policy parameters.

MFB’s main financial risks include credit risk, liquidity risk, interest rate risk, foreign currency risk and equity price risk. MFB manages these financial risks in accordance with its financial risk management policy.

MFB uses different methods to measure and manage the different risks to which it is exposed. Significantly, MFB Board and executive are briefed and guided on portfolio investment risks by VFMC. Primary responsibility for the identification and management of financial risks rests with the Finance department under Corporate Services.

### 7.1.4 Financial instruments: Credit risk

Credit risk refers to the possibility that a borrower will default on its financial obligations as and when they fall due. MFB’s exposure to credit risk arises from the potential default of a counter party on their contractual obligations resulting in financial loss to MFB. Credit risk is measured at fair value and is monitored on a regular basis.

Credit risk associated with MFB’s contractual financial assets with state government entities is minimal. For debtors other than the Government, particularly in relation to statutory charges relating to false alarms, MFB is obligated under certain conditions to charge. Accordingly MFB has no capacity to minimise credit risk, but utilises approaches such as periodic instalment arrangements to achieve settlement of debtors accounts.

In addition, MFB does not engage in hedging for its contractual financial assets and mainly obtains contractual financial assets that are on fixed interest, except for cash and deposits, which are mainly cash at bank. As with the policy for debtors, MFB’s policy is to only deal with banks with high credit ratings.

Provision of impairment for contractual financial assets is recognised when there is objective evidence that MFB will not be able to collect a receivable. Objective evidence includes financial difficulties of the debtor, default payments, debts which are more than 60 days overdue, and changes in debtor credit ratings.

Except as otherwise detailed in the following table, the carrying amount of contractual financial assets recorded in the financial statements, net of any allowances for losses, represents MFB’s maximum exposure to credit risk without taking account of the value of any collateral obtained.

There has been no material change to MFB’s credit risk profile in 2016-17.

# Financial report

## 7.1.4 Financial instruments: Credit risk

(\$000)	Financial institutions (double A credit rating)	Government agencies (triple A credit rating)	Government agencies (triple B credit rating)	Other (no credit rating)	Total
<b>2017</b>					
Cash and deposits	13,035	-	-	-	13,035
Receivables <sup>(i)</sup>	-	70	-	10,292	10,362
Investments and other financial assets <sup>(ii)</sup>	-	-	-	128,072	128,072
<b>Total contractual financial assets</b>	<b>13,035</b>	<b>70</b>	<b>-</b>	<b>138,364</b>	<b>151,469</b>
<b>2016</b>					
Cash and deposits	14,896	20,000	-	-	34,896
Receivables <sup>(i)</sup>	-	1,890	-	4,351	6,241
Investments and other financial assets <sup>(ii)</sup>	-	-	-	122,534	122,534
<b>Total contractual financial assets</b>	<b>14,896</b>	<b>21,890</b>	<b>-</b>	<b>126,885</b>	<b>163,671</b>

(i) The total amounts disclosed here exclude statutory amounts (e.g. amounts owing from Victorian government and GST input tax credit recoverable).

(ii) Investments relate to the 2 VFMC investment portfolios, the funds are invested with recognised fund managers that are analysed in respect of risk, controls, management capacity and long term operating viability amongst other key attributes by VFMC. But these fund managers are generally not rated by ratings agencies.

## 7.1.5 Financial instruments: Liquidity risk

Liquidity risk arises from being unable to meet financial obligations as they fall due. MFB operates under the Government fair payments policy of settling financial obligations within 30 days and in the event of a dispute, making payments within 30 days from the date of resolution.

MFB is exposed to liquidity risk mainly through the financial liabilities as disclosed in the face of the balance sheet and the amounts related to financial guarantees. MFB manages its liquidity risk by:

- close monitoring of its short-term and long-term borrowings by senior management, including monthly reviews on current and future borrowing levels and requirements;
- maintaining an adequate level of uncommitted funds that can be drawn at short notice to meet its short-term obligations;
- holding investments and other contractual financial assets that are readily tradeable in the financial markets;

- careful maturity planning of its financial obligations based on forecasts of future cash flows; and
- a high credit rating for the State of Victoria (Moody's Investor Services and Standard and Poor's triple A, which assists in accessing debt market at a lower interest rate).

MFB's exposure to liquidity risk is deemed insignificant based on prior periods' data and current assessment of risk. Cash for unexpected events can be sourced from liquidation of financial investments or under specific credit arrangements with MFB's bank.

The carrying amount detailed in the following table of contractual financial liabilities recorded in the financial statements as loan from State Government (interest free loan), represents MFB's maximum exposure to liquidity risk. Also MFB has issued low value bank guarantees totalling less than \$100,000.

	Carrying amount 2017	Fair value 2017	Carrying amount 2016	Fair value 2016 (\$000)
Loans from State Government	1,427	1,427	1,665	1,665



### 7.1.6 Financial instruments: Market risk

MFB's exposures to market risk are primarily through interest rate risk, foreign currency risk and equity price risk. Objectives, policies and processes used to manage each of these risks are disclosed below.

#### Sensitivity disclosure analysis and assumptions

MFB's sensitivity to market risk is determined based on the observed range of actual historical data for the preceding five year period, with all variables other than the primary risk variable held constant. MFB's fund managers cannot be expected to predict movements in market rates and prices. Sensitivity analyses shown are for illustrative purposes only. The following movements are 'reasonably possible' over the next 12 months:

- a movement of 100 basis points up and down (2016: 100 basis points up and down) in market interest rates (AUD);
- MFB exposure to exchange rate fluctuations is limited to the VFMC investment and is managed by VFMC maintaining a full currency hedged position (i.e. VFMC covers the currency exposure by holding forward currency hedge contracts). Accordingly currency exposure to MFB financial instruments is negligible.
- a movement of 15 per cent up and down (2016: 15 per cent) for the top ASX 200 index and the equivalent USA and European market Indices.

The tables that follow show the impact on MFB's net result and equity for each category of financial instrument held by the MFB at the end of the reporting period, if the above movements were to occur.

#### Interest rate risk

Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate because of changes in market interest rates. MFB holds interest bearing investments through the VFMC investment portfolios and subsequently has exposure to fair value interest rate risk.

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. MFB has minimal exposure to cash flow interest rate risks through cash and deposits, term deposits and bank overdrafts that are at floating rate.

MFB manages this risk by mainly undertaking fixed rate or non-interest bearing financial instruments with relatively even maturity profiles, with only insignificant amounts of financial instruments at floating rate. Management has concluded for cash at bank and bank overdraft, as financial assets that can be left at floating rate without necessarily exposing MFB to significant bad risk, management monitors movement in interest rates on a daily basis.

The carrying amounts of financial assets and financial liabilities that are exposed to interest rates and MFB's sensitivity to interest rate risk are set out in the table that follows.

# Financial report

## 7.1.6 Financial instruments: Market risk

### Interest rate exposure of financial instruments

2017	Weighted average interest rate %	(\$000) Carrying amount	Interest rate exposure		Non interest bearing
			Fixed interest rate	Variable interest rate	
<b>Financial assets</b>					
Cash and deposits	1.53%	13,035	-	13,035	-
Receivables <sup>(i)</sup>					
Sale of goods and services		5,317	-	-	5,317
Accrued investment income		1	-	-	1
Other receivables <sup>(ii)</sup>		5,044	-	-	5,044
Investments and other contractual financial assets					
Managed investment schemes		128,072	37,048	23,098	67,926
Term deposits	1.75%	-	-	-	-
<b>Total financial assets</b>		<b>151,469</b>	<b>37,048</b>	<b>36,133</b>	<b>78,288</b>
<b>Financial liabilities</b>					
Payables <sup>(i)</sup>					
Supplies and services		10,944	-	-	10,944
Amounts payable to government and agencies		182	-	-	182
Other payables		14,046	-	-	14,046
Borrowings					
Loan from state government	0%	1,427	-	-	1,427
<b>Total financial liabilities</b>		<b>26,599</b>	<b>-</b>	<b>-</b>	<b>26,599</b>

(i) The carrying amounts disclosed here exclude statutory amounts (e.g. amounts owing from Victorian government and GST input tax credit recoverable).

(ii) Other receivable is a withdrawal from VFMC investment effected 28/6/2017 with settlement effective in 3 business days.

2016	Weighted average interest rate %	(\$000) Carrying amount	Interest rate exposure		Non interest bearing
			Fixed interest rate	Variable interest rate	
<b>Financial assets</b>					
Cash and deposits	2.06%	34,896	20,000	14,896	-
Receivables <sup>(i)</sup>					
Sale of goods and services		6,131	-	-	6,131
Accrued investment income		81	-	-	81
Other receivables		29	-	-	29
Investments and other contractual financial assets					
Managed investment schemes		122,534	35,525	22,171	64,838
Term deposits		-	-	-	-
<b>Total financial assets</b>		<b>163,671</b>	<b>55,525</b>	<b>37,148</b>	<b>70,998</b>
<b>Financial liabilities</b>					
Payables <sup>(i)</sup>					
Supplies and services		9,593	-	-	9,593
Amounts payable to government and agencies		71	-	-	71
Other payables		4,124	-	-	4,124
Borrowings					
Loan from state government	0%	1,665	-	-	1,665
<b>Total financial liabilities</b>		<b>15,453</b>	<b>-</b>	<b>-</b>	<b>15,453</b>

(i) The carrying amounts disclosed here exclude statutory amounts (e.g. amounts owing from Victorian government and GST input tax credit recoverable).

# Financial report

## 7.1.6 Financial instruments: Market risk

### Interest rate risk sensitivity

	(\$000)	-100 basis points		+100 basis points	
	Carrying amount	Net result	Available for sale revaluation surplus	Net result	Available for sale revaluation surplus
<b>2017</b>					
<b>Contractual financial assets</b>					
Cash and deposits	13,035	(130)	-	130	-
Investments and other contractual financial assets <sup>(i)</sup>	65,146	(651)	-	651	-
<b>Total impact</b>		<b>(781)</b>	-	<b>781</b>	-

<b>2016</b>					
<b>Contractual financial assets</b>					
Cash and deposits	34,896	(348)	-	348	-
Investments and other contractual financial assets <sup>(ii)</sup>	57,695	(577)	-	577	-
<b>Total impact</b>		<b>(925)</b>	-	<b>925</b>	-

(i) Included in investments is a VFMC investment withdrawal of \$5 million that was processed prior 30 June 2017 but was still in settlement (as settlement is 3 business days from withdrawal request).

(ii) Note as reporting dates June 2016 and June 2017, an interest free Loan from state government existed but is not included in the table above as no interest applies to the borrowing.

### Foreign currency risk

All foreign currency transactions during the financial year are brought to account using the exchange rate in effect at the date of the transaction. Foreign monetary items existing at the end of the reporting period are translated at the closing rate at the date of the end of the reporting period. Nonmonetary assets carried at fair value that are denominated in foreign currencies are translated to the functional currency at the rates prevailing at the date when the fair value was determined.

MFB is exposed to foreign currency risk primarily due to the 2 VFMC investment (Balanced and Growth) funds and payables relating to purchases of supplies and consumables from overseas. MFB has a limited amount of transactions denominated in foreign currencies and there is a relatively short timeframe between commitment and settlement therefore risk is minimal.

MFB exposures are mainly against the US dollar (USD) and Euro holdings related to the VFMC investment portfolios.

VFMC maintains a structured currency hedging program to manage and minimise exposure to exchange rate risk on the 2 VFMC investments held by MFB.

### Equity price risk

MFB is exposed to equity price risk through its 2 VFMC portfolio investments in listed and unlisted shares and managed investment schemes. Such investments are allocated and traded to match the investment objectives determined by MFB Board. MFB Board determined the investment objectives after detailed consideration of analysis, advice and consultation with VFMC.

MFB appointed Victorian Funds Management Corporation (VFMC) to manage its investment portfolio in accordance with the Investment Management Agreement established with VFMC. The fund manager (VFMC) on behalf of MFB, closely monitors performance and manages the equity price risk through diversification of its investment portfolio.

MFB's sensitivity to equity price risk is set out on the next page.

## Other price risk sensitivity

	(\$000)		-15%		+15%
	Carrying amount	Net result	Available for sale revaluation surplus	Net result	Available for sale revaluation surplus
<b>2017</b>					
<b>Contractual financial assets</b>					
Investments and other contractual financial assets <sup>(i)</sup>	67,926	(10,188)	-	10,188	-
<b>Total impact</b>	<b>67,926</b>	<b>(10,188)</b>	<b>-</b>	<b>10,188</b>	<b>-</b>

## 2016

<b>Contractual financial assets</b>					
Investments and other contractual financial assets <sup>(i)</sup>	64,839	(9,725)	-	9,725	-
<b>Total impact</b>	<b>64,839</b>	<b>(9,725)</b>	<b>-</b>	<b>9,725</b>	<b>-</b>

(i) Investments and other contractual financial assets includes only VFMC Investment portfolios held by MFB.

## 7.2 Contingent assets and contingent liabilities

Contingent assets and contingent liabilities are not recognised in the balance sheet but are disclosed and, if quantifiable, are measured at nominal value.

Contingent assets and liabilities are presented inclusive of GST receivable or payable respectively.

## Contingent assets

Contingent assets are possible assets that arise from past events, whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

These are classified as either quantifiable, where the potential economic benefit is known, or non-quantifiable.

## Quantifiable contingent assets (arising from outside of government)

	2017 (\$000)	2016 (\$000)
<b>Contingent assets</b>		
Contamination remediation claim against City of Yarra regarding the Burnley Complex was determined in MFB favour by the Victorian Supreme Court of Appeal judgement dated 26 July 2017. The matter has been remitted to the Victorian Supreme Court for quantum hearing, but the liability aspects may be subject to City of Yarra appeal to the High Court of Australia.		
MFB initiated legal action regarding structural deficiencies in the fire station at Glen Iris (as reflected in the asset impairment expense reported as at 30 June 2016)	N/A	N/A

(i) Amount is confidential, not determinable until final Appeal hearing.

# Financial report

## 7.2 Contingent assets and contingent liabilities

### Contingent liabilities

Contingent liabilities are:

- possible obligations that arise from past events, whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or
- present obligations that arise from past events but are not recognised because:
  - it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligations; or
  - the amount of the obligations cannot be measured with sufficient reliability.

Contingent liabilities are also classified as either quantifiable or non-quantifiable.

### Non-quantifiable contingent liabilities

A present contingent liability is non-quantifiable at this time arising from:

- contractual arrangements that are in dispute and the amount involved is not quantifiable at this point in time.

	2017 (\$000)	2016 (\$000)
Legal proceedings and disputes <sup>(i)</sup>	-	-

(i) Legal claims were lodged during the year against MFB on various matters, which due to confidentiality and legal process are unable to be disclosed.

## 7.3 Fair value determination

### Significant judgement: Fair value measurements of assets and liabilities

Fair value determination requires judgement and the use of assumptions. This section discloses the most significant assumptions used in determining fair values. Changes to assumptions could have a material impact on the results and financial position of MFB.

This section sets out information on how MFB determined fair value for financial reporting purposes. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The following assets and liabilities are carried at fair value:

- Financial assets and liabilities at fair value through operating result
- Available for sale financial assets
- Land, buildings, infrastructure, plant and equipment
- Investment properties.

In addition, the fair values of other assets and liabilities which are carried at amortised cost, also need to be determined for disclosure purposes.

MFB establishes policies and procedures for determining fair values for both financial and non-financial assets and liabilities as required.

### Fair value hierarchy

In determining fair values a number of inputs are used. To facilitate consistency and comparability in the financial statements, these inputs are categorised into three levels, also known as the fair value hierarchy. The levels are as follows:

- 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.

MFB determines whether transfers have occurred between levels in the hierarchy by reassessing 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.

### How this section is structured

For those assets and liabilities for which fair values are determined, the following disclosures are provided:

- carrying amount and the fair value (which would be the same for those assets measured at fair value);
- which level of the fair value hierarchy was used to determine the fair value; and
- in respect of those assets and liabilities subject to fair value determination using Level 3 inputs:
  - a reconciliation of the movements in fair values from the beginning of the year to the end; and
  - details of significant unobservable inputs used in the fair value determination.

This section is divided between disclosures in connection with fair value determination for financial instruments (refer to Note 7.3.1) and non-financial physical assets (refer to 7.3.2).



### 7.3.1 Fair value determination of financial assets and liabilities

The fair values and net fair values of financial 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 currently holds a range of financial instruments that are recorded in the financial statements where the carrying amounts are a reasonable approximation of fair value, either due to their short-term nature or with the expectation that they will be paid in full by the end of the 2016-17 reporting period.

These financial instruments are included in the table below:

Where the fair value of the financial instruments is different from the carrying amounts, the following information has been included to disclose the difference

Financial assets	Financial liabilities
Cash and deposits	Payables:
Receivables:	• For supplies and services
• Sale of goods and services	• Amounts payable to government and agencies
• Accrued investment income	• Other payables
• Other receivables	Borrowings:
Investments and other contractual financial assets	• Loan from State Government.
Term deposits	

### Fair value of financial instruments measured at amortised cost

	Carrying amount 2017	Fair value 2017	Carrying amount 2016	Fair value 2016
<b>Financial assets</b>				
Receivables <sup>(i)</sup>	-	-	-	-
<b>Financial liabilities</b>				
Loans from State Government	1,427	1,427	1,665	1,665

(i) Loan from State Government is an interest free 7 year term loan commencing July 2015.

### Financial assets measured at fair value

2017	Carrying amount as at 30 June 2017	Fair value measurement at end of reporting period using:		
		Level 1 <sup>(i)</sup>	Level 2 <sup>(i)</sup>	Level 3 <sup>(i)</sup>
Financial assets at fair value through profit or loss	-	-	-	-
Managed investment schemes	128,072	-	128,072	-
<b>Total</b>	<b>128,072</b>	<b>-</b>	<b>128,072</b>	<b>-</b>
<b>2016</b>				
Financial assets at fair value through profit or loss	-	-	-	-
Managed investment schemes	122,534	-	122,534	-
<b>Total</b>	<b>122,534</b>	<b>-</b>	<b>122,534</b>	<b>-</b>

(i) There is no significant transfer between Level 1 and Level 2 or Level 3.

# Financial report

## 7.3.1 Fair value determination of financial assets and liabilities

There have been no transfers between levels during the period.

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

**Listed securities:** The listed share assets are valued at fair value with reference to a quoted (unadjusted) market price from an active market. MFB categorises these instruments as Level 1.

**Debt securities:** In the absence of an active market, the fair value of MFB's debt securities and government bonds are valued using observable inputs such as recently executed transaction prices in securities of the issuer or comparable issuers and yield curves. Adjustments are made to the valuations when necessary to recognise differences in the instrument's terms. To the extent that the significant inputs are observable, MFB categorises these investments as Level 2.

**Unlisted securities:** The fair value of unlisted securities is based on the discounted cash flow method.

Significant inputs in applying this technique include growth rates applied for future cash flows and discount rates utilised. To the extent that the significant inputs are unobservable, MFB categorises these investments as level 3.

**Managed investment schemes:** MFB invests in managed funds which are not quoted in an active market and which may be subject to restrictions on redemptions such as lock up periods, redemption gates and side pockets. MFB considers the valuation techniques and inputs used in valuing these funds as part of its due diligence prior to investment, to ensure they are reasonable and appropriate and therefore the net asset value (NAV) of these funds may be used as an input into measuring their fair value. In measuring this fair value, the NAV of the funds is adjusted, as necessary, to reflect restrictions and redemptions, future commitments and other specific factors of the fund. In measuring fair value, consideration is also paid to any transactions in the shares of the fund. Depending on the nature and level of adjustments needed to the NAV and the level of trading of MFB, MFB classifies these funds as either level 2 or level 3.

The fair value of unlisted investments is based on the underlying market values on equity holdings inherent in the VFMC portfolios. The values are regularly calculated by the fund management and as at 30 June annually are reflective of fair value of the underlying holdings.

VFMC managed investments are classified as level 2.

## 7.3.2 Fair value determination: Non-financial physical assets

### Fair value measurement hierarchy

2017	Carrying amount as at 30 June 2017	Fair value measurement at end of reporting period using:		
		Level 1 <sup>(i)</sup>	Level 2 <sup>(i)</sup>	Level 3 <sup>(i)</sup>
(\$000)				
Land at fair value				
Specialised land	326,843	-	33,920	292,923
<b>Total of land at fair value</b>	<b>326,843</b>	<b>-</b>	<b>33,920</b>	<b>292,923</b>
Buildings at fair value				
Specialised buildings	265,948	-	-	265,948
Heritage assets <sup>(iii)</sup>	23,462	-	-	23,462
<b>Total of buildings at fair value</b>	<b>289,410</b>	<b>-</b>	<b>-</b>	<b>289,410</b>
Plant, equipment and vehicles at fair value				
Vehicles <sup>(iv)</sup>	42,398	-	-	42,398
Plant and equipment	11,355	-	-	11,355
<b>Total of plant, equipment and vehicles at fair value</b>	<b>53,753</b>	<b>-</b>	<b>-</b>	<b>53,753</b>

(i) Classified in accordance with the fair value hierarchy, see Note 7.3.1

(ii) An independent valuation of specialised land was performed using the Victorian Valuer General office as at 30 June 2016. The valuation was performed basis the market approach and adjusted for Community Service Obligations (CSO).

(iii) MFB holds \$23.5 million worth of properties listed as heritage assets. These heritage assets cannot be modified nor disposed of without formal ministerial approval.

(iv) Appliance vehicles are categorised as Level 3 assets as MFB uses the depreciated replacement cost in estimating the fair value.

### 7.3.2 Fair value determination: Non-financial physical assets

#### Fair value measurement hierarchy

2016	Carrying amount as at 30 June 2016	Fair value measurement at end of reporting period using:		
		Level 1 <sup>(i)</sup>	Level 2 <sup>(i)</sup>	Level 3 <sup>(iv)</sup>
Land at fair value				
Specialised land	290,950	-	30,490	260,460
<b>Total of land at fair value</b>	<b>290,950</b>	<b>-</b>	<b>30,490</b>	<b>260,460</b>
Buildings at fair value				
Specialised buildings	275,890	-	-	275,890
Heritage assets <sup>(ii)</sup>	24,587	-	-	24,587
<b>Total of buildings at fair value</b>	<b>300,477</b>	<b>-</b>	<b>-</b>	<b>300,477</b>
Plant, equipment and vehicles at fair value				
Vehicles <sup>(iii)</sup>	49,193	-	-	49,193
Plant and equipment	11,449	-	-	11,449
<b>Total of plant, equipment and vehicles at fair value</b>	<b>60,642</b>	<b>-</b>	<b>-</b>	<b>60,642</b>

(i) Classified in accordance with the fair value hierarchy, see Note 7.3.1

(ii) MFB holds \$24.6 million worth of properties listed as heritage assets. These heritage assets cannot be modified nor disposed of without formal ministerial approval.

(iii) Appliance vehicles are categorised as Level 3 assets as MFB uses the depreciated replacement cost in estimating the fair value.

(iv) During the 2015/16 financial year, an investment property - land was misclassified, refer to Note 8.3.

There have been no transfers between levels during the period.

**Non-specialised land and non-specialised buildings** are valued using the market approach, whereby assets are compared to recent comparable sales or sales of comparable assets that are considered to have nominal value.

An independent valuation was performed by Valuer General Victoria as at 30 June 2016 for all land and buildings to determine fair value using the market approach and adjusting the market value where applicable for specialised land. Valuation of the assets was determined by analysing comparable sales and allowing for share, size, topography, location and other relevant factors specific to the asset being valued. From this analysis, an appropriate rate per square metre has been applied to the subject asset. Specialised buildings, which includes most MFB buildings, including fire stations, are valued using the depreciated replacement cost.

Land class was revalued using VGV indices as at 30 June 2017 and the accompanying gain reported in the Physical Asset Revaluation Surplus.

Buildings and the vehicle classes of assets underwent management reviews of valuations as at 30 June 2017, as the book values represented closely to the fair value valuations (accounting for depreciated replacement cost values to core buildings), the increase was immaterial by asset class. Accordingly, buildings and vehicles were not revalued as at 30 June 2017.

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 market approach.

## 7.3.2 Fair value determination: Non-financial physical assets

**Specialised land and specialised buildings:** The market approach is also used for specialised land, although is adjusted for the community service obligation (CSO) to reflect the specialised nature of the land being valued.

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

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

An independent valuation of MFB's specialised land and specialised buildings was performed by the Valuer General Victoria (VGV). The valuation was performed using the market approach adjusted for CSO. The effective date of the valuation is 30 June 2016.

**Heritage assets** are valued using the depreciated replacement cost method. This cost generally represents the replacement cost of the building/component after applying depreciation rates on a useful life basis. However, for some heritage and iconic 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.

Where it has not been possible to examine hidden works such as structural frames and floors, the use of reasonable materials and methods of construction have been assumed bearing in mind the age and nature of the building. The estimated cost of reconstruction including structure services and finishes, also factors in any heritage classifications as applicable.

Management considered the movement in both specialised and non-specialised land with reference to the VGV land indices movements since the last full revaluation in June 2016. As there was a material movement since June 2016, land was revalued as at 30 June 2017.

Similarly, specialised buildings were analysed for changes in the current Depreciated Replacement Cost, including CSO adjustments. No revaluation was required as at 30 June 2017, as there was no material movement in fair value for this class since June 2016.

**Vehicles** are valued using the depreciated replacement cost method. MFB acquires new vehicles and at times disposes of them before 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.

**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 2017.

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

## Reconciliation of Level 3 fair value movements

2017	Specialised land	Specialised buildings	Heritage assets	Vehicles	Plant and equipment
<b>Opening balance</b>	<b>260,460</b>	<b>275,890</b>	<b>24,587</b>	<b>49,194</b>	<b>11,448</b>
Purchases (sales)	-	285	170	2,261	3,205
Transfers in (out) of Level 3	-	-	-	(779)	(9)
Gains or losses in net result					
Depreciation	-	(10,227)	(1,295)	(8,278)	(3,289)
Impairment loss	-	-	-	-	-
<b>Subtotal</b>	<b>-</b>	<b>(9,942)</b>	<b>(1,125)</b>	<b>(6,796)</b>	<b>(93)</b>
Gains or losses recognised in other economic flows					
Revaluation	32,463	-	-	-	-
<b>Closing balance</b>	<b>292,923</b>	<b>265,948</b>	<b>23,462</b>	<b>42,398</b>	<b>11,355</b>
Unrealised gains/(losses) on non financial assets	-	-	-	-	-
2016					
<b>Opening balance</b>	<b>146,413</b>	<b>253,892</b>	<b>14,631</b>	<b>54,741</b>	<b>9,718</b>
Purchases (sales)	-	6,776	100	3,114	4,719
Transfers in (out) of Level 3	-	-	-	(1,063)	(3)
Gains or losses in net result					
Depreciation	-	(10,855)	(1,294)	(8,381)	(2,986)
Impairment loss	-	-	-	-	-
<b>Subtotal</b>	<b>-</b>	<b>(4,079)</b>	<b>(1,194)</b>	<b>(6,330)</b>	<b>1,730</b>
Gains or losses recognised in other economic flows					
Revaluation	114,047	26,077	11,150	783	-
<b>Closing balance</b>	<b>260,460</b>	<b>275,890</b>	<b>24,587</b>	<b>49,194</b>	<b>11,448</b>
Unrealised gains/(losses) on non financial assets	-	-	-	-	-

# Financial report

## 7.3.2 Fair value determination: Non-financial physical assets

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

2017 and 2016	Valuation technique <sup>(i)</sup>	Significant unobservable inputs <sup>(i)</sup>
Specialised land	Best Use fair value method, which considers the market value basis best use of the land subject to CSO obligations.	Community service obligation (CSO) adjustment
Specialised buildings	Depreciated replacement cost	Replacement cost of buildings provided by cost consultants Useful life of specialised buildings upon initiation is 40 years
Heritage assets	Depreciated replacement cost <sup>(ii)</sup>	Replacement cost provided by cost consultants
Vehicles	Depreciated replacement cost	Replacement cost per appliance/vehicle Useful life of vehicles is 15 years for appliances and 3 years for passenger vehicles.
Plant and equipment	Depreciated replacement cost	Cost per unit is considered for key items of plant and equipment. Other general plant and equipment is considered reflective of DRC value as asset lives invariably are in the range 3-7 years.  Useful life of plant and equipment 3-15 years

(i) CSO adjustments ranging from 20 per cent to 30 per cent were applied to reduce the best use fair value market approach for MFB's specialised land

(ii) For some heritage assets, cost 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.

Significant unobservable inputs have remained unchanged since June 2016.

### Investment properties measured at fair value and their categorisation in the fair value hierarchy

	Carrying amount	Fair value measurement at end of reporting period using:		
		Level 1 <sup>(i)</sup>	Level 2 <sup>(i)</sup>	Level 3 <sup>(i)</sup>
<b>2017</b>				
Investment properties	46,925	-	46,925	-
<b>2016</b>				
Investment properties <sup>(ii)</sup>	43,324	-	43,324	-

(i) Classified in accordance with the fair value hierarchy

(ii) 2016 Investment property was restated due to reclassification - Refer to Note 8.3.1

There have been no transfers between levels during the period. There were no changes in valuation techniques throughout the period to 30 June 2017.

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's investment properties at 30 June 2017 have been arrived at on the basis of an management revaluation utilising the independent valuations determined as at 30 June 2016 and applying the published Victorian Valuer General's market indices which represent the movement in land and building valuations since 30 June 2016 to reflect fair value as at 30 June 2017.



## 8 Other disclosures

### Introduction

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

### Structure

- 8.1 Subsequent events
- 8.2 Other economic flows included in net result
- 8.3 Correction of a prior period error
- 8.4 Responsible person
- 8.5 Remuneration of executives
- 8.6 Related parties
- 8.7 Remuneration of auditors
- 8.8 Investment properties
- 8.9 Reserves
- 8.10 Ex-gratia expenses
- 8.11 Australian Accounting Standards issued that are not yet effective
- 8.12 Glossary of technical terms

#### 8.1 Subsequent events

On the 24 May 2017 a reform bill was introduced to Parliament titled: the Firefighters' Presumptive Rights Compensation and Fire Services Legislation Amendment (Reform) Bill 2017. As part of this bill, a new organisation titled Fire Rescue Victoria is proposed to incorporate MFB and CFA career firefighters in the one organisation to serve and protect metropolitan Melbourne and major regional centres. The Bill passed through the Legislative Assembly and underwent a first and second reading in the Legislative Council.

On 21 June 2017, an eight member Select Committee of Parliament was appointed to inquire into, consider and report back on the proposed Bill. After conducting public hearings, accepting submissions and taking oral evidence from witnesses and various stakeholders, the committee's final report was tabled in the Legislative Council on Tuesday 22 August 2017. The Bill is subject to the ongoing parliamentary process.

#### 8.2 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. 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.

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## 8.2 Other economic flows included in net result

	2017 (\$000)	2016 (\$000)
<b>Net gain/(loss) on non financial assets</b>		
Impairment of property plant and equipment (including intangible assets)	(779)	(6,982)
Amortisation of non-produced intangible assets <sup>(i)</sup>	(861)	(920)
Revaluation of investment property	3,600	14,536
Net gain/ (loss) on disposal of property plant and equipment	(69)	(198)
<b>Total net gain/(loss) on non financial assets</b>	<b>1,891</b>	<b>6,436</b>
<b>Net gain/(loss) on financial instruments</b>		
Impairment of:		
Loans and receivables <sup>(ii)</sup>	(187)	216
Bad debts written off by mutual agreement		
Net gain/(loss) arising from revaluation of financial assets at fair value – market risk	4,756	(643)
<b>Total net gain/(loss) on financial instruments</b>	<b>4,569</b>	<b>(427)</b>
<b>Other gain / (loss) from other economic flows</b>		
<b>Net gain / (loss) arising from revaluation of leave liabilities</b>	<b>2,007</b>	<b>(3,251)</b>
<b>Total other economic flows included in net result</b>	<b>2,007</b>	<b>(3,251)</b>
<b>Total other gains/(losses) from other economic flows</b>	<b>8,467</b>	<b>2,758</b>

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

(ii) Including increase/(decrease) in provision for doubtful debts and bad debts from other economic flows

## 8.3 Correction of a prior period error

MFB has identified three prior period errors. These are explained below and have since been adjusted for the error and restated each of the affected financial statements for the 2016 financial year, as shown in the tables below.

### 8.3.1 Investment property not recognised

For the reporting period ended 30 June 2016, an investment property valued at fair value of \$9,420,000 was misclassified as freehold land. The property was non-core and should have been classified as an investment property.

Additionally, reclassification to investment property results in the revaluation gain on this land (\$5,207,000) to be reclassified from reserves to net gain on non-financial physical assets.

### 8.3.2 Restatement of Employee Benefits to separate on costs

For the reporting period ended 30 June 2016 the Employee Benefits provision for annual leave erroneously included superannuation on cost as part of the employee benefit. Subsequently, the superannuation on cost previously included under the employee benefits provision for annual leave is now separated and correctly classified as employee benefits on cost.

### 8.3.3 Restatement of commitments

For the reporting period ended 30 June 2016, recurrent service commitments erroneously included forecasts for forward years (2016/17 and 2017/18) for ESTA call and dispatch and related services; whereas only the agreed commitment of \$10,243,000 (GST inclusive) for 2016/17 should have been reported. This led to a reducing adjustment of \$15,071,000 (GST inclusive).

## Impact of corrections of an error on the comprehensive operating statement and balance sheet

Description of correction	For period ended 30 June 2016	Adjustment	(\$000) For period ended 30 June 2016 (restated)
<b>Reclassification freehold land to Investment property:</b>			
Freehold Land	300,370	(9,420)	290,950
Investment Property	33,904	9,420	43,324
Above records the reclassification of freehold land to investment property in the balance sheet			
Net gain on non-financial physical assets	1,229	5,207	6,436
<b>Net Result</b>	<b>(10,965)</b>	<b>5,207</b>	<b>(5,758)</b>
<b>Changes in physical asset revaluation surplus</b>	<b>169,746</b>	<b>(5,207)</b>	<b>164,539</b>
Above records the reclassification of the gain on an investment property of \$5,207,000 transferred from Asset Revaluation Reserve in the Balance Sheet to Net Gain on Non Financial Assets in the Operating Statement as a consequence of reclassification of the abovementioned freehold land to Investment Property			
<b>Reclassification of 'on-costs' on Annual Leave:</b>			
Employee benefits annual leave (excl. on costs)			
Annual leave-unconditional and expected to be settled within 12 months	20,316	(2,310)	18,006
Annual leave-unconditional and expected to be settled after 12 months	13,460	(1,503)	11,957
Current Employee benefits on costs			
Provision for oncosts – unconditional and expected to be settled within 12 months	2,923	2,310	5,233
Provision for oncosts – unconditional and expected to be settled over 12 months	11,822	1,503	13,325
Above records the reclassification of on-costs totalling \$3,813,000 that were previously incorrectly included and reported as employee benefits ( annual leave) The above separates the on cost portion of \$3,813,000 from employee benefits to employee benefit on-costs.			
<b>Restatement of 2015/16 Recurrent operating supplies, services commitments:</b>			
Recurrent operating supplies, services commitments	36,573	(15,071)	21,502
Above records the restatement of prior years' (2015/16) reported recurrent operating supplies, services commitments as the amount incorrectly included budgeted amounts due to a state entity that were not a commitment at reporting date.			

# Financial report

## 8.4 Responsible persons

In accordance with the Ministerial Directions issued by the Minister for Finance under the *Financial Management Act 1994* (FMA), the following disclosures are made regarding responsible persons for the reporting period.

### 8.4.1 Accountable Officer Remuneration

Remuneration received or receivable by the Accountable Officer in connection with the management of MFB during the reporting period was in the range: \$410,000 - \$419,000 (\$390,000 - \$399,999 in 2015-16).

### 8.4.2 Names of Responsible Persons

The persons who held the positions of Accountable Officers in MFB, including the portfolio Minister and board members are as follows:

Minister for Emergency Services	The Hon. James Merlino MP	1 July 2016 to 30 June 2017
Acting Minister for Emergency Services	The Hon. Lisa Neville MP	28 March 2017 to 7 April 2017
Board Member	A Diamond President	1 July 2016 to 30 June 2017
Board Member	J A Bonnington	1 July 2016 to 29 November 2016
Board Member	K W King	1 July 2016 to 21 April 2017
Board Member	S F Alford	1 July 2016 to 30 June 2017
Board Member	D Purchase OAM	1 July 2016 to 30 June 2017
Board Member	T A Ryan	1 July 2016 to 2 February 2017
Board Member	K Hall	15 November 2016 to 30 June 2017
Board Member	F Chamberlain	27 March 2017 to 30 June 2017
Board Member	J Doak	6 June 2017 to 30 June 2017
Board Member	J Higgins ASM	1 July 2016 to 30 June 2017

### 8.4.3 Remuneration – Responsible Persons

Remuneration Band	No. of responsible persons	
	2017	2016
\$0 - \$ 9,999	3	1
\$10,000 - \$19,999	2	-
\$20,000 - \$29,999	3	4
\$30,000 - \$39,999	-	1
\$50,000 - \$59,999	1	1
<b>Total</b>	<b>9</b>	<b>7</b>
<b>Total Remuneration of Responsible Persons (\$000)</b>	<b>170</b>	<b>182</b>

## 8.5 Remuneration of executives

### 8.5.1 Remuneration of executives

The number of executive officers, other than ministers and accountable officers, and their total remuneration during the reporting period are shown in the table below. Total annualised employee equivalents provides a measure of full time equivalent executive officers over the reporting period.

Remuneration comprises employee benefits in all forms of consideration paid, payable or provided by the entity, or on behalf of the entity, in exchange for services rendered, and is disclosed in the following categories.

**Short-term employee benefits** include amounts such as wages, salaries, annual leave or sick leave that are usually paid or payable on a regular basis, as well as non-monetary benefits such as allowances and free or subsidised goods or services.

**Post-employment benefits** include pensions and other retirement benefits paid or payable on a discrete basis when employment has ceased.

**Other long-term benefits** include long service leave, other long-service benefit or deferred compensation.

**Termination benefits** include termination of employment payments, such as severance packages.

**Share-based payments** are cash or other assets paid or payable as agreed between the entity and the employee, provided specific vesting conditions, if any, are met.

Several factors affected total remuneration payable to executives over the year. A number of employment contracts were completed and renegotiated and a number of executives received bonus payments.

These bonus payments depend on the terms of individual employment contracts. Some contracts provide for an annual bonus payment whereas other contracts only include the payment of bonuses on the successful completion of the full term of the contract. A number of these contract completion bonuses became payable during the year.

A number of executive officers retired, resigned or were retrenched in the past year. This has had a significant impact on remuneration figures for the termination benefits category.

Remuneration	2017 (\$'000)
	<b>Total remuneration</b>
Short-term employee benefits	6,548
Post-employment benefits	600
Other long-term benefits (including long service leave)	161
Termination benefits	1,410
<b>Total remuneration</b>	<b>8,719</b>
<b>Total number of executives</b>	<b>41</b>
<b>Total annualised employee equivalents<sup>(ii)</sup></b>	<b>32.5</b>

(i) Note that for the first year of implementation (2016-17), no comparatives are required.

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

## 8.6 Related parties

MFB is a statutory authority and is recognised for the purposes of financial reporting, as wholly owned and controlled entity of the State of Victoria. Related parties of MFB include:

- MFB Board members, the Chief Executive Officer and Chief Fire Officer and their close family members;
- The Minister for Emergency Services and his close family members; and
- All public sector entities that are controlled and consolidated into the whole of state consolidated financial statements.

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

**Key management personnel** of MFB include the Portfolio Minister - the Minister for Emergency Services, MFB Board members, the Chief Executive Officer and Chief Fire Officer. The compensation detailed below excludes the salaries and benefits the Portfolio Minister receives. The Minister's remuneration and allowances is set by the *Parliamentary Salaries and Superannuation Act 1968* is reported within the Department of Parliamentary Services' Financial Report.

# Financial report

## 8.6 Related parties

### Compensation

	2017 (\$000)
Short term employee benefits	889
Post-employment benefits	58
Other long-term benefits	17
Termination benefits	542
Share based payments	-
<b>Total</b>	<b>1,506</b>

### Transactions with key management personnel and other related parties

Given the breadth and depth of State government activities, related parties transact with the Victorian public sector in a manner consistent with other members of the public e.g. stamp duty and other government fees and charges. Further employment of processes within the Victorian public sector occur on terms and conditions consistent with the *Public Administration Act 2004* and Codes of Conduct and Standards issued by the Victorian Public

Sector Commission. Procurement processes occur on terms and conditions consistent with the Victorian Government Procurement Board requirements. Outside of normal citizen type transactions with MFB, there were no related party transactions that involved key management personnel and their close family members. No provision has been required, nor any expense recognised, for impairment of receivables from related parties.

#### 8.6.1 Significant transactions with government-related entities

The main source of funding is from state government grants that are allocated to the Department of Justice and Regulation for distribution to MFB on a quarterly basis. Grant funding received in the reporting period 2016/17 was \$362.4 million (2015/16 \$340.6 million).

MFB regularly transacts with other emergency services. Significant interactions with other state entities include the following:

- The Country Fire Authority (CFA), in relation to recruit training activity provided at the Victorian Emergency Management Training Centre. In the current reporting period, services invoiced to CFA total \$4.2 million which is mainly recruit training costs reimbursement.
- ESTA in respect to call taking and dispatch and related activity with expenditure incurred of \$9.3 million (2015/16 \$9.5 million) (refer Note 3.1.3).
- Expenditure of \$8.9 million (2015/16 \$ 8.8 million) incurred with the Department of Justice and Regulation in respect of Emergency Management Victoria (EMV) and the departments governance and support services provided to MFB.
- Annually, MFB incurs insurance coverage from Victorian Managed Insurance Authority and incurred \$1 million in 2016/17 (2015/16 \$1 million).

- MFB has concessional water usage charges with Yarra Valley Water for training purposes though the expenditure annually is not significant. Similarly MFB incurs utilities service charges from other state utility entities that are not materially significant.
- MFB also invests term deposits with Treasury Corporation Victoria which resulted in interest earnings totalling \$0.9 million in 2016/17 (2015/16 \$1.2 million).
- MFB holds investments that are co-ordinated with fund managers under advice from Victorian Funds Management Corporation for which management fees are included in the unit pricing, these fees are not significant.

Other transactions regularly occur with state government entities under normal business conditions but they are not significant in comparative value, these transactions include fire suppression services and maintenance service charges and charges by MFB for false alarm call outs that meet certain criteria.



## 8.7 Remuneration of auditors

	2017 (\$000)	2016 (\$000)
Victorian Auditor General's Office		
Audit or review of the financial statements	114	106
Other non-audit services <sup>(i)</sup>	-	-
<b>Total remuneration of auditors</b>	<b>114</b>	<b>106</b>

(i) The Victorian Auditor General's Office is not allowed to provide non-audit services

## 8.8 Investment properties

In addition to the assets and liabilities disclosed above as part of the disposal groups, the following non-financial assets held for sale exist at the reporting date:

	2017 (\$000)	2016 (\$000)
Freehold land <sup>(i)</sup>	46,100	42,499
Freehold buildings <sup>(i)</sup>	825	825
<b>Total</b>	<b>46,925</b>	<b>43,324</b>

(i) MFB holds freehold land that is no longer strategic nor core to MFB operations, these land parcels consist of vacant land and land with un-utilised premises. There is no active marketing land to sell these parcels of land presently, and as such, they are determined as investment property that will eventually be sold in line with accordance with our budget planning process in coming years.

Measurement of investment property: non-financial physical assets deemed as Investment Property are valued annually on the basis of fair value considering the asset's highest and best use.

## 8.9 Reserves

	2017 (\$000)	2016 (\$000)
<b>Physical asset revaluation surplus: <sup>(i)</sup></b>		
Balance at beginning of financial year	387,227	222,688
Revaluation increments/(decrements)	35,893	164,539
<b>Balance at end of financial year</b>	<b>423,120</b>	<b>387,227</b>

(i) The physical assets revaluation surplus arises on the revaluation of land, buildings and vehicles.

## 8.10 Ex-gratia expenses <sup>(i)</sup>

	2017 (\$000)	2016 (\$000)
Forgiveness or waiver of debt <sup>(ii)</sup>	-	38
Compensation for economic loss <sup>(iii)</sup>	48	51
<b>Total ex gratia expenses <sup>(iii)</sup></b>	<b>48</b>	<b>89</b>

(i) Includes ex-gratia expenses for both individual items and in aggregate that are greater than or equal to \$5 000.

(ii) Forgiveness of receivables basis hardship applications as considered by MFB

(iii) Compensation for economic loss are payments to individuals for claims of loss incurred relative to a dispute regarding employment. These payments are reflected in salaries and wages expenses - refer to Note 3.1.1 (a).

# Financial report

## 8.11 Australian Accounting Standards issued that are not yet effective

The following AASs become effective for reporting periods commencing after the operative dates stated:

Certain new Australian Accounting Standards (AAS) have been published that are not mandatory for the 30 June 2017 reporting period. Department of Treasury and Finance assesses the impact of all these new standards and advises MFB of their applicability and early adoption where applicable.

Standard/Interpretation	Summary	Applicable for annual reporting periods beginning on	Impact on public sector entity financial statements
AASB 9 <i>Financial Instruments</i>	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 Jan 2018	The assessment has identified that the amendments are likely to result in earlier recognition of impairment losses and at more regular intervals.  While there will be no significant impact arising from AASB 9, there will be a change to the way financial instruments are disclosed.
AASB 2010-7 <i>Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)</i>	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: <ul style="list-style-type: none"> <li>• The change in fair value attributable to changes in credit risk is presented in other comprehensive income (OCI); and</li> <li>• 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.</li> </ul>	1 Jan 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.  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 <i>Amendments to Australian Accounting Standards [Part E Financial Instruments]</i>	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 Jan 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 <i>Amendments to Australian Accounting Standards arising from AASB 9</i>	Amends various AASs to incorporate the consequential amendments arising from the issuance of AASB 9.	1 Jan 2018	The assessment has indicated that there will be no significant impact for the public sector.

Standard/Interpretation	Summary	Applicable for annual reporting periods beginning on	Impact on public sector entity financial statements
AASB 15 <i>Revenue from Contracts with Customers</i>	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 Jan 2018	The changes in revenue recognition requirements in AASB 15 may result in changes to the timing and amount of revenue recorded in the financial statements. The Standard will also require additional disclosures on service revenue and contract modifications.
AASB 2014-5 <i>Amendments to Australian Accounting Standards arising from AASB 15</i>	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: <ul style="list-style-type: none"> <li>the entity's right to receive payment of the dividend is established;</li> <li>it is probable that the economic benefits associated with the dividend will flow to the entity; and</li> <li>the amount can be measured reliably.</li> </ul>	1 Jan 2017, except amendments to AASB 9 (Dec 2009) and AASB 9 (Dec 2010) apply from 1 Jan 2018	The assessment has indicated that there will be no significant impact for the public sector.
AASB 2016-7 <i>Amendments to Australian Accounting Standards – Deferral of AASB 15 for Not-for-Profit Entities</i>	This Standard defers the mandatory effective date of AASB 15 for not-for-profit entities from 1 January 2018 to 1 January 2019.	1 Jan 2019	This amending standard will defer the application period of AASB 15 for not-for-profit entities to the 2019-20 reporting period.
AASB 2016-8 <i>Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Entities</i>	This Standard amends AASB 9 and AASB 15 to include requirements to assist not-for-profit entities in applying the respective standards to particular transactions and events.  The amendments: <ul style="list-style-type: none"> <li>require non-contractual receivables arising from statutory requirements (i.e. taxes, rates and fines) to be initially measured and recognised in accordance with AASB 9 as if those receivables are financial instruments; and</li> <li>clarifies circumstances when a contract with a customer is within the scope of AASB 15.</li> </ul>	1 Jan 2019	The assessment has indicated that there will be no significant impact for the public sector, other than the impacts identified for AASB 9 and AASB 15 above.

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Standard/Interpretation	Summary	Applicable for annual reporting periods beginning on	Impact on public sector entity financial statements
AASB 16 <i>Leases</i>	The key changes introduced by AASB 16 include the recognition of most operating leases (which are current not recognised) on balance sheet.	1 Jan 2019	<p>The assessment has indicated that as most operating leases will come on balance sheet, recognition of the right-of-use assets and lease liabilities will cause net debt to increase.</p> <p>Rather than expensing the lease payments, depreciation of right-of-use assets and interest on lease liabilities will be recognised in the income statement with marginal impact on the operating surplus.</p> <p>No change for lessors.</p>
AASB 2016-4 <i>Amendments to Australian Accounting Standards – Recoverable Amount of Non-Cash-Generating Specialised Assets of Not-for-Profit Entities</i>	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 Jan 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.
AASB 1058 <i>Income of Not-for-Profit Entities</i>	This standard replaces AASB 1004 Contributions and establishes revenue recognition principles for transactions where the consideration to acquire an asset is significantly less than fair value to enable to not-for-profit entity to further its objectives.	1 Jan 2019	The assessment has indicated that revenue from capital grants that are provided under an enforceable agreement that have sufficiently specific obligations, will now be deferred and recognised as performance obligations are satisfied. As a result, the timing recognition of revenue will change.

## 8.12 Glossary of technical terms

The following is a summary of the major technical terms used in this report.

**Actuarial gains or losses on superannuation defined benefit plans** are changes in the present value of the superannuation defined benefit liability resulting from:

- (a) experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred); and
- (b) the effects of changes in actuarial assumptions.

**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'.

Borrowings refers to interest bearing liabilities mainly raised from public borrowings raised through the Treasury Corporation of Victoria, finance leases and other interest bearing arrangements. Borrowings also include non-interest bearing advances from government that are acquired for policy purposes.

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

**Comprehensive result** is the amount included in the operating statement representing total change in net worth other than transactions with owners as owners.

**Controlled item** generally refers to the capacity of a MFB to benefit from that item in the pursuit of the entity's objectives and to deny or regulate the access of others to that benefit.

**Current grants** are amounts payable or receivable for current purposes for which no economic benefits of equal value are receivable or payable in return.

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

**Effective interest method** is the method used to calculate the amortised cost of a financial asset 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 asset or, where appropriate, a shorter period.

**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** mean the voluntary payment of money or other non-monetary benefit (e.g. 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** is any asset that is:

- (a) cash;
- (b) an equity instrument of another entity;
- (c) a contractual 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** is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

**Financial liability** is any liability that is:

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

**Financial statements** in the Model Report 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 cash flow 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 paragraph 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.

## 8.13 Glossary of technical terms

**General government sector** comprises all government MFBs, offices and other bodies engaged in providing services free of charge or at prices significantly below their cost of production. General government services include those which are mainly non market in nature, those which are largely for collective consumption by the community and those which involve the transfer or redistribution of income. These services are financed mainly through taxes, or other compulsory levies and user charges.

**Interest expense** represents costs incurred in connection with borrowings. It includes interest on advances, loans, overdrafts, bonds and bills, deposits, interest components of finance lease repayments, and amortisation of discounts or premiums in relation to borrowings.

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

**Investment properties** are properties held to earn rentals or for capital appreciation or both. Investment properties exclude properties held to meet service delivery objectives of the State of Victoria.

**Leases** are rights to use an asset for an agreed period of time in exchange for payment. Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and rewards incidental to ownership. Leases of infrastructure, property, plant and equipment are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership from the lessor to the lessee. All other leases are classified as operating leases.

**Net acquisition of non-financial assets** (from transactions) are 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. Includes only those increases or decreases in non-financial assets resulting from transactions and therefore excludes write offs, impairment write downs and revaluations.

**Net financial liabilities** is calculated as liabilities less financial assets, other than equity in PNFCs and PFCs. This measure is broader than net debt as it includes significant liabilities, other than borrowings (e.g. accrued employee liabilities such as superannuation and long service leave entitlements). For the PNFC and PFC sectors, it is equal to negative net financial worth.

**Net financial worth** is equal to financial assets minus liabilities. It is a broader measure than net debt as it incorporates provisions made (such as superannuation, but excluding depreciation and bad debts) as well as holdings of equity. Net financial worth includes all classes of financial assets and liabilities, only some of which are included in net debt.

**Net gain on equity investments in other sector entities** measured at proportional share of the carrying amount of net assets/(liabilities) comprises the net gains relating to the equity held by the general government sector in other sector entities. It arises from a change in the carrying amount of net assets of the subsidiaries. The net gains are measured based on the proportional share of the subsidiary's carrying amount of net assets/(liabilities) before elimination of inter sector balances.

**Net lending/borrowing** is the financing requirement of government, calculated as the net operating balance less the net acquisition of non-financial assets. It also equals transactions in financial assets less transactions in liabilities. A positive result reflects a net lending position and a negative result reflects a net borrowing position.

**Net operating balance – net result from transactions:** Net result from transactions or net operating balance is a key fiscal aggregate and is revenue 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 result** is a measure of financial performance of the operations for the period. It is the net result of items of revenue, gains and expenses (including losses) recognised for the period, excluding those classified as 'other non-owner movements in equity'.

**Net worth** is calculated as assets less liabilities, which is an economic measure of wealth.

**Non-financial assets** are all assets that are not financial assets. It includes inventories, land, buildings, infrastructure, road networks, land under roads, plant and equipment, cultural and heritage assets, intangibles and biological assets such as commercial forests.

**Non-financial public sector** represents the consolidated transactions and assets and liabilities of the general government and PNFC sectors. In compiling statistics for the non-financial public sector, transactions and debtor/creditor relationships between sub-sectors are eliminated to avoid double counting.

**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.

**Operating result** is a measure of financial performance of the operations for the period. It is the net result of items of revenue, gains and expenses (including losses) recognised for the period, excluding those that are classified as 'other non-owner movements in equity'. Refer also 'net result'.

**Other economic flows included in net result** are changes in the volume or value of an asset or liability that do not result from transactions. In simple terms, other economic flows are changes arising from market re-measurements. They include gains and losses from disposals, revaluations and impairments of non-current physical and intangible assets; fair value changes of financial instruments and agricultural assets; and depletion of natural assets (non-produced) from their use or removal.

**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. They include changes in physical asset revaluation surplus; share of net movement in revaluation surplus of associates and joint ventures; and gains and losses on remeasuring available-for-sale financial assets.

**Payables** includes short and long-term trade debt and accounts payable, grants, taxes and interest payable.

**Produced assets** include buildings, plant and equipment, inventories, and certain intangible assets. Intangible produced assets may include computer software, motion picture films and research and development costs (which does not include the start-up costs associated with capital projects).



**Public financial corporations** are bodies primarily engaged in the provision of financial intermediation services or auxiliary financial services. They are able to incur financial liabilities on their own account (e.g. taking deposits, issuing securities or providing insurance services). Estimates are not published for the public financial corporation sector.

The **public non-financial corporation (PNFC)** sector comprises bodies mainly engaged in the production of goods and services (of a non-financial nature) for sale in the market place at prices that aim to recover most of the costs involved (e.g. water and port authorities). In general, PNFCs are legally distinguishable from the governments which own them.

**Receivables** include amounts owing from government through appropriation receivable, 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 buildings and entertainment, but excludes rent income from the use of non-produced assets such as land. User charges includes sale of goods and services income.

**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.

**Taxation income** represents income received from the State's taxpayers and includes:

- payroll tax, land tax and duties levied principally on conveyances and land transfers;
- gambling taxes levied mainly on private lotteries, electronic gaming machines, casino operations and racing;
- insurance duty relating to compulsory third party, life and non life policies;
- insurance company contributions to fire brigades;
- motor vehicle taxes, including registration fees and duty on registrations and transfers;
- levies (including the environmental levy) on statutory corporations in other sectors of government; and
- other taxes, including landfill levies, licence and concession fees.

**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 into 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. Taxation is regarded as mutually agreed interactions between the government and taxpayers. 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)	negative numbers
200x	year period
200x 0x	year period

The financial statements and notes are presented based on the illustration for a government department in the 2016-17 Model Report for Victorian Government Departments. The presentation of other disclosures is generally consistent with the other disclosures made in earlier publications of the MFB's annual reports.

# Financial report

## Declaration in financial statements

The attached financial statements for the Metropolitan Fire and Emergency Services Board (MFB) have been prepared in accordance with Direction 5.2 of the Standing Directions of the Minister for Finance under 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, presents fairly the financial transactions during the year ending 30 June 2017 and financial position of the MFB at 30 June 2017.

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 30 August 2017.



Dr. Andi Diamond  
President  
Melbourne  
30 August 2017



Russell Eddington  
Acting Chief Executive Office  
Melbourne  
30 August 2017



Glenn Ockerby  
Acting Executive Director, Corporate Services  
Melbourne  
30 August 2017

# Independent Auditor's Report

## *To the Board of the Metropolitan Fire and Emergency Services Board*

<b>Opinion</b>	<p>I have audited the financial report of the Metropolitan Fire and Emergency Services Board (the authority) which comprises the:</p> <ul style="list-style-type: none"> <li>• balance sheet as at 30 June 2017</li> <li>• comprehensive operating statement for the year then ended</li> <li>• statement of changes in equity for the year then ended</li> <li>• cash flow statement for the year then ended</li> <li>• notes to the financial statements, including a summary of significant accounting policies</li> <li>• declaration in financial statements.</li> </ul> <p>In my opinion the financial report presents fairly, in all material respects, the financial position of the authority as at 30 June 2017 and their financial performance and cash flows for the year then ended in accordance with the financial reporting requirements of Part 7 of the <i>Financial Management Act 1994</i> and applicable Australian Accounting Standards.</p>
<b>Basis for Opinion</b>	<p>I have conducted my audit in accordance with the <i>Audit Act 1994</i> which incorporates the Australian Auditing Standards. My responsibilities under the Act are further described in the <i>Auditor's Responsibilities for the Audit of the Financial Report</i> section of my report.</p> <p>My independence is established by the <i>Constitution Act 1975</i>. My staff and I are independent of the authority in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 <i>Code of Ethics for Professional Accountants</i> (the Code) that are relevant to my audit of the financial report in Australia. My staff and I have also fulfilled our other ethical responsibilities in accordance with the Code.</p> <p>I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.</p>
<b>Material uncertainty related to going concern</b>	<p>Without qualification to the opinion expressed above, attention is drawn to the following matter. As indicated in note 8.1 to the financial statements, the <i>Firefighters' Presumptive Rights Compensation and Fire Services Legislation Amendment (Reform) Bill 2017</i> is before Parliament. The financial statements have been prepared on a going concern basis, however, the existence of the Bill and its ongoing parliamentary debate creates a material uncertainty over whether the Metropolitan Fire and Emergency Services Board will continue to operate in its current legal form.</p>
<b>Board's responsibilities for the financial report</b>	<p>The Board of the authority is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and the <i>Financial Management Act 1994</i>, and for such internal control as the Board determine is necessary to enable the preparation and fair presentation of a financial report that is free from material misstatement, whether due to fraud or error.</p> <p>In preparing the financial report, the Board is responsible for assessing the authority's ability to continue as a going concern, and using the going concern basis of accounting unless it is inappropriate to do so.</p>

# Financial report

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

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

- identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the authority's internal control
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board
- conclude on the appropriateness of the Board's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the authority's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the authority to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

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

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MELBOURNE  
31 August 2017

  
Travis Derricott  
*as delegate for the Auditor-General of Victoria*



## **MFB Headquarters**

456 Albert Street,  
East Melbourne  
Victoria 3002 Australia  
T +61 3 9662 2311  
F +61 3 9665 4244  
[www.mfb.vic.gov.au](http://www.mfb.vic.gov.au)

