



Country Fire Authority



Annual Report 2017–18

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## CHAIR'S MESSAGE

A proud achievement for any Board is when we can strengthen the back-of-house arrangements to ensure we continue to operate effectively on the frontline. For CFA, our frontline is not only our work in rescue and responding to fires, but also our crucial engagement work in building the resilience of our communities to be prepared for emergencies. In a changing environment, and with a growing state population, this need will only become more pressing and a challenge for which we must be prepared.

A strong financial position is essential for CFA to deliver on our critical mission of protecting lives and property. We've successfully turned what was a multi-million dollar budget deficit, two years ago, into a multi-million dollar surplus. We enter the next financial year in a position of unprecedented fiscal strength.

As an organisation facing such tremendous social, environmental and technological challenges, being 'prepared' means we must have a strong, future-focused strategic plan to anticipate and meet any challenges. This year, we've laid much of the strategic groundwork for developing CFA's strategic direction for the coming years.

Changes to our executive leadership team and senior uniformed leadership team, to better structure ourselves to more strategically focus on our key delivery areas, has made an important difference to the way we think, plan and make better decisions. The appointments of new Deputy Chief Officers in Urban, Operational Capability and Growth, Regional Services, and Training have been sensible and effective changes that reflect our areas of need.

The Board has benefitted greatly from the high quality of material presented to it by the organisation's senior leadership – in the process proving invaluable support to effective decision making.

Our senior leaders and their teams have worked incredibly hard to increase the levels of professionalism, integrity and sophistication of the advice, data and knowledge available for decision making. Our new data visualisation software, to monitor performance against key response criteria, not only helps at district level, but also CFA-wide to understand our capability.

We commenced publishing quarterly response time data this past year. With greater transparency comes greater accountability. Now, not only can we accurately give a picture of the difference we're making in keeping communities safe, we can also identify areas in need of greater support and improvement.

This Board recognised early that a sophisticated understanding of risk was essential if we were to effectively deliver on our mission in a dynamic and fluid environment. We're moving toward becoming a more risk-mature organisation



with the work of the new Enterprise Risk team and rollout out of the Enterprise Risk Management Framework introduced this year.

The esteem in which CFA is held by everyday Victorians, is something we value highly and strive to maintain. To do so, we have worked to ensure our culture and our operational capability accurately reflects our modern, inclusive agenda. This work is ongoing.

Underpinning our overall approach is a strong set of values, of which Integrity features prominently. This year we oversaw the development of the Integrity Framework, which outlines how we can maintain a culture that supports the highest standards of integrity, honesty and transparency.

Our ultimate aim is for a CFA that better reflects the communities it serves, through a concerted effort to increase the levels

of inclusiveness and diversity. CFA is committed to this objective and is well on its way. Building on last year's appointment of a DCO for Inclusion and Fairness, the Inclusion and Fairness Council has created a network of regional champions for greater reach of our key initiatives. These include Unconscious Bias training and Diversity Awareness training among senior leaders to make an impact at every level of CFA's operations.

A particular objective has been to increase the number of women in our senior leadership team, which we have done with the meritorious appointments of Stephanie Rotarangi, DCO for Operational Capability and Growth, together with Liz Radcliffe to head up People and Culture. The Gender Equity Working Group will see us further capitalise on successful initiatives at the local level across the state.

In reflecting on the past year I would, on behalf of the Board, like to express our gratitude to our volunteers and our career staff, who have conducted themselves in a thoroughly professional manner to continue delivering on our mission. Without them, there would be no CFA.

I also wish to thank our former CEO, Frances Diver for her tremendous contribution to the organisation. I welcome Dr Paul Smith, and congratulate him for bringing his wealth of experience and drive to the role of CEO. His positive impact is already evident since his commencement in the role in early 2018. Of course, I am grateful to the members of the Board who have worked extensively to make CFA a better place and a true servant of the communities in which we operate.

Ultimately, the initiatives overseen by the organisation's leadership have enabled our people to sharpen their focus on the things that matter most to the community. CFA is well placed to continue to protect and serve our communities in 2018 and beyond.

**Greg Smith, AM**



## CEO'S MESSAGE

This year we continued to make the changes needed for CFA to become a more modern and effective emergency service. A prosperous future depends on change that has purpose and care. I believe the work we commenced this year has started to strengthen key elements of our organisation. I'd like to share some highlights with you.

### Leadership

Over the last 12 months, we've welcomed strong and capable new leaders into CFA who will help guide the way to implement our focus on making a difference in the community. We appointed Gavin Freeman, Stephanie Rotarangi, Garry Cook and Gregg Paterson into their Deputy Chief Officer roles, to boost capacity and capability while embedding safety at our core. I have added the Deputy Chief Officers and Assistant Chief Officers to the weekly executive team meetings to strengthen our decision-making capacity, accountability and connections across our five regions.

### Integrity

During the year it was critically important that we built confidence in our governance and integrity settings among CFA people and our stakeholders. This year, we have overhauled how we handle and manage complaints by establishing an Integrity Unit and appointing a Senior Investigations Officer. Tying everything together, we established a new integrity framework for CFA which outlines how we, as one CFA, will develop and maintain a culture that accepts only the highest standard of integrity, honesty and transparency.

### Safety, health and wellbeing

We also completed foundational work to improve our safety and wellbeing to reduce the risks of physical and psychological injuries to our people. Solid progress to address longstanding risks has been made and this will continue into next year. We also appointed a new Health and Wellbeing Coordinator to embed wellbeing into



the everyday practices of our teams. New peer support leaders and regionally-based wellbeing advisers were also appointed and we boosted our member assist program to provide confidential support services for CFA people who may need help with personal or work-related challenges.

## Values and behaviours

A renewed focus on CFA values will continue from this year into the next. During the year we refreshed our five values and confirmed the importance of aligning our individual behaviours with these values. Strong alignment between our values and behaviours will help us become an organisation of choice for all our people. Most importantly, it will also mean that all CFA people will be more confident in identifying and ‘calling out’ behaviours that don’t line up with our values.

I’m proud of the action we’ve already taken this year to bring those values to life, including developing a Matter of Respect training program, and appointing Inclusion and Fairness Coordinators across our regions.

## Spirit of CFA

To celebrate and formally enshrine the values and behaviours we want to see at CFA, our inaugural Spirit of CFA Awards were a prominent demonstration that many of our people already live these values. This is reflected in the high number and calibre of nominations received. In recognising our winners, I know the entire organisation, and the community we support, are inspired by their dedication.

## Strategy and service delivery

Our future as an organisation depends on us thinking carefully about our organisation’s strategy, and the frameworks that support it. In changing times this is critical in executing our mission to protect and prepare Victorians. Change will be apparent in all of the key

areas that impact our mission – in the environment, in technology and in the faces of communities themselves.

This means having a clear plan for our service delivery, the safety of our people, the retention and attraction of great staff and volunteers, and innovative ways to prepare for and respond to emergencies. This will be our focus for the next financial year.

Lastly, I would like to acknowledge the work of my predecessor Frances Diver, together with Chief Officer Steve Warrington, and the support of our Board in setting CFA in a positive direction. It has been a year of growth for CFA, which is evident in the rapid delivery of many government initiatives, with us on track to meet our target of 350 firefighters recruited by year’s end.

I’m proud to lead CFA, especially during a time when getting on with delivering for the community has never been more important. Our tradition and history will always be valued as we look to an exciting future. However, while we have plenty to be proud of, we can’t write our future relying on our past.

Dr Paul Smith



## FROM THE CHIEF OFFICER

Now into my second year leading CFA as Chief Officer, I'm proud to say we made great strides in driving positive change in our organisation during the past year.

We've appointed strong and diverse leaders, from officers in brigades through to a new Deputy Chief Officer for Capability and Growth, and we welcomed new CEO Dr Paul Smith into the organisation.

These are people who I am confident will set the standards that will take us from good to great.

It's an honour and a privilege to work alongside all of our leaders – who are focused on modelling our CFA values and behaviours, so we can continue to be the well-respected and highly-regarded modern emergency services organisation we are.

The St Patrick's Day fires in south-west Victoria were undoubtedly some of the most intense and challenging fires of recent years, and I was incredibly proud of our CFA people who kept the community safe during the fires.

We were prepared, we communicated with each other and we hit the fires hard early.

Importantly, we looked after ourselves during those fires, which meant our people could take the required steps to ensure no human lives were lost.

The positive outcome in emergencies such as this one is a testament to how well our staff and volunteers prepare themselves and our communities throughout the year.

Our focus on enhancing training this year meant we supported our people even more effectively to help them give their best service to the community.

We made it easier for volunteers to train online using the Learning Management System Learning Hub, which is a modern and flexible platform. We also started rolling out the cutting edge virtual reality training that we developed with Deakin University, to help volunteers train for incidents that they may not experience on a regular basis.

We've focused on making more flexible volunteering models to allow more people, from different walks of life and with different commitments, to join and contribute to CFA.

2017–18 was also a period for us to honour, celebrate and share the stories of our people who have contributed so selflessly to making Victoria a safer place.

As we do every year, at our annual firefighter memorial service at Belmont on 6 May, we remembered our firefighters who lost their lives serving our community. We also commemorated the 20th anniversary of the Linton fire that claimed the lives of five Geelong West firefighters, and the 35th anniversary of the devastating Ash Wednesday fires that claimed the lives of 14 Victorian firefighters.

May we continue to honour them always, for paying the ultimate price in the line of duty, and be grateful to them for the lessons we have learned from these incidents so that our current and future firefighters can be as safe as possible when they're protecting our communities.

**Steve Warrington AFSM**





## THE COUNTRY FIRE AUTHORITY

The Country Fire Authority (CFA) is a modern, inclusive, resilient and future-focused firefighting agency.

We proudly protect Victorians from fire and other emergencies, and help our many communities prepare and plan for an increasing range of hazards, threats and disasters.

## CFA MISSION

To protect lives and property.

## CFA VALUES

Our core values guide how our people should act and be treated. At CFA we:

- put SAFETY first
- excel through TEAMWORK
- are dynamic and ADAPTABLE
- act with INTEGRITY
- RESPECT each other.



CFA helps Victorian communities to prepare and plan for emergencies



## OUR PROFILE



### Services in 2017–18

| Type of service                           | Number |
|---|--------|
| Total incidents                           | 46,485 |
| Total brigade turnouts                    | 92,855 |
| Property Advice Visit Service home visits | 3,326  |
| Fire Ready Victoria meetings/workshops    | 699    |
| Community Fireguard sessions              | 206    |
| School and youth program sessions         | 527    |



### CFA workforce

| Type                     | Number              |
|--------------------------|---------------------|
| <b>Volunteers</b>        |                     |
| Operational              | 34,586              |
| Support                  | 20,483 <sup>1</sup> |
| <b>Total volunteers</b>  | <b>55,069</b>       |
| <b>Staff<sup>2</sup></b> |                     |
| Operational              | 1,321               |
| Support                  | 1,351               |
| <b>Total staff</b>       | <b>2,672</b>        |

1. Including Junior members. 2. Headcount.





## Brigades

| Type of brigade            | Number       |
|----------------------------|--------------|
| CFA – Brigade Class 1      | 541          |
| CFA – Brigade Class 2      | 304          |
| CFA – Brigade Class 3      | 134          |
| CFA – Brigade Class 4      | 115          |
| CFA – Brigade Class 5      | 64           |
| CFA – District HQ brigades | 19           |
| CFA – Other                | 2            |
| Forestry Industry brigades | 21           |
| Coast Guard brigades       | 17           |
| <b>Total</b>               | <b>1,217</b> |



## Buildings

| Type of building                  | Number             |
|-----------------------------------|--------------------|
| Fire stations                     | 1,233 <sup>1</sup> |
| Integrated stations               | 39 <sup>2</sup>    |
| Regional, district and HQ offices | 33                 |
| Mechanical workshops              | 13                 |
| Training grounds                  | 7 <sup>3</sup>     |
| Other                             | 18                 |

1. Includes satellite sites. 2. This figure is included in total fire stations. 3. This figure decreased by one from 2017 due to the closure of Fiskville.



We respond to more than 45,000 incidents per year





## Vehicles

### Type of vehicle

### Number

#### Operational

|                              |       |
|------------------------------|-------|
| Tankers                      | 1,631 |
| Pumpers                      | 277   |
| Pumper tankers               | 39    |
| Field command vehicles       | 425   |
| CFA operations vehicles      | 221   |
| Field operations vehicles    | 15    |
| Rescue vehicles              | 26    |
| Aerial firefighting vehicles | 12    |
| HAZMAT vehicles              | 13    |
| Ultralights                  | 255   |
| Big fills                    | 31    |

#### Support

|                        |     |
|------------------------|-----|
| CFA transport vehicles | 385 |
|------------------------|-----|



# OUR PEOPLE



## Employee profile

*Table 1 : Employee breakdown by age and gender.*

| Employees     | Number<br>(headcount) | Ongoing<br>FTE | Fixed<br>term and<br>casual FTE | June 2018 |
|---------------|-----------------------|----------------|---------------------------------|-----------|
| <b>Gender</b> |                       |                |                                 |           |
| Male          | 1,930 <sup>1</sup>    | 1,682.64       | 101.18                          |           |
| Female        | 742 <sup>2</sup>      | 466.15         | 121.46                          |           |
| <b>Age</b>    |                       |                |                                 |           |
| Under 25      | 68                    | 27.52          | 24.74                           |           |
| 25-34         | 623                   | 534.42         | 44.30                           |           |
| 35-44         | 737                   | 637.84         | 47.36                           |           |
| 45-54         | 636                   | 522.83         | 54.06                           |           |
| 55-64         | 492                   | 365.70         | 42.36                           |           |
| 65 and over   | 116                   | 60.48          | 9.82                            |           |

1. Includes 1,262 career firefighters. 2. Includes 59 career firefighters.

*Table 2 : Employee breakdown by PTA status.*

| PTA employees    | Number<br>(headcount) | Ongoing<br>FTE | Fixed<br>term and<br>casual FTE | June 2018 |
|------------------|-----------------------|----------------|---------------------------------|-----------|
| <b>PTA level</b> |                       |                |                                 |           |
| PTA 1            | 29                    | 4.73           | 4.71                            |           |
| PTA 2            | 222                   | 81.09          | 49.68                           |           |
| PTA 3            | 308                   | 154.25         | 32.71                           |           |
| PTA 4            | 267                   | 214.96         | 36.15                           |           |
| PTA 5            | 110                   | 94.32          | 11.60                           |           |
| PTA 6            | 99                    | 72.92          | 24.60                           |           |
| PTA 7            | 55                    | 42.49          | 11.31                           |           |
| <b>Total</b>     | <b>1,090</b>          | <b>664.76</b>  | <b>170.76</b>                   |           |

Table 3 : Volunteer breakdown by role and gender.

| Volunteers | June 2018   |                     |
|------------|-------------|---------------------|
|            | Operational | Support             |
| Gender     |             |                     |
| Male       | 29,579      | 11,893 <sup>1</sup> |
| Female     | 5,007       | 6,895 <sup>2</sup>  |

1. Not including 1,045 Juniors. 2. Not including 650 Juniors.



## LEADING AT CFA

### CFA strengthened by talented problem solvers



“ Why wouldn’t you join an organisation like this? ”

Stephanie Rotarangi, CFA's first Deputy Chief Officer for Operational Capability and Growth, takes pride in being an example to what anyone can achieve with support and hard work.

'I never realised my own goals or career in firefighting would appear special to others, but people from all walks of life have taken the time to share their stories about the importance of diversity in the CFA ranks. It's exactly why the role of DCO Operational Capability and Growth is so important to me, because it's our capability and our broad range of skills and experiences, that will make CFA even more effective into the future'.

Although Steph never doubted her own opportunity to become a firefighter, experience has exposed her to the perceptions of other minority groups who don't believe CFA is a choice for them.

'We need to get the message out that firefighting and supporting communities is the best vocation in the world. CFA wants talented problem solvers bringing their different strengths to our organisation, and we will work hard to ensure we are an attractive place to work and volunteer for the entire community'.

For Steph, CFA is embedded in Victorian communities, helping through a wide variety of emergency situations, with the community connection giving CFA purpose and direction.

'CFA's future is in the heart of communities, fronting up at schools and community halls, getting out on trucks, and providing support day and night wherever we are needed. Why wouldn't you join an organisation like this?'



## Euroa brigade looks to the future

“ CFA is heading in the right direction – the latest adverts encouraging women to apply for career positions are fantastic ”

At 27, Bec Noye has already spent half her life involved with CFA, inspired by her firefighting role-model dad, Peter Noye, who has 40 years' service. Wanting to support and protect her community, Bec began as a Junior and recently became Euroa's first female 3rd Lieutenant.

Euroa brigade threw its support behind Bec to nominate for the role and elected her in 2018 as the best person for the job — but it wasn't without personal doubt.

'I believe sometimes failing is the best way to learn how to be better. So I'm somewhat grateful for the difficult times. It's made me stronger, more knowledgeable and not only taught me perseverance but also appreciation for the times we do succeed', she said.

Since taking on the role, Bec has been overwhelmed by encouragement and support from her brigade and CFA personnel in general. Humbled by, and appreciative of, her new position she is excited by the many challenges that await.

Bec sees diversity increasing within CFA and wants to make sure this continues.

'CFA is heading in the right direction—the latest adverts encouraging women to apply for career positions are fantastic', she said.

Bec is currently learning to be a fire investigator and plans to continue developing new skills to benefit and support CFA and her community. She would really love to mentor future members.



## PURPOSE AND FUNCTIONS

CFA protects Victorians from fire and other emergencies and prepares its many communities for a range of disaster threats.

As a first-rate organisation we ably protect country Victoria and 60 per cent of Melbourne from house and building fires, bushfires and more. We're also playing an increasingly critical role in emergency medical response (EMR), providing medical treatment to Priority Triple Zero calls before paramedics arrive.

CFA is an integrated fire service with more than 1,300 operational staff working alongside volunteer firefighters and support staff. We also enjoy an impressive history of supporting rural and regional communities through education, support and fundraising. In other words, CFA is more than just a fire service.

Some of the lifesaving services we provided to the community during 2017–18 include:

- responding to structural fires, bushfires and other emergency fire events, road accident rescues, technical rescues, EMR events, hazardous material (HAZMAT) event responses and support calls
- other emergency activities like flood assistance
- community awareness, education and safety programs
- fire safety input planning for major community risks
- fire prevention and planning including vegetation management of private and public land.
- technical services including building-code-related inspections, post-incident analysis and fire investigation.

CFA is a statutory authority, enshrined in legislation under the *Country Fire Authority Act 1958* (Vic) (CFA Act). While the CFA Act outlines our formal obligations, the other key legislation shaping our organisational and operational requirements include the:

- *Building Act 1993* (Vic)
- *Emergency Management Act 1986* (Vic) and *Emergency Management Act 2013* (Vic)
- *Financial Management Act 1994* (Vic)
- *Freedom of Information Act 1982* (Cth)
- *Privacy and Data Protection Act 2014* (Vic)
- *Planning and Environment Act 1987* (Vic)
- *Protected Disclosure Act 2012* (Vic)
- *Occupational Health and Safety Act 2004* (Vic)
- *Public Administration Act 2004* (Vic).

## VICTORIA'S EMERGENCY MANAGEMENT SECTOR

As part of the broader Victorian emergency management sector we work alongside Emergency Management Victoria and all sector partners towards a sustainable, efficient emergency management system that reduces the likelihood and impact of emergencies.



CFA responds to many types of emergencies, not only fires

## STOPPING FIRE IN ITS TRACKS

### Cleaning up Stawell tyre stockpile

“ With every day the tyre stockpile reduced, so did the fire hazard ”

Tyre stockpiles pose a significant fire risk and health hazard to surrounding communities. Once they start, fires in stockpiles are hard to control and generate toxic smoke. Until recently, that risk was a daily reality for the people of Stawell.

But thanks to the concerted efforts of CFA, the Environment Protection Authority (EPA), Department of Environment, Land, Water and Planning (DELWP) and North Grampians Shire Council, residents can now breathe easy, and with good reason.

‘The Stawell tyre pile was estimated to be the largest in the southern hemisphere’, said Assistant Chief Officer at Ballarat, Peter O’Keefe. With over one million tyres, ‘nobody had seen anything like it’.

Following what’s described by Peter as a ‘long and difficult process’, a combination of CFA and EPA legislation triumphed, resulting in a clean-up of the site, and a positive outcome for the environment and the community.

‘The EPA took charge of the site, and trucks moved in to begin removing the tyres’, said Peter. ‘They also installed perimeter fences and cameras, so if a fire occurred onsite, we’d know’.

CFA liaised closely with the EPA to ensure compliance with the Fire Prevention Notice. And with every day the tyre stockpile reduced, so did the fire hazard.

‘Every single tyre removed from the site was recycled’, said Peter.

‘With multi-agency collaboration, we reduced a significant risk to the community and to the environment’.



## WHERE CFA OPERATES

We protect large parts of Victoria including the state's fastest growing urban areas like Point Cook and Werribee.

CFA career firefighters and volunteers are also responsible for protecting residents in Geelong, Ballarat, Bendigo and Mornington, and tourist destinations like Mount Hotham, the Great Ocean Road and Yarra Valley. During 2017–18, we helped protect over 3.4 million Victorians, and 1.4 million homes and properties.

CFA's 1,217 brigades are grouped into 21 districts and five regions, and cover country Victoria (Figure 1) as well as parts of the Melbourne metropolitan area (Figure 2).

### South West Region

Led by Assistant Chief Officer Rohan Luke, the South West Region covers districts 4, 5, 6 and 7 and stretches from the west side of Port Phillip Bay to the western edge of Victoria. It includes Geelong, Colac, Hamilton, Warrnambool, Portland and Casterton, plus the Otways and the Great Ocean Road. The region's high summer bushfire risk is complicated by its large influx of tourists and limited road access.

### West Region

Led by Assistant Chief Officer Peter O'Keefe, the West Region covers districts 15, 16, 17 and stretches from the western edge of metropolitan Melbourne to the western border with South Australia. It includes key regional centres like Ballarat, Ararat and Horsham as well as the Grampians and the Little Desert, where hot and dry conditions fan its bushfire risk. It's the least populated CFA region and faces unique challenges related to rural decline.

### North West Region

Led by Assistant Chief Officer Gavin Thompson, the North West Region covers districts 2, 14, 18, 20 and stretches from the edge of Port Phillip Bay in Melbourne's western suburbs to the NSW and South Australian borders. It includes metropolitan

Melbourne's northern and western suburbs, the key regional centres of Bendigo, Kerang, Swan Hill and Mildura, as well as the high-bushfire-risk areas of Big Desert and the Macedon Ranges. Its risks range from campaign bushfires to Melbourne house fires.

### North East Region

Led by acting Assistant Chief Officer Ross Sullivan, the North East Region includes districts 12, 13, 22, 23, 24 and stretches from the north-eastern Melbourne suburb of Lilydale to the northern border. It includes the key regional centres of Seymour, Shepparton, Wangaratta and Wodonga, and the house fire risks associated with the north-eastern suburbs of Melbourne. It also covers the unique challenges of the Alpine Region, which include a low permanent population, high tourism, old and high-capacity commercial buildings, and even avalanches.

### South East Region

Led by Assistant Chief Officer Trevor Owen, the South East Region covers districts 8, 9, 10, 11, 27 and stretches from the Mornington Peninsula to the eastern corner of Victoria including the south-eastern suburbs of Melbourne, and the key regional centres of Warragul, Morwell, Moe, Sale and Bairnsdale. It also covers the high-bushfire-risk area of Gippsland plus four open-cut brown coal mines in the Latrobe Valley, which pose unique fire and HAZMAT risks.



We protect over 60 per cent of the greater Melbourne area, and 40 per cent of its population

Figure 1 : The districts and regions CFA covers in Victoria.

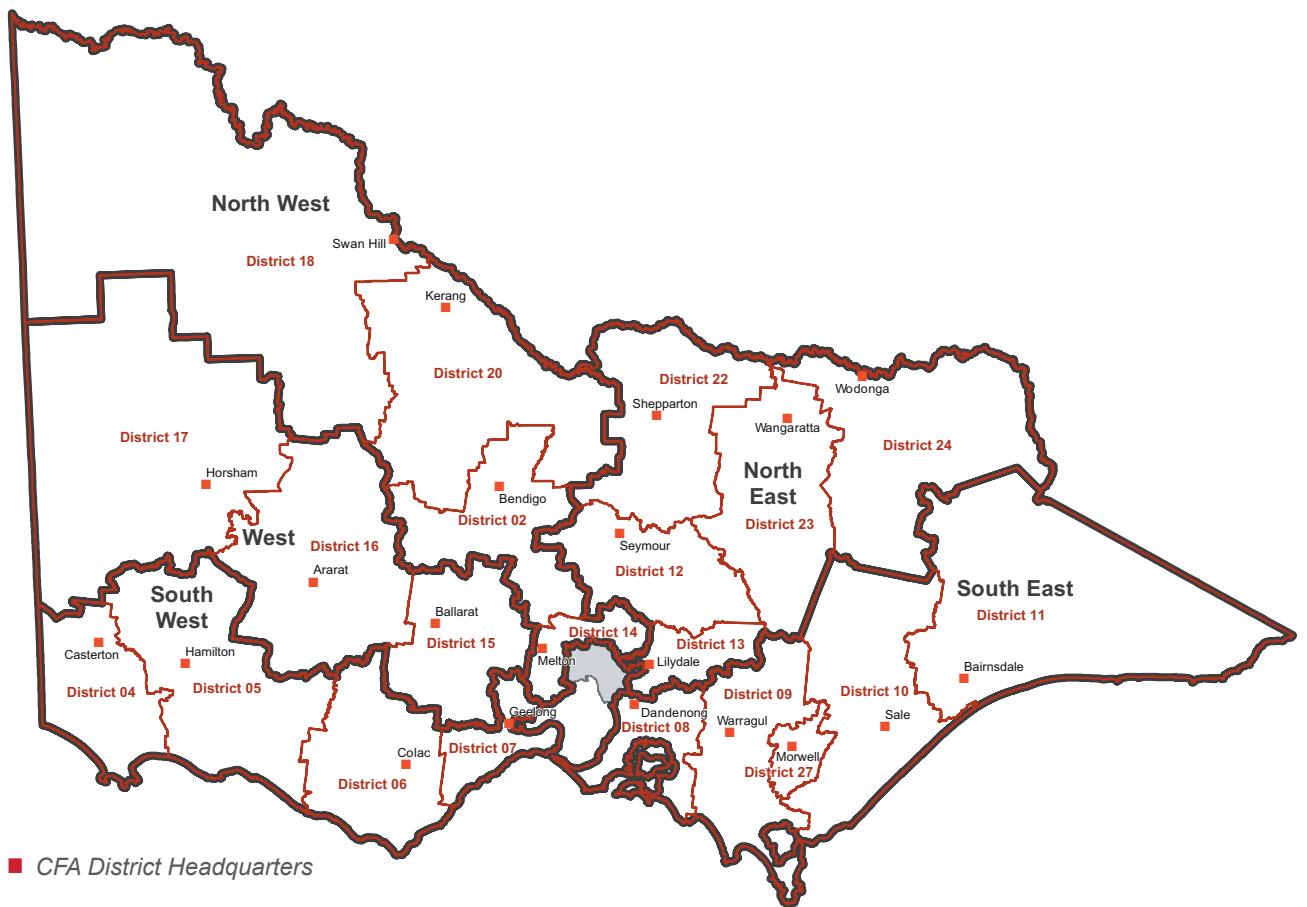
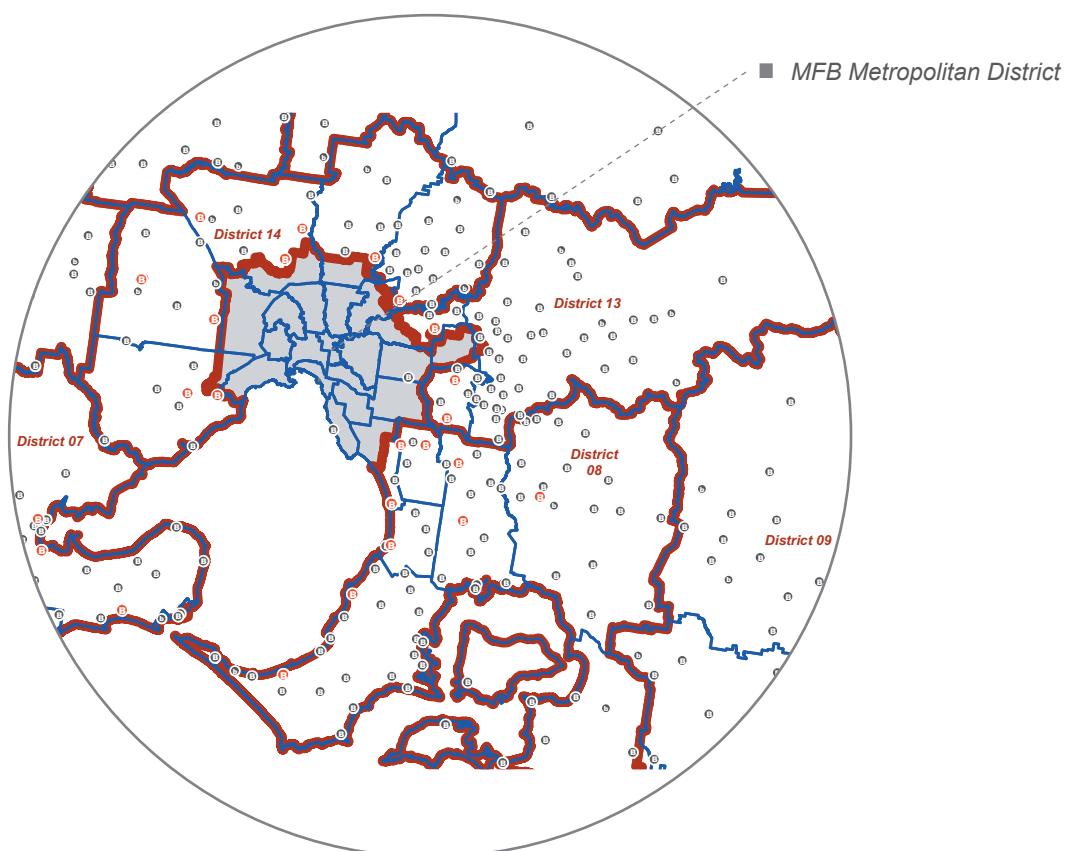


Figure 2 : Melbourne metropolitan regions covered by CFA.



# 5 PRIORITY PROJECTS

The Chief Officer's five priority projects delivered strong outcomes for our people this year, and some of the successful pilots are ready for broader application across CFA.

## Community Incident Engagement Program

### Hitting home the message about fire safety

Trialled in District 13, CFA volunteers talked with bystanders at house fires during daytime responses and visited residents in the vicinity on following days, providing simple and tailored messages that gave community a timely reminder to think about their home fire safety plans and precautions.

## Fit for Duty Pilot

### Ensuring our volunteers are mentally and physically, fighting-fit

Trialled in South West Region, class 4 and 5 brigades were given access to health and exercise programs along with physical tanker-based assessments that would help volunteers safely and healthily maintain the physical demands of a CFA firefighter.

## Brigade Capability Pilot

### Matchmaking skills and risk with accuracy

After successfully developing and trialing the Brigade Capability Profile application in West Region – an online tool that weighs up the regional risks, hazards with the local brigade volunteer member numbers and skills – it will be rolled out to a number of districts.

## Annual Brigade Review

### Taking the Section 29 visits to the next level

Getting a holistic view of brigade health – across the infrastructure, leadership, financial and training areas – is essential to help provide tailored support. The Annual Brigade Review (ABR) process does this with purpose-designed software and is being further piloted across select regions beyond the initial 44 District 9 brigades.

## Volunteer Officer Qualification Framework

### Leading leaders down the right development path

Supporting volunteer officers to become effective leaders needs a clear pathway that details the necessary skills, qualities and qualifications they need to develop.

The Volunteer Officer Qualification Framework, developed for further discussion with volunteers this year, provides this pathway and outlines the numerous training and development programs offered by CFA to help them reach their potential.



## COMMUNITY ENGAGEMENT

### INFORMING AND CONNECTING

**367,584**



fire prevention, and preparedness communications to MyCFA subscribers in high-risk fire areas across the state.

### CFA ON THE MOVE

**205**



community-run events across Victoria attended by the Mobile Engagement Unit, bringing fire awareness advice and learning to the people.



### INTERFAITH AND MULTICULTURAL COMMUNITIES

Specifically-tailored

engagement programs are delivered through brigades to multicultural groups locally. They're supported by our work to educate CFA engagement members on understanding different faiths so we can break down engagement barriers.

### FIRE AWARENESS FOR LITTLE PEOPLE

**15,000+**

school-aged kids met with our engagement teams about bushfire and home fire safety, including 5,100 cubs and scouts.



### TAKING THE MESSAGE TO THE PEOPLE

**710**

community events attended across the state, including fire station open days and regional shows and fetes, to deliver the CFA community safety message.



### COMMUNITY WORKSHOPS AND HOME VISITS

**3,300+**



Property Advice Visits across the state, and more than 900 Fire Ready and Community Fireguard sessions delivered this year to help people prepare for fire season, and to collect valuable data to map and plan for our highest-risk areas.

### SMOKE ALARM SAFETY



During the colder months, CFA and MFB teamed up to deliver the Smoke Alarms Save Lives campaign message.

## CFA at the Vaisakhi festival

“ For many migrants, fire safety is a totally new thing ”

Sharing important fire safety messages across the state is one of CFA's key activities and, with many multicultural communities in Victoria, we need to tailor these messages to the different cultures, interests and needs of all the people we serve.

One of the more colourful (literally) opportunities to spread the word this year was at the Sikh community's annual Vaisakhi festival, which celebrates Sikh traditions, heritage, food and culture.

CFA was proud to be invited to participate in this vibrant festival, which provided the perfect opportunity for CFA and MFB community engagement officers to explain how they serve Victorians, and to build relationships and trust within this unique community.

Meanwhile, from the main stage, Eltham firefighter Mandeep Singh ensured the message wasn't lost in translation by delivering our home fire safety messaging in Punjabi.

'As a member of the Sikh community, I know there's a long way to go in educating multicultural communities, especially older generations, about fire safety in Australia', said Mandeep.

'Australian kids are taught from a young age to "stop, drop and roll". But for many migrants, fire safety is a totally new thing.'

'Face-to-face events like this create a lot of impact and are a more relevant way to get the fire safety message across, especially for a community that doesn't speak English as a first language'.



## CFA biggest contributor to Good Friday Appeal



“ Every year, CFA people work tirelessly to raise money for the appeal ”

CFA has a long history with the Royal Children's Hospital Good Friday Appeal. Since they first started rattling tins, hosting activities and volunteering their time in 1951, staff and volunteers have raised an amazing \$30 million for the hospital. This year was no different, with CFA raising the largest contribution of \$1,677,628.

Presenting the cheque during Channel 7's live telecast, Assistant Chief Officer for CFA's West Region Peter O'Keefe joined Werribee brigade to make the handover.

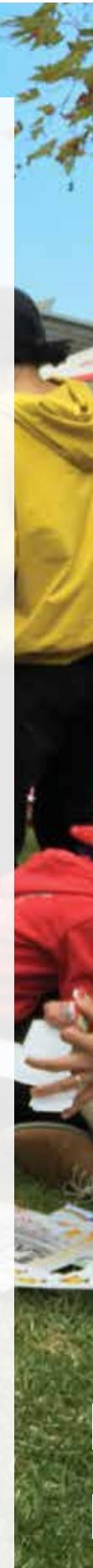
'I was honoured to present the cheque on behalf of our dedicated and committed members, and their brigades. Every year, CFA people work tirelessly to raise money for the appeal. So well done everyone, especially the Werribee brigade, which has collected \$1 million over the past 40 years', said Peter.

Shaking tins is not the only way CFA helps the appeal. For the past five years, we've been at the Kids Day Out at the Melbourne Convention and Exhibition Centre, engaging with and entertaining the 100,000-plus crowds. In 2018, as well as being the largest overall donor to the appeal, we also provided the biggest engagement display ever seen at the Kids Day Out including:

- fire safety demonstrations
- The Red Austins band
- April's Fire Safety Show
- interviews with agencies about what they do
- fire safety games with prizes and giveaways.

CFA Chief Officer Steve Warrington agreed that CFA's efforts were outstanding.

'Our volunteers and career staff do a brilliant job keeping Victorians safe, and also put their hands up to help those in need. Their efforts for the appeal reflect their selflessness and commitment'.



## 2017–18 SUMMER SEASON



### Total Fire Ban days

CFA's Chief Officer has the critical role of declaring Total Fire Bans in districts across the state. Total Fire Bans are declared on days that are considered to be extreme fire risk to the community and therefore CFA enforces restrictions on what people can and can't do on these days, keeping our communities safer.

*Table 4 : Days of Total Fire Ban 2017–18.*

| Date             | Total Fire Ban district   |
|------------------|---|
| 11 April 2018    | Mallee and Wimmera  |
| 10 April 2018    | Mallee  |
| 18 March 2018    | South West and Central (includes Melbourne and Geelong)   |
| 17 March 2018    | Mallee, Wimmera, South West, Northern Country, North Central and Central (includes Melbourne and Geelong) |
| 10 February 2018 | Mallee and Northern Country   |
| 08 February 2018 | Mallee  |
| 21 January 2018  | Mallee  |
| 20 January 2018  | Mallee  |
| 19 January 2018  | Mallee, Wimmera, South West, North Central and Central (includes Melbourne and Geelong)                   |
| 18 January 2018  | Mallee, Wimmera and South West  |
| 12 January 2018  | Mallee and Northern Country   |
| 06 January 2018  | State of Victoria   |
| 19 December 2017 | Mallee, Wimmera, Northern Country and North East  |
| 13 December 2017 | Mallee and Wimmera  |
| 14 November 2017 | Mallee  |
| 29 October 2017  | Mallee  |

*Table 5 : Number of Total Fire Ban Days declared 2013–18.*

| Declaration    | 2013–14   | 2014–15   | 2015–16   | 2016–17  | 2017–18   |
|----------------|-----------|-----------|-----------|----------|-----------|
| Whole of state | 6         | 1         | 2         | 1        | 1         |
| Partial        | 11        | 11        | 20        | 7        | 15        |
| <b>Total</b>   | <b>17</b> | <b>12</b> | <b>22</b> | <b>8</b> | <b>16</b> |

## Season overview

In the past 12 months, CFA and our partner agencies provided resources to support our colleagues in Australia and overseas. Of particular note, CFA provided personnel to support deployments to British Columbia, Canada and California.

Before summer in Australia, there was an extended period of low rainfall in the far east of the state, which led to drier conditions much earlier in the bushfire season. A number of fires in October prompted an early introduction of the Fire Danger Period.

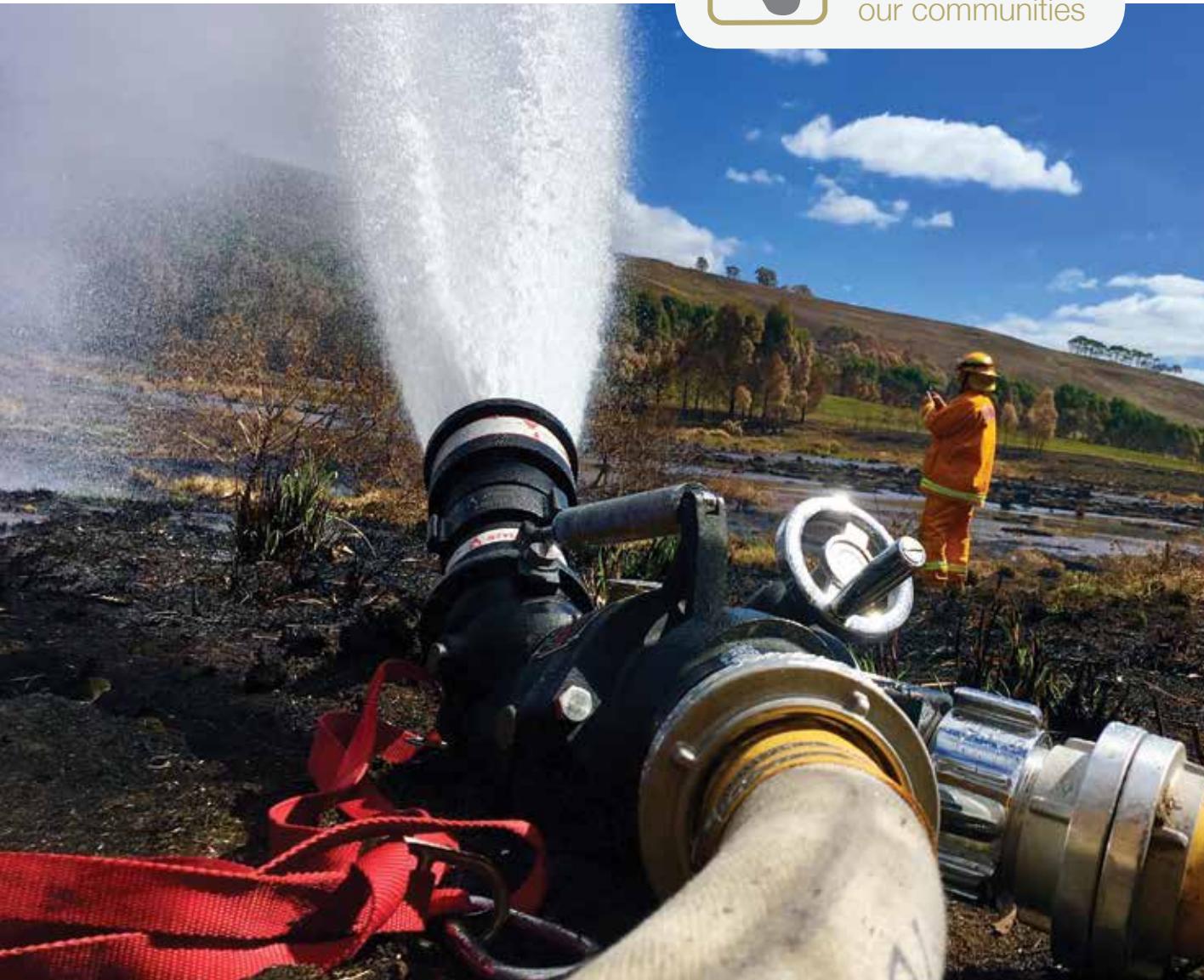
Significant rainfall across much of the state throughout November and December tempered conditions, leading to a reduced fire risk during this period. From January 2018, drying conditions returned and extended into early May in many parts of the state.

On 17 March 2018, dangerous fire conditions persisted well into the evening. Numerous fast-moving grassfires started in the south-west at around 9pm and continued for days. These fires led to 26 houses, 66 outbuildings and thousands of livestock being lost.

Secondary impacts of these grassfires were two major peat fires, which required significant resources and were a continuous threat to communities due to air quality issues. CFA partnered with EPA, Department of Health and Human Services, and other agencies to support the community throughout the emergency.



CFA provides important updates about threats to our communities



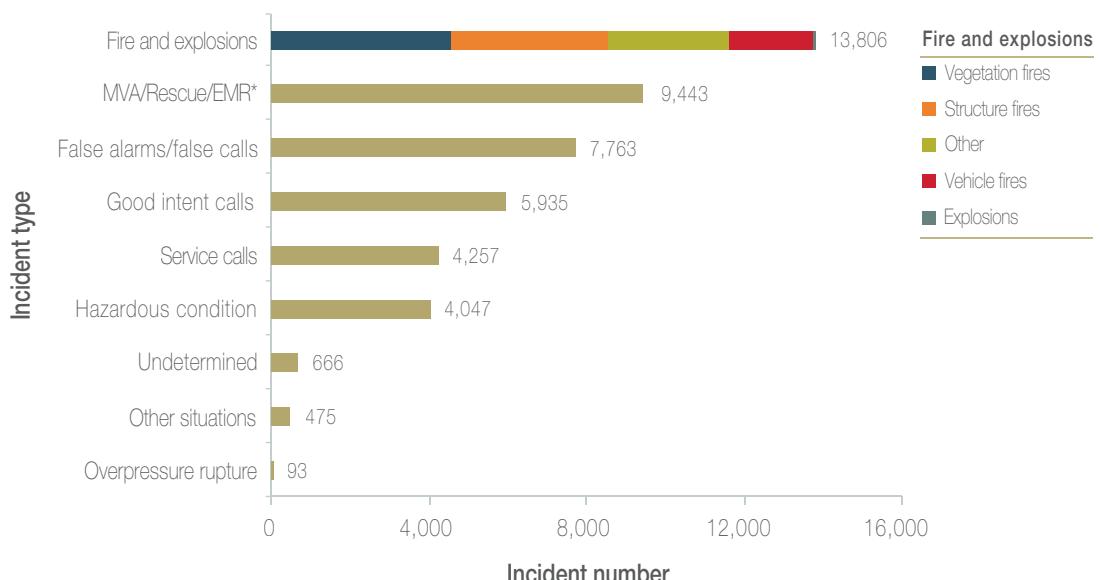
## 2017–18 MAJOR INCIDENTS

Table 6 : Summary of major incidents 2017–18.

| Date       | Incident location   | Incident type     | Description  |
|------------|---|-------------------|--|
| 14/10/2017 | Avoca   | Road accident     | Bus returning to Ballarat from Mildura, carrying mainly elderly people, rolled-over after colliding with a tree – 18 people hospitalised   |
| 26/11/2017 | Cann River  | Bushfire          | 9,746 hectares, 25-day duration  |
| 06/01/2018 | Carrum Downs  | Bushfire          | 1–2 hectares, in densely populated area  |
| 18/01/2018 | Dreeite   | Bushfire          | 426 hectares, unoccupied houses and sheds lost.  |
| 19/01/2018 | Big Desert  | Bushfire          | 5,596 hectares   |
| 08/02/2018 | Dixon's Creek   | Aircraft Accident | Hot air balloon landed heavily   |
| 28/02/2018 | Myrrhee   | Bushfire          | 677 hectares, 13-day duration  |
| 17/03/2018 | South-West<br>– Garvoc<br>– Gazette<br>– Terang<br>– Camperdown<br>– Cobrico Peat<br>– Lake Elingamite Peat | Bushfire          | Total size: 16,828 hectares<br>Cause: Trees over powerlines<br>Losses: 26 houses, 66 outbuildings, thousands of livestock<br>Secondary impact: two major peat fires and air quality issues |

## 2017–18 total incidents

Figure 3 : 2017–18 incident response by type.



\* Motor vehicle accidents/rescue/emergency medical response

## LESSONS IN COMMUNITY ENGAGEMENT



“ It was easily the most rewarding job I've ever done ”

Saturday 17 March presented Victoria's emergency services with some of the fire season's worst conditions. Hot, squalling, 100-km/hour winds sparked 160 grass and bushfires across the state and four significant fires in south-west Victoria, destroying or damaging 26 homes and numerous livestock.

Working through the night, 425 firefighters brought the blazes under control, but the peat fires continued to burn. Community health was CFA's major concern because peat fires produce huge amounts of smoke and carbon monoxide, and they're extraordinarily difficult to extinguish.

'At the start of the peat fires we rolled-out the traditional media messages and electronic warnings but, pretty quickly, we realised people needed information a lot faster and in different ways', said Acting Operations Manager for District 6 Mark Gunning.

'Once we had the weather forecast each day, instead of broadcasting messages that would unnecessarily alarm people in the community, we assembled those most at risk to brief them personally, engaging with people on a need-to-know basis. Importantly, this kept anxiety down.'

The big lesson for CFA was discovering that people were more willing to talk one-on-one or in small groups.

'After the danger had passed we remained in affected areas with an education unit set up in the main street to reassure the community of our continued presence.'

'It was easily the most rewarding job I've ever done', said Mark. 'I felt so much more connected and engaged with the community, and so better able to address their specific needs and ongoing concerns'.

## CFA PERFORMANCE REPORTING

CFA is formally monitored by the Department of Justice and Regulation, and held to account by quarterly reports on government-set Key Performance Indicators.

Table 7 shows CFA's actual performance together with measures reported in Budget Paper No. 3. CFA adheres to the national requirements for counting rules, which is normal for fire and emergency service organisations.

*Table 7 : Emergency management capability (BP3).*

| Major outputs/deliverables  | Unit of measure | 2017–18 Target | 2017–18 Actual |
|---|-----------------|----------------|----------------|
| <b>Performance measures</b>   |                 |                |                |
| <i>Quantity</i>   |                 |                |                |
| 1. Permanent operational staff  | number          | 1,360          | 1,321          |
| 2. Permanent support staff  | number          | 970            | 1,030          |
| 3. Volunteers – operational   | number          | 39,400–40,950  | 34,586         |
| 4. Volunteers – support   | number          | 18,000–19,000  | 20,483         |
| <i>Quality</i>  |                 |                |                |
| 5. Road crash rescue accredited brigades/units  | number          | 23             | 23             |
| 6. Level 3 Incident Controller-trained staff and volunteers   | number          | 67             | 60             |
| 7. Structural fire confined to room of origin<br><small>(A23 Type Incident 110–129 where K20 Extent of Flame Damage is (1,2,3)*100)</small> | per cent        | 70             | 77             |
| <i>Timelines</i>  |                 |                |                |
| 8. Emergency response times meeting benchmarks – structural fires   | per cent        | 90             | 88             |
| 9. Emergency response times meeting benchmarks – road accident rescue   | per cent        | 90             | 85             |

## QUICK RESPONSE EMR

A life saved every eight days



“ We respond to these calls within 10 minutes and provide emergency medical assistance until paramedics arrive ”

In life-threatening situations such as road accidents or cardiac arrests, emergency medical intervention is vital.

CFA is often a first responder to emergency incidents. According to Operations Manager for EMR/Wellbeing Tony O'Day, that's because 'there are a lot more fire resources in the state than ambulance resources, particularly in regional areas'.

So, it makes sense to take advantage of the available resources.

CFA's EMR program, in conjunction with Ambulance Victoria, is doing just that, and delivering some very positive results.

Brigades trained to administer EMR co-respond with AV to a select group of Priority Triple Zero calls. 'These are time-critical incidents', said Tony, 'where patients may be unconscious, not breathing or have no pulse'. The object is to get there as quickly as possible.

'We respond to these calls within 10 minutes and provide emergency medical assistance until paramedics arrive'.

This quick response often means the difference between life and death but, for anyone involved, it can also be a harrowing experience.

'That's exactly why Wellbeing is paired with EMR', said Tony.

'We provide a number of support services for members but the focus is also on building resilience. And an awareness of mental-health first aid, so our team can recognise symptoms in themselves and their mates.'

'It's about getting out and making a difference, and that's what we do'.

## PROGRESS TO MEET OBJECTIVES AND OUTCOMES

| Objective                              | Progress  |
|--|---|
| <b>1. Responding to community need</b> | <p>Together with Forest Fire Management Victoria, we've begun implementing Safer Together, our community-first approach to reducing bushfire risk and forest fuel loads. We've recruited four community engagement staff and agreed the structure of how we'll operate effectively across public and private boundaries.</p> <p>We were awarded around \$15 million in grants to support our brigades. This funds important upgrades and equipment that allows them to be more effective in responding to community need. These included:</p> <ul style="list-style-type: none"><li>• \$166,000 of Volunteer Sustainability Grants</li><li>• \$315,000 in Valuing Volunteer Program</li><li>• \$5 million from the Enhancing Volunteerism Grants Program, a state government initiative under the Fire Services Statement</li><li>• \$9.55 million from the Volunteer Emergency Services Equipment Program.</li></ul> <p>To keep our rural and regional communities connected with critical fire and response information, we committed to rolling out the Internet for Brigades Program to ensure brigades have access to reliable internet connections. Discussions with suppliers are underway.</p> <p>The flexible model of volunteering pilot was developed after research showed there have been changes in how people volunteer. Being trialled in North East Region, the pilot's framework focuses on pathways people can follow to volunteer with CFA in a way that suits their needs and supports a brigade's individual needs.</p> <p>Since September 2017 we've released quarterly public-response-time data to help give an accurate picture of the difference we're making in keeping communities safe.</p> <p>CFA, together with MFB, continues to educate Victorians about home fire safety in the winter months with a dedicated campaign to promote the replacement of smoke alarms and awareness of residential fires in winter.</p> <p>Together with Monash University Accident Research Centre we have commenced research to understand the factors that influence the incidence and impact of structure fires. Outcomes of this research will support our ability to assess community risk and better target services we deliver.</p> |

**\$60m**

### FOR A STRONGER CFA

In November 2017 the state government announced \$60 million in Fire Services Statement funding to support our firefighters with the infrastructure, equipment and training they need to respond to emergencies and keep people safe.

Throughout 2018 and beyond, CFA will be delivering new vehicles, new equipment, station upgrades and innovative training across the state from this fund. It also includes the \$10 million Enhancing Volunteerism Grants that will be delivered over two years.

| Objective  | Progress  |
|--|---|
| <b>2. Supporting our people</b>                  | <p>Creating the culture we want at CFA starts with strong values that truly represent how we work today. We introduced a refreshed set of values and a program to make them part of expected behaviour.</p>   |
|  | <p>To set up our new members for success at CFA, we reviewed and revised our induction program to create a more welcoming experience, clarify expectations, and reinforce the values we uphold.</p>   |
|  | <p>Developing and providing support for all our people to be leaders is critical to CFA's success, both now and into the future. We have designed and piloted a suite of Leadership Essentials programs to develop priority leadership capabilities.</p>  |
|  | <p>For our operational leaders, we have designed induction and mentoring programs for new operations officers to provide them with the knowledge, skills and support needed to be successful in their role.</p>   |
|  | <p>We procured and began the planning for brigade roll-out of brand new self-contained breathing apparatus equipment, as part of the landmark Respiratory Protection Replacement Project. CFA leads on behalf of Victorian emergency services. It will equip our first responders with even safer and more efficient equipment. Brigades with structurally-accredited firefighters also received new, purpose-made replacement gloves – an essential part of the uniform.</p> |
|  | <p>More than 9,000 members have improved their skills with the new online Learning Hub, built to provide easy access to training.</p>   |
|  | <p>The Learning Management System, rolled-out this year to all members, provides access to 3,212 training courses, with more than 7,450 people completing e-learning courses this year.</p>   |
|  | <p>We trialled the ABR in District 9. The ABR provides an evidence-based assessment of brigade viability, which empowers brigades to identify their challenges and seek tailored support from CFA. The ABR will continue to be matured and rolled out in future years.</p>  |
| <b>3. Promoting health, safety and wellbeing</b> | <p>To help our volunteers understand and meet the physical and psychological demands associated with firefighting, we implemented the Fit for Duty pilot for brigades across South West Region.</p>   |
|  | <p>We've completed an initial audit of our training facilities (with help from WorkSafe Victoria) to ensure they comply with modern health and safety standards. Actions arising from this audit are being addressed and we're committed to continual improvement.</p>  |
|  | <p>As part of our commitment to a safe environment for all children and young people, our Board committed to mandatory Working with Children checks for all employees and volunteers who have regular unsupervised contact with children, such as our Junior volunteers and Fire Safe kids programs. It's part of our progression of the CFA Children/Young Persons Protection Policy we established in 2017.</p>   |
|  | <p>Our Workplace Investigations Team was established this year to deal with allegations and incidents effectively, and thoroughly stamp out misconduct to create a safe working environment.</p>  |

## AN INCLUSIVE AND FAIR CFA

- We've driven our inclusion work at CFA even further this year by appointing new members to our Inclusion and Fairness Council, establishing regional councils, and creating a network of inclusion champions to connect like-minded people.
- We rolled out Unconscious Bias Training and Diversity Awareness Training among senior leaders, as well as celebrating diversity by recognising International Women's Day, NAIDOC week, White Ribbon Day and Wear It Purple Day, among others.
- To increase female representation, leadership and wellbeing at CFA, a Gender Equity Working Group has been established. This provides a forum to share information and capitalise on successful initiatives at the local level across the state.
- We developed the Matter of Respect education workshop framework, showing what a respectful workplace looks like at CFA, which will be rolled out widely in 2019.



| Objective  | Progress  |
|--|---|
| <b>4. Building sector partnerships and collaboration</b> | <p>Together with DELWP, the CFA developed plume modelling, including a web-based tool and related training, that gives us the capability to accurately and, in real-time, predict hazardous air events, which leads to more advanced warning and better outcomes for the community. This finalises the CFA's implementation of Item 49 from the Hazelwood Mine Fire Inquiry Implementation Plan.</p> <p>For the first time, CFA and MFB joined forces to undertake a firefighter recruitment campaign, including a new Victorian Career Firefighter website, reaching more people and providing a smoother transition into a career in firefighting.</p> <p>CFA partnered with Ambulance Victoria (AV) to take part in a pilot of the GoodSAM app, a first responder app that alerts trained first-aiders to nearby emergencies. Over 340 CFA people are now GoodSAM responders and CFA will continue to roll out GoodSAM internally with support from AV.</p> <p>As the lead in the Emergency Services Memorial Project, CFA has identified the location and now has Heritage Victoria approval to build the memorial in Melbourne's Treasury Gardens.</p> <p>We worked closely with MFB to provide a common picture of response to fires across the state by aligning some of our reporting systems and procedures.</p> |
| <b>5. Strengthening our operational capability</b>       | <p>To share lessons learned between brigades easily and quickly, we established the Lessons Management Centre, and CFA members can access case studies through our intranet.</p> <p>As part of the Growth Programs, our most comprehensive program ever to improve service delivery, we:</p> <ul style="list-style-type: none"><li>• successfully employed and trained 105 new firefighters</li><li>• successfully recruited 50 new firefighters to be trained, on our way to meeting our overall program target of 350 firefighters</li><li>• finished constructing two temporary stations at Lucas and Lara</li><li>• undertook major fire station improvements at Mildura and Wangaratta, along with minor upgrade works at Caroline Springs, Warrnambool, Hallam and Point Cook</li><li>• commenced construction of new fire stations at Wodonga, Tarneit and Lucas</li><li>• delivered 12 heavy pumper and 31 transport vehicles, and widely consulted on the specifications of these vehicles to ensure they meet the needs of crews.</li></ul>   |

| Objective  | Progress  |
|--|---|
| <b>5. Strengthening our operational capability (cont.)</b> | <p>30 of our CFA stations are now trained and equipped to respond to EMR events, which sees CFA brigades respond to life-threatening medical emergencies.</p> <p>More than \$27 million was spent this year to upgrade our capital truck fleet, improving the safety and responsiveness of our brigades to incidents.</p> <p>We secured the premises for our brand new State Logistics Centre in Scoresby and will be moving to this new site in 2018–19.</p> <p>To get an accurate picture of how ready a brigade is to respond, CFA developed a tool – the Baseline Capability Pilot – that allows field staff to access information about membership, training and equipment.</p> <p>We built a number of new stations for our volunteers including Hopetoun, Avoca and Donald, and made modifications to many others.</p>   |
| <b>6. Leading transformational change</b>                  | <p>In an important step forward to ensure the safety of our brigades during emergency incidents, new GPS technology attached to the mobile radio in every vehicle will track the location of responding vehicles. The always-on Resource Tracking System also gives CFA the best chance of providing accurate and timely responses to incidents by knowing the whereabouts of vehicles, and hard-to-reach locations.</p> <p>We're increasing the level of skills of our frontline personnel by using computer-simulated, virtual-reality training. This year CFA piloted the FLAIM immersive virtual-reality experience, developed together with Deakin University, that puts users in a fire situation and guides them through feedback. It also records heart and breathing rates to monitor stress of the firefighter.</p> <p>To help connect the CFA frontline to organisational strategy, the DPC Chairs and Operations Manager Forum was established this year.</p> <p>CFA has developed a model to automatically determine hazard class in our Fire Incident Reporting System, which, when implemented next year, will improve data quality and reporting of emergency response times against service delivery standards.</p> <p>To help put our safety first at CFA, and become a more mature organisation that knows where and how to invest its efforts based on risk, a new Enterprise Risk Team led the development and roll out of the Enterprise Risk Management Framework. Risk advisers help CFA at all levels focus on risk training, advice and support, and integration with business planning.</p> <p>New data visualisation software has been trialled that allows districts and regions to easily access data to support decision-making. The new software is being used to develop dashboards so regions can monitor their performance against key response criteria. Districts can also understand the current response capability of brigades and how to tailor support effectively to meet emerging challenges.</p> <p>CFA reviewed its data management environment and began to develop a roadmap to improve creation, analysis, storage, access and sharing of data to enhance decision making.</p> |

## ACTING WITH INTEGRITY – A FRAMEWORK FOR CFA

At CFA, our staff and volunteers make decisions every day that affect the lives of the communities we work with. As a highly trusted public organisation, it's crucial we act with integrity. That is, being honest, transparent, managing resources appropriately, using powers responsibly and always pursuing the public interest.

This year, for the first time, CFA has drafted and consulted on an Integrity Framework which, when released this coming year, outlines how we will develop and maintain a culture that acts with the highest standard of integrity, honesty and transparency, and how we plan to deter and prevent misconduct and corruption.

## SPIRIT OF CFA AWARDS

### Breaking down the barriers

**“ To appropriately serve a community, a brigade must reflect it ”**

‘By breaking down the barriers, truly engaging with our community, and identifying their needs and requirements, we’re building a healthier and more resilient community, and opening the doors to a more diverse and inclusive brigade membership’, said inaugural Spirit of CFA Inclusion and Fairness Award winner Tony Stephens.

Since becoming Captain of Malmsbury brigade, Tony has been a driving force for diversity and inclusion. His tireless support and commitment has transformed the brigade’s membership, with 60 per cent of operational members under 54 years old, and 36 per cent female.

His Diversity and Inclusion Action Plan 2018 for the brigade (a first for the North West Region) aims to ensure the brigade and the community embrace difference and provide opportunities for everyone.

‘To appropriately serve a community, a brigade must reflect it’, said Tony.

Tony has also introduced mental health awareness and wellbeing initiatives to ensure his members have all the information and resources they need to stay healthy on the inside.

‘It’s easy to forget that mental health is a major part of our overall health, so we run an annual Mental Health and Wellbeing session as well as Peer Support sessions’.



## Steve's excellent succession planning



“ Our younger members needed the confidence and support to step up ”

Spirit of CFA Excellence in Sustainability Planning Award winner Steve Lewis has seen a bit during his 42 years of CFA service. As Dundas Group Officer, he was concerned about a lack of succession planning across the 18 brigades he oversees.

‘Our younger members needed the confidence and support to step up. I knew this would take a huge commitment so I decided to lease my farm for two years to give me the time to drive this modernisation’, said Steve.

In early 2016, he improved how the group set its strategic direction by introducing regular meetings between the five Deputy Group Officers. They are all ex-captains with excellent communication skills.

‘I invited them to bring their thoughts to the table at every executive meeting because I didn’t want “yes” and “no” people. I wanted help and advice’, explained Steve.

‘Together, we actively engaged with brigade members we saw as “captain material” about their expectations and aspirations, and how we could help them get to where they wanted to be. And it worked, with seven new captains elected in the last round. After the elections, I held a training session with the new captains to talk about their expectations, and discuss scenarios with them to build confidence.

‘I remember when I was handed the captain’s red helmet and told “good luck”. I didn’t get much mentoring’, recalled Steve.

‘But these seven new captains know they are supported. It’s all about good communication’.

## A true professional

“ Professionalism in CFA calls for adaptability, integrity and respect ”

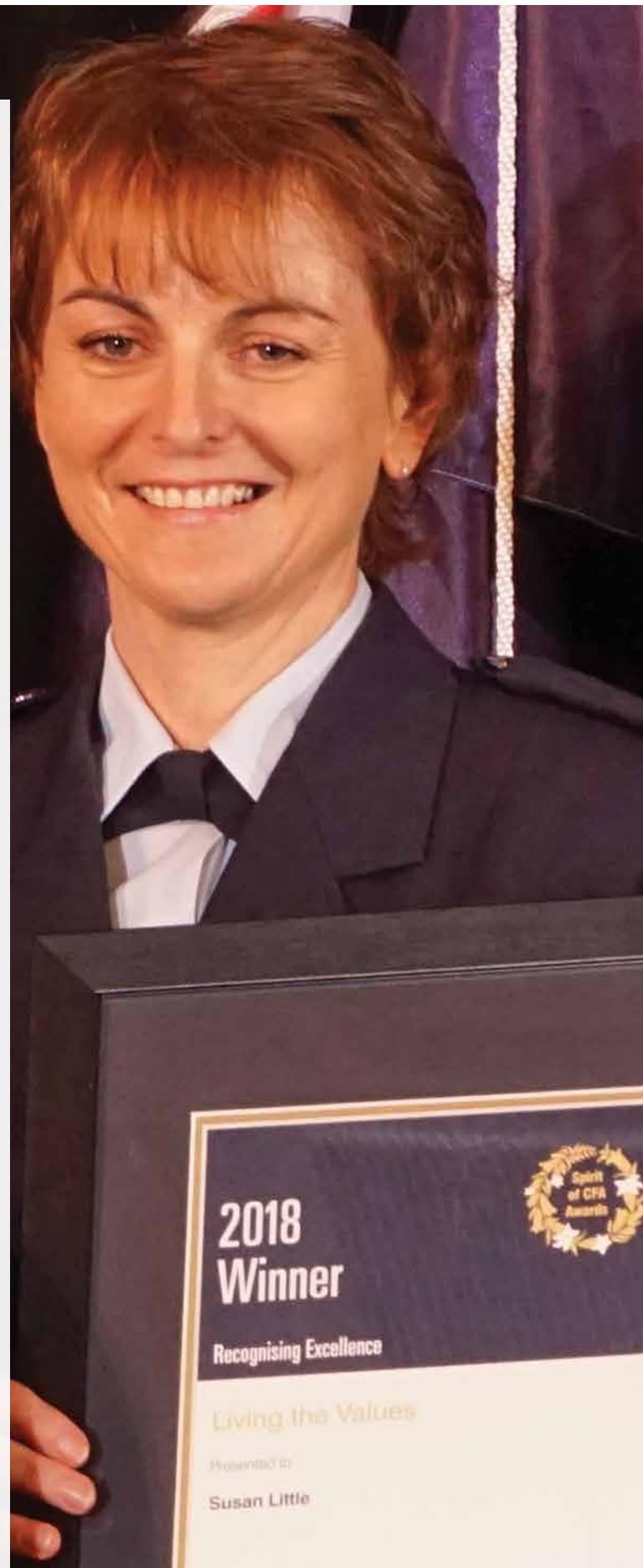
What has kept Hamilton Fire Brigade volunteer Susan Little at CFA for 33 years and driven her on to win a Spirit of CFA Living the Values Award?

‘I originally joined because I wanted to help keep my community safe. I’ve grown to love every aspect of being a firefighter, whether it’s educating crews or standing on the back of a fire truck. And winning this award has given me the confidence to go on for another 10 years’, said Susan.

Susan’s professionalism across her various roles as firefighter, welfare officer and Junior brigade team leader, as well as her tireless commitment to protecting her community, personifies the values of CFA.

‘I am very proud to wear the uniform. But you are always on show, so you need to stay professional because the community looks up to you and this carries a lot of responsibility. Professionalism in CFA calls for adaptability, integrity and respect.

‘Empathy is also crucial, so if you’re dealing with someone whose house is burning down you need to ask, “how would I feel if this was my house?”’.



## CFA ROADSIDE VEGETATION MANAGEMENT

### Making a difference



“ Our roadsides are in good condition as a result of the work of local CFA members ”

Roadside burning is an annual event in the Westmere Group, and has been for decades. Given the size of the group's area and the size of many properties, there's a vested interest in providing a sense of security for its communities.

It's a very valuable exercise in more ways than one. 'There are three primary reasons we burn', said Deputy Group Officer of Westmere, David Allen from Woorndoo brigade.

'It's beneficial for native grasses over introduced pasture species, it reduces the amount and type of fuel available for a fire, and it's very valuable for members in fire training'.

Woorndoo brigade burns 65 km of roadside each year. Carried out over four days according to local weather conditions, it mobilises 25 people, a CFA tanker, and 10 to 12 private tankers to conduct the burn.

'Although it's hard to put a precise dollar value on that, it's a significant contribution to our community', said David.

Group Officer Rod Laidlaw agrees, 'Our roadsides are in good condition as a result of the work of local CFA members and our communities, and we've done what we can to reduce fire risks'.

## 2017–18 HONOURS

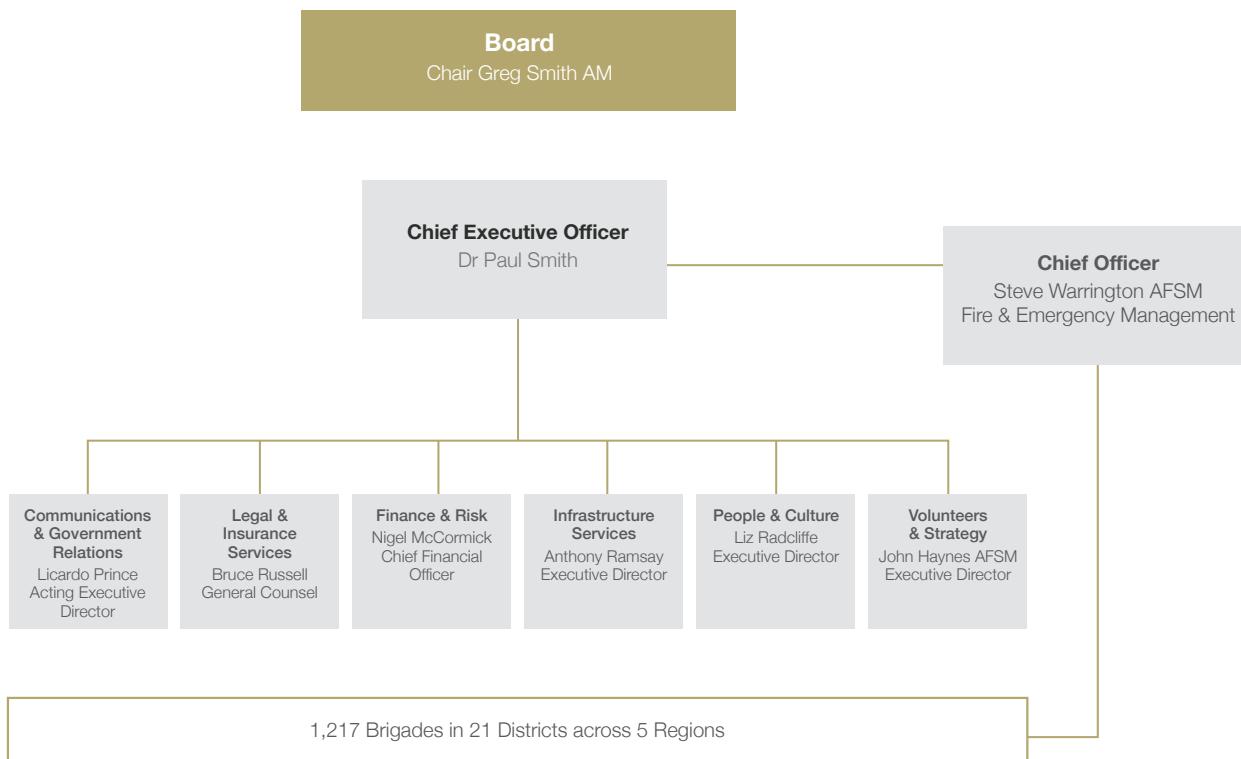
The commitment of those involved with CFA was recognised with the awarding of the Australian Fire Service Medal to John Atkins, Glenn Jennings, Neil Beer (pictured with Governor of Victoria Linda Dessau), Mark Gilmore, Alan Hodgkin, Damien O'Connor and Ruth Ryan.



## FORMALISED GOVERNANCE FRAMEWORK

Our formalised governance framework details governance arrangements for the Board and Board committees.

*Figure 4 : Structure and Executive as at 30 June 2018.*



### CFA Board Committees

|  |   |  |   |  |
|--|---|--|---|--|
| Community Engagement Committee<br><br>Chair:<br>Tim Young<br>Executive Sponsor:<br>Steve Warrington AFSM | Finance, Risk and Audit Committee<br><br>Chair:<br>Michelle McLean<br>Executive Sponsor:<br>Nigel McCormick     | Safety, Health and Environment Committee<br><br>Chair:<br>Dr Gillian Sparkes<br>Executive Sponsor:<br>Anthony Ramsay | People and Culture Committee<br><br>Chair:<br>Lynda Hamilton<br>Executive Sponsor:<br>Liz Radcliffe | Strategy, Planning and Governance Committee<br><br>Chair:<br>Pam White PSM<br>Executive Sponsor:<br>John Haynes AFSM |
| Remuneration Committee<br><br>Chair:<br>Greg Smith AM<br>Executive Sponsor:<br>Liz Radcliffe             | Honours Awards and Remembrance Committee<br><br>Chair:<br>Lynda Hamilton<br>Executive Sponsor:<br>Liz Radcliffe |  |   |  |

## CFA BOARD

CFA's Board is constituted under the CFA Act and is accountable to the Minister for Emergency Services. It sets our strategic direction, and ensures government policy is effectively and efficiently implemented. The Board is accountable for our overall performance, ensuring legislative compliance, and that appropriate risk management strategies are in place.

Board members for 2017–18 were:

- Greg Smith AM (Chair); appointed 17 June 2016
- Michelle McLean (Deputy Chair); appointed 17 June 2016
- Dr Gillian Sparkes; appointed 17 June 2016
- Pam White PSM; appointed 17 June 2016
- Simon Weir; appointed 17 June 2016
- Timothy Young; appointed 19 July 2016
- Hazel Clothier; appointed 19 July 2016
- Peter Shaw; appointed 19 July 2016
- Lynda Hamilton; appointed 19 July 2016.

## CFA BOARD COMMITTEES

Our Board committee structure contains seven committees that advise the Board and make recommendations on specific subjects.

### Finance, Risk and Audit Committee

This committee provides the Board with oversight, review and assurance regarding financial sustainability and reporting, risk management, internal and external audit, and regulatory compliance. Ernst & Young conducts CFA's internal audit and report directly to the committee each time it meets. The Auditor-General audits CFA's annual financial statements and advises the committee. The committee includes an independent member.

### People and Culture Committee

This committee provides the Board with oversight, review and assurance for people and culture plans, and programs of work and policy, including change management, workplace relations and staff development, and performance and succession. We appointed an independent member to this committee in June 2017.

### Health, Safety and Environment Committee

This committee provides the Board with oversight, review and assurance regarding health, safety and environment strategy and policy, compliance and risk, performance, and in meeting external reporting requirements. We appointed an independent member to this committee in September 2017.

## IMPROVING TRANSPARENCY

“ Becoming more transparent, organised and risk-mature makes CFA even better at performing our duty of protecting life and property ”

John Sullivan – Director Governance

This year, CFA improved the way we work by:

- Creating a blueprint to guide ethical and honest actions – the Integrity Framework
- Establishing a Workplace Investigations Team
- Creating an enterprise-wide Risk Management Framework with risk advisers to support CFA focus on risk in their planning.

## Honours, Awards and Remembrance Committee

This committee provides the Board with oversight, review and assurance regarding tributes and the preservation of history and remembrance, as well as recognition and remembrance work programs within CFA. As per the CFA Honours and Awards manual, it also receives, reviews and endorses nominations for certain honours and awards. This committee has appointed two independent members.

## Remuneration Committee

This committee provides oversight, review and assurance regarding CFA's executive remuneration and policy.

## Strategy, Planning and Governance Committee

This committee provides oversight, review and assurance for long-term planning to achieve the Board's and the sector's strategic objectives, as well as Board and Executive governance requirements, including major projects.

## Community Engagement Committee

This committee provides oversight, review and assurance for community engagement initiatives, building community resilience, and on the quality and performance of our community engagement. We appointed an independent member to this committee in July 2017.

Table 8 : Board members' attendance at meetings 2017–18

| Meeting*                     | BM | FRAC | HSE | P&C | HAR | REM | SPG | CEC |
|------------------------------|----|------|-----|-----|-----|-----|-----|-----|
| No. meetings to 30 June 2018 | 15 | 9    | 4   | 4   | 4   | 6   | 4   | 4   |
| Greg Smith                   | 14 | –    | –   | –   | –   | 6   | –   | –   |
| Michelle McLean              | 14 | 9    | –   | –   | –   | 5   | –   | –   |
| Lynda Hamilton               | 13 | –    | –   | 4   | 4   | –   | 2   | 3   |
| Simon Weir                   | 15 | 8    | 3   | –   | –   | –   | –   | –   |
| Pam White                    | 15 | –    | –   | 4   | –   | 6   | 4   | –   |
| Gillian Sparkes              | 14 | 7    | 4   | –   | –   | –   | –   | –   |
| Tim Young                    | 13 | –    | –   | 3   | –   | –   | 3   | 4   |
| Peter Shaw                   | 15 | 9    | –   | –   | –   | –   | 4   | –   |
| Hazel Clothier               | 15 | –    | 4   | –   | –   | –   | –   | 4   |

\* BM, Board meetings; FRAC, Finance, Risk and Audit Committee; HSE, Health, Safety and Environment Committee; P&C, People and Culture Committee; HAR, Honours, Awards and Remembrance Committee; Rem, Remuneration Committee; SPG, Strategy, Planning and Governance Committee; CEC, Community Engagement Committee.

## ATTESTATION FOR STANDING DIRECTIONS

### 2017-18 Attestation Statement



2017-18 Financial Year  
Compliance with Ministerial Standing Direction 5.1.4

#### CFA Financial Management Compliance Attestation Statement

I, Greg Smith, Chairperson of the Country Fire Authority (CFA) Board, on behalf of the Board certify that the CFA has complied with the applicable Standing Directions of the Minister for Finance under the Financial Management Act 1994 and Instructions.

A handwritten signature in black ink, appearing to read "Greg Smith".

Greg Smith AM

Chair

Date 20/8/18

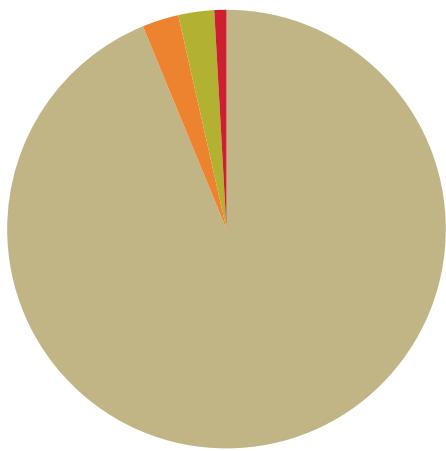
## FINANCIAL SUMMARY

### Executive Summary

CFA's comprehensive operating result for 2017–18 is a surplus of \$67.9m, representing an improvement over last year's surplus of \$8.4m. CFA continues to maintain a healthy Balance sheet with net assets increasing by 10% (\$125m) to \$1.38b. These positive financial results reflect the Board's oversight of financial management. The accumulated surplus will be carried forward to be spent on the rollout of relevant projects.

### Comprehensive operating statement

*Figure 5 : Total income.*



|                            | (\$m) |
|----------------------------|-------|
| Grants                     | 600.2 |
| Sale of goods and services | 17.2  |
| Other income               | 16.9  |
| Interest                   | 5.7   |
| Total income               | 640.1 |

### Income

In 2017–18, CFA received most of its income (94 per cent) through Grants under the property-based fire service levy arrangements.

Total income for the 2017–18 year was \$640.1m, which is an increase of \$49.6m from the previous year's total of \$590.5m. The \$49.6m increase is attributable to additional grants income of \$42.4m, other income from recognition of historically accumulated public fund donation and brigade cash \$6.4m, higher brigade contribution to assets \$1.2m, interest income \$1.3m and other income \$0.5m, partly offset by lower sale of goods and services \$2.2m due to decline in regulatory income.

### Government and statutory funding

CFA received Grants and Contributions amounting to \$600.2m (2016–17 \$557.8m). Under the *Country Fire Authority Act 1958* (the Act), CFA received funding of annual expenditure from the State Government under the property-based levy arrangements. Additional grant income arose on many projects including 350 Firefighters program and Fire Services Statement implementation.

### Sales of goods and services

CFA received \$17.2m during the year from the sale of goods and services to external bodies (2016–17 \$19.4m). This includes the provision of external training services, fire protection fees, dangerous goods inspections, fire and equipment maintenance services, and charges for hazardous materials incidents and emergency attendances.

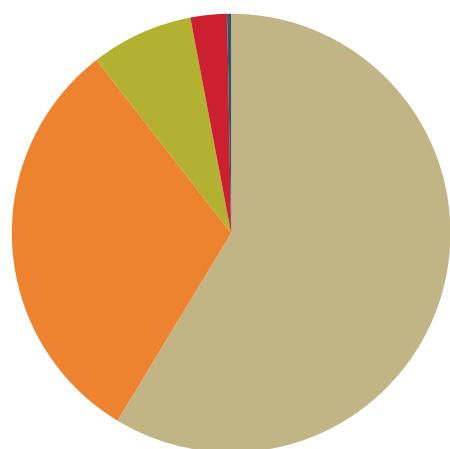
## Other income and interest

Other income during the year totalled \$16.9m (2016–17 \$9.0m), which was due to recognition of income from historically accumulated public donation income and brigades cash \$6.4m, higher brigade contribution for assets \$1.2m and recovery of legal costs \$0.4m.

Interest income for the year was \$5.7m (2016–17 \$4.4m). The increase was a result of higher average cash and investment balances available for deposit compared to 2016–17, partially offset by lower interest rates.

## Total expenses and economic flows

Figure 6 : Total expenses and economic flows.



|  | (\$m)        |
|--|--------------|
| Employee expenses                        | 346.8        |
| Other expenses                           | 182.1        |
| Depreciation and amortisation            | 44.6         |
| Grants                                   | 15.9         |
| Other economic flows                     | 1.7          |
| <b>Total expenses and economic flows</b> | <b>591.0</b> |

## Expenses

Total expenses excluding other economic flows for the 2017–18 year were \$589.0m compared to \$578.1m for 2016–17. The increase of \$11.2m is due to additional employee expenses of \$24.4m, depreciation and amortisation of \$2.2m partially offset by reduction in other expenses of \$12.8m and grants payment \$2.6m.

Expenses from other economic flows for 2017–18 were \$1.7m compared to \$4.1m for 2016–17.

### Employee expenses

During 2017–18 employee expense was \$346.8m (2016–17 \$322.3m), the increase of \$24.4m primarily resulted from two EBA changes during the year and increased staff numbers through the 350 Firefighting program.

### Depreciation and amortisation

Depreciation of property, plant and equipment and amortisation of intangible assets totalled \$44.6m during 2017–18 (2016–17 \$42.3m). The increase of \$2.2m was due to acquisition of additional assets excluding land of \$36m.

### Other expenses

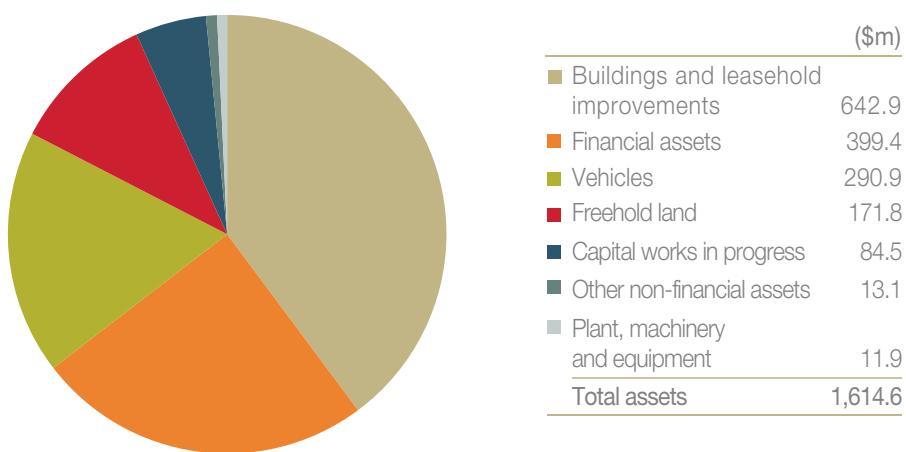
CFA spent \$182.1m on general operating costs and other expenses during 2017–18 (2016–17 \$194.9m). This reduction of \$12.8m over the previous year in expenses was primarily due to a substantial reduction in asset write-off of \$31.3m partially offset by ESTA service enhancement and lifecycle capital project cost of \$9.8m and additional costs of fire season activity.

### Grants

CFA spent \$15.9m on grants during 2017–18 (2016–17 \$18.5m). This reduction in the grant expense of \$2.6m over the previous year was due to lower grant payment to EMV.

## Balance sheet

Figure 7 : Total assets.



## Assets

### Total assets

Total assets at 30 June 2018 were \$1,614.6m compared to the 30 June 2017 total of \$1,490.2m. The major elements of the year-on-year variation of \$124.4m were an increase in financial assets \$79.8m, property, plant and equipment \$47.8m partially offset by other assets \$3.2m.

### Financial assets

Financial assets totalled \$399.4m (2016–17 \$319.6m) and comprise money owed to CFA for trade receivables, other receivables and GST recoverable of \$42.4m, cash at bank and deposits of \$104.9m and investments of \$252.1m.

Cash and deposits, and investments include brigades cash and deposits held for local initiatives and future activities such as:

- Capital Works – Land and buildings
- Projects
- Grants programs to support volunteers
- Regional Radio Dispatch Service.

## Non-financial assets

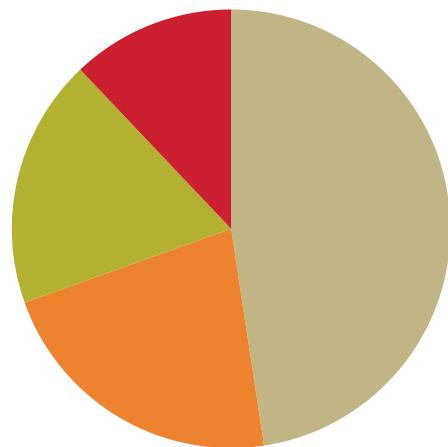
Non-financial assets totalled \$1,215.2m (2016–17 \$1,170.6m) comprising property, plant and equipment of \$1,202.1m, and other non-financial assets including inventories and goods held in store of \$8.9m, prepayments of \$2.8m and intangible assets \$1.4m.

Land comprised in property, plant and equipment was revalued upward by \$18.8m in accordance with FRD 103F.

At the end of the year, the value of expenditure on capital works such as buildings, emergency response vehicles, and plant and equipment which were in progress, totalled \$84.5m (2016–17 \$53.8m).

## Liabilities

Figure 8 : Total liabilities.



|   | (-\$m)       |
|---|--------------|
| ■ Provision for employee entitlements                 | 110.0        |
| ■ Provision for remediation and decommissioning works | 50.7         |
| ■ Provision for volunteer compensation                | 42.5         |
| ■ Goods or services not yet paid for (payables)       | 27.9         |
| <b>Total liabilities</b>                              | <b>231.1</b> |

### Total liabilities

Total liabilities at 30 June 2018 amounted to \$231.1m compared to the previous year's total of \$231.6m. The movement in the total liabilities in the current year was negligible due to offsetting movements in payables and provisions.

### Goods or services not yet paid for (payables)

At the end of the year a total of \$27.9m was owed for goods or services already provided but not yet paid for. This was a decrease of \$4.5m over the corresponding figure last year (2016–17 \$32.4m) largely due to recognition as income historically accumulated public donations of \$3.4m.

### Provisions

The total employee and other provisions as at 30 June 2018 was \$203.1m (2016–17 \$199.2m). The increase of \$3.9m primarily represents addition to long service leave and annual leave provision of \$8.9m, volunteer compensation provision of \$5.2m, partially offset by payment against remediation and decommissioning provision of \$10.2m.

## CFA and Brigades Donations Fund

In 2004, CFA established the CFA and Brigades Donations Fund (the Trust). The Trust is a public fund with tax deductible status. It was set up to comply with the *Income Tax Assessment Act 1997*, to allow people to make tax-deductible donations to support CFA brigades' operational firefighting capacity.

The Trust is governed by its Deed, which clearly sets out the purpose of the Trust and the purpose for which moneys relating to the Trust can be raised and be used. All donations for brigades whether received by brigades or the CFA on behalf of a brigade must be paid into the Trust. The money received is subsequently released back to the brigade for spending in line with the objects of the Trust (known as disbursements). The Trustees are responsible for the preparation of separate financial statements which are subject to independent audit.

The Trust is separate from CFA but for accounting purposes it is controlled by CFA. The financials of the Trust are not consolidated with the CFA's Annual Financial Statements. However, its results are summarised in a note to the CFA's Annual Financial Statements.

A total of 1,217 brigades/groups were registered with the Trust as at 30 June 2018. The Trust received revenue from donations of \$4.0m during the 2017–18 financial year compared to \$4.5m during 2016–17.

The 30 June 2018 and 30 June 2017 Trust bank and deposits balances were \$1.3m and \$1.6m respectively.

# FINANCIAL REPORT

## How this report is structured

Country Fire Authority (CFA) has presented its audited general purpose financial statements for the year ended 30 June 2018 in the following structure to provide users with the information about the CFA's stewardship of resources entrusted to it.

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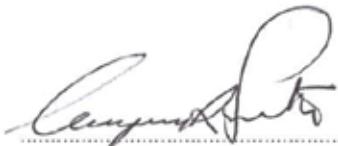
## Chair's, Accountable Officer's and Chief Financial Officer's declaration

The attached financial statements for the Country Fire Authority 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 ended 30 June 2018 and financial position of the Country Fire Authority at 30 June 2018.

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.

In accordance with a resolution of the Board of the Country Fire Authority, we authorise the attached financial statements for issue on 28 August 2018.



G Smith AM  
Chair  
Country Fire Authority  
  
Melbourne  
28 August 2018



P Smith  
Chief Executive Officer  
Country Fire Authority  
  
Melbourne  
28 August 2018



N McCormick CA  
Chief Financial Officer  
Country Fire Authority  
  
Melbourne  
28 August 2018

# Audit report



## Independent Auditor's Report

**To the Board of the Country Fire Authority**

**Opinion** I have audited the financial report of the Country Fire Authority (the authority) which comprises the:

- balance sheet as at 30 June 2018
- comprehensive operating statement for the year then ended
- statement of changes in equity for the year then ended
- cash flow statement for the year then ended
- notes to the financial statements, including significant accounting policies
- chair's, accountable officer's and chief finance and accounting officer's declaration.

In my opinion the financial report presents fairly, in all material respects, the financial position of the authority as at 30 June 2018 and their financial performance and cash flows for the year then ended in accordance with the financial reporting requirements of Part 7 of the *Financial Management Act 1994* and applicable Australian Accounting Standards.

**Basis for Opinion** I have conducted my audit in accordance with the *Audit Act 1994* which incorporates the Australian Auditing Standards. I further describe my responsibilities under that Act and those standards in the *Auditor's Responsibilities for the Audit of the Financial Report* section of my report.

My independence is established by the *Constitution Act 1975*. 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 *Code of Ethics for Professional Accountants* (the Code) that are relevant to my audit of the financial report in Victoria. My staff and I have also fulfilled our other ethical responsibilities in accordance with the Code.

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

**Board's responsibilities for the financial report** 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 *Financial Management Act 1994*, and for such internal control as the Board determines 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.

In preparing the financial report, the Board is responsible for assessing the authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is inappropriate to do so.

|   |  |
|---|--|
| <b>Auditor's responsibilities for the audit of the financial report</b> | <p>As required by the <i>Audit Act 1994</i>, 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.</p> <p>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:</p> <ul style="list-style-type: none"> <li>• 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 my 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.</li> <li>• 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</li> <li>• evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board</li> <li>• 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.</li> <li>• 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.</li> </ul> <p>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.</p> |
|---|--|



MELBOURNE  
30 August 2018

Travis Derricott  
*as delegate for the Auditor-General of Victoria*

# Comprehensive operating statement

For the financial year ended 30 June 2018

|  | Notes       | (\$ thousand)  |                |
|--|-------------|----------------|----------------|
|  |             | 2018           | 2017           |
| <b>Continuing operations</b>                                   |             |                |                |
| <b>Income from transactions</b>                                |             |                |                |
| Grants   | 2.2.1       | 600,191        | 557,775        |
| Sale of goods and services                                     | 2.2.2       | 17,242         | 19,391         |
| Other income   | 2.2.3       | 16,940         | 9,001          |
| Interest income  |             | 5,705          | 4,367          |
| <b>Total income from transactions</b>                          |             | <b>640,078</b> | <b>590,534</b> |
| <b>Expenses from transactions</b>                              |             |                |                |
| Employee expenses  | 3.1.1       | 346,759        | 322,333        |
| Other operating expenses                                       | 3.3         | 182,083        | 194,895        |
| Depreciation   | 4.1.1 & 4.3 | 44,559         | 42,349         |
| Grant expenses   | 3.2         | 15,875         | 18,524         |
| <b>Total expenses from transactions</b>                        |             | <b>589,276</b> | <b>578,101</b> |
| <b>Net result from transactions (net operating balance)</b>    |             | <b>50,802</b>  | <b>12,433</b>  |
| <b>Other economic flows included in net result</b>             |             |                |                |
| Other gain from other economic flows*                          | 8.2         | 75             | 531            |
| Net loss on financial instruments*                             | 8.2         | (600)          | (515)          |
| Net loss on non-financial assets                               | 8.2         | (1,204)        | (4,091)        |
| <b>Total other economic flows included in net result</b>       |             | <b>(1,729)</b> | <b>(4,075)</b> |
| <b>Net result</b>  |             | <b>49,073</b>  | <b>8,358</b>   |
| <b>Other economic flows – other comprehensive income:</b>      |             |                |                |
| <b>Items that will not be reclassified to net result</b>       |             |                |                |
| Changes in physical assets revaluation surplus                 | 8.3         | 18,828         | –              |
| <b>Total other economic flows – other comprehensive income</b> |             | <b>18,828</b>  | <b>–</b>       |
| <b>Comprehensive result</b>                                    |             | <b>67,901</b>  | <b>8,358</b>   |

The accompanying notes form part of these financial statements.

\* 2017 figure is restated to align with the presentation in 2018

## Balance sheet

As at 30 June 2018

|                                    | Notes | (\$ thousand)    |                  |
|------------------------------------|-------|------------------|------------------|
|                                    |       | 2018             | 2017             |
| <b>Assets</b>                      |       |                  |                  |
| <b>Financial assets</b>            |       |                  |                  |
| Cash and deposits                  | 6.1   | 104,902          | 102,771          |
| Receivables                        | 5.1   | 42,408           | 37,102           |
| Investments                        | 6.3   | 252,077          | 179,753          |
| <b>Total financial assets</b>      |       | <b>399,387</b>   | <b>319,626</b>   |
| <b>Non-financial assets</b>        |       |                  |                  |
| Inventories                        | 5.2   | 8,962            | 8,597            |
| Property, plant and equipment      | 4.1   | 1,202,066        | 1,142,954        |
| Investment properties              | 4.2   | –                | 11,349           |
| Intangible assets                  | 4.3   | 1,370            | 2,178            |
| Prepayments                        |       | 2,810            | 5,491            |
| <b>Total non-financial assets</b>  |       | <b>1,215,208</b> | <b>1,170,569</b> |
| <b>Total assets</b>                |       | <b>1,614,595</b> | <b>1,490,195</b> |
| <b>Liabilities</b>                 |       |                  |                  |
| Payables                           | 5.3   | 27,910           | 32,404           |
| Employee related provisions        | 3.1.2 | 110,008          | 101,144          |
| Other provisions                   | 5.4   | 93,140           | 98,075           |
| <b>Total liabilities</b>           |       | <b>231,057</b>   | <b>231,623</b>   |
| <b>Net assets</b>                  |       | <b>1,383,538</b> | <b>1,258,572</b> |
| <b>Equity</b>                      |       |                  |                  |
| Accumulated surplus                |       | 442,550          | 393,432          |
| Physical asset revaluation surplus | 8.3   | 484,376          | 465,548          |
| Contributed capital                |       | 456,612          | 399,592          |
| <b>Net worth</b>                   |       | <b>1,383,538</b> | <b>1,258,572</b> |

The accompanying notes form part of these financial statements.

## Statement of changes in equity

For the financial year ended 30 June 2018

|                                | (\$ thousand)                                     |                                |                                |                  |
|--------------------------------|---|--------------------------------|--------------------------------|------------------|
|                                | <b>Physical asset<br/>revaluation<br/>surplus</b> | <b>Accumulated<br/>surplus</b> | <b>Contributed<br/>capital</b> | <b>Total</b>     |
| <b>Balance at 1 July 2016</b>  | 465,548   | 385,206                        | 358,556                        | 1,209,310        |
| Net result for the year        | –   | 8,358                          | –                              | 8,358            |
| Capital appropriations         | –   | –                              | 41,036                         | 41,036           |
| Other adjustments              | –   | (132)                          | –                              | (132)            |
| <b>Balance at 30 June 2017</b> | <b>465,548</b>                                    | <b>393,432</b>                 | <b>399,592</b>                 | <b>1,258,572</b> |
| Net result for the year        | –   | 49,073                         | –                              | 49,073           |
| Other comprehensive income     | 18,828  | –                              | –                              | 18,828           |
| Capital appropriations         | –   | –                              | 57,020                         | 57,020           |
| Other adjustments              | –   | 45                             | –                              | 45               |
| <b>Balance at 30 June 2018</b> | <b>484,376</b>                                    | <b>442,550</b>                 | <b>456,612</b>                 | <b>1,383,538</b> |

## Cash flow statement

For the financial year ended 30 June 2018

|  | Notes | (\$ thousand)    |                  |
|--|-------|------------------|------------------|
|  |       | 2018             | 2017             |
| <b>Cash flows from operating activities</b>                  |       |                  |                  |
| <b>Receipts</b>  |       |                  |                  |
| Receipts from government                                     |       | 588,389          | 557,775          |
| Receipts from other entities                                 |       | 5,616            | 8,302            |
| Goods and services tax recovered from the ATO <sup>(a)</sup> |       | 24,974           | 20,251           |
| Interest received  |       | 5,069            | 4,393            |
| Other receipts   |       | 16,503           | 9,001            |
| <b>Total receipts</b>  |       | <b>640,551</b>   | <b>599,722</b>   |
| <b>Payments</b>  |       |                  |                  |
| Payments of grant expenses                                   |       | (15,875)         | (18,524)         |
| Payments to suppliers and employees                          |       | (531,532)        | (472,411)        |
| <b>Total payments</b>  |       | <b>(547,407)</b> | <b>(490,935)</b> |
| <b>Net cash flows from operating activities</b>              | 6.1.1 | <b>93,144</b>    | <b>108,787</b>   |
| <b>Cash flows from investing activities</b>                  |       |                  |                  |
| Proceeds from sale of investments                            |       | 530,000          | 310,000          |
| Payments for investments                                     |       | (602,324)        | (381,204)        |
| Purchases of non-financial assets                            |       | (81,933)         | (60,756)         |
| Proceeds from sale of non-financial assets                   |       | 6,224            | 8,042            |
| <b>Net cash flows used in investing activities</b>           |       | <b>(148,033)</b> | <b>(123,918)</b> |
| <b>Cash flows from financing activities</b>                  |       |                  |                  |
| Owner contributions by State Government                      |       | 57,020           | 41,036           |
| <b>Net cash flows from financing activities</b>              |       | <b>57,020</b>    | <b>41,036</b>    |
| <b>Net increase in cash and cash equivalents</b>             |       | <b>2,131</b>     | <b>25,905</b>    |
| Cash and cash equivalents at beginning of financial year     |       | 102,771          | 76,866           |
| <b>Cash and cash equivalents at the period end</b>           | 6.1   | <b>104,902</b>   | <b>102,771</b>   |

The accompanying notes form part of these financial statements.

Notes:

(a) GST paid to or received from the Australian Taxation Office is presented on a net basis

# 1. ABOUT THIS REPORT

CFA is a statutory authority of the State of Victoria, established pursuant to an order made by the Premier under the *Country Fire Authority Act 1958*.

Its principal address is:

CFA  
8 Lakeside Drive,  
Burwood East  
VIC 3151.

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 presented in Australian dollars and, prepared in accordance with the historical cost convention unless a different measurement basis is specifically disclosed in the note associated with the item measured on a different basis. The exceptions to the historical cost convention are:

- non-financial physical assets which, after acquisition, are measured at a re-valued amount being their fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent impairment losses. Revaluations are made with sufficient regularity to ensure that the carrying amounts do not materially differ from their fair value; and
- certain liabilities that are calculated regarding actuarial assessments or present value.

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 CFA.

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.

Rewards 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 Australian Accounting Standards (AASs) that have significant effect on the financial statements and estimates relate to:

- the fair value of land, buildings, plant and equipment and investment properties;
- assumptions for employee benefit provisions based on likely tenure of existing staff, patterns of leave claims, future salary movements and future discount rates;
- actuarial assumptions for volunteer compensation provisions based on assessment of outstanding claims;
- provision for decommissioning and remediation based on expert advice regarding the nature and timing of work involved; and
- collectability of receivables given CFA Regulations and the period of outstanding debt.

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

CFA has determined that it has control over the 'CFA and Brigades Donations Fund' Trust.

The 'CFA and Brigades Donations Fund' Trust has not been consolidated as CFA management has determined that the financial position of the 'CFA and Brigades Donations Fund' Trust is immaterial for consolidation purposes.

The financial position and the activities of 'CFA and Brigades Donations Fund' Trust are disclosed in Note 6.2 Trust account balances.

All amounts in the financial statements have been rounded to the nearest \$1,000 unless otherwise stated. Figures in the financial statements may not equate due to rounding. Please refer to Note 8.13 Style conventions.

### **Compliance information**

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

Where appropriate, those AASs paragraphs applicable to not-for-profit entities have been applied. Accounting policies selected and applied in these financial statements ensure that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

To gain a better understanding of the terminology used in this report, a glossary of terms and style conventions can be found in Notes 8.12 and 8.13.

These annual financial statements were authorised for issue by the Board of CFA on 28 August 2018.

## 2. FUNDING DELIVERY OF OUR SERVICES

### Introduction

CFA's objective is to protect lives and property. We work collaboratively with emergency services organisations to extinguish fires and address other emergencies as well as educate the Victorian community on fire safety.

CFA receives income in the form of grants from the Department of Justice and Regulation (DJR) to fulfil its objectives. CFA also receives income from supplementary funding, other grants, regulatory fees, rendering of services and interest income from investments.

#### Structure

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

|                                       | Notes | ( <b>\$ thousand</b> ) | 2018           | 2017 |
|---------------------------------------|-------|------------------------|----------------|------|
| Grants                                | 2.2.1 | 600,191                | 557,775        |      |
| Sale of goods and services            | 2.2.2 | 17,242                 | 19,391         |      |
| Other income                          | 2.2.3 | 16,940                 | 9,001          |      |
| Interest income                       |       | 5,705                  | 4,367          |      |
| <b>Total income from transactions</b> |       | <b>640,078</b>         | <b>590,534</b> |      |

Income is recognised to the extent it is probable the economic benefits will flow to CFA 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 Income from transactions

#### 2.2.1 Grants

|                       | ( <b>\$ thousand</b> ) | 2018           | 2017           |
|-----------------------|------------------------|----------------|----------------|
| General purpose       |                        | 580,885        | 552,319        |
| Supplementary funding |                        | 19,306         | 5,456          |
| <b>Total grants</b>   |                        | <b>600,191</b> | <b>557,775</b> |

**Grant income** arises from transactions in which a party provides goods, services or assets (or extinguishes a liability) or labour 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, CFA recognises revenue when the grant is receivable or received.

Grants, other than contributions by owner, are recognised as income in the reporting year in which the grant is receivable or received.

Grants can be received as **general purpose grants**, which refer 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.

## 2.2.2 Sale of goods and services

|   | (\$ thousand) |               |
|---|---------------|---------------|
|   | 2018          | 2017          |
| Sale of goods                           | 2,867         | 2,924         |
| Regulatory fees                         | 7,842         | 9,412         |
| Rendering of services                   | 6,533         | 7,055         |
| <b>Total sale of goods and services</b> | <b>17,242</b> | <b>19,391</b> |

Income from the **sale of goods** is recognised when:

- CFA no longer has any of the significant risks and rewards of ownership of the goods transferred to the buyer;
- CFA 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 CFA.

Income from the **rendering of services and regulatory fees** is recognised by reference to the completion of the services being performed. The income is recognised when:

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

## 2.2.3 Other income

|  | (\$ thousand) |              |
|--|---------------|--------------|
|  | 2018          | 2017         |
| Rental income – Properties                     | 148           | 194          |
| Brigade assets – Cash and donations            | 7,051         | 4,249        |
| Brigade assets – Buildings at fair value       | 276           | 79           |
| Brigade assets – Vehicles, plant and equipment | 1,520         | 508          |
| Other  | 7,945         | 3,971        |
| <b>Total other income</b>                      | <b>16,940</b> | <b>9,001</b> |

**Other income** includes insurance recoveries, fair value of assets received free of charge or for minimal consideration, donations received, brigade contributions, external capital contributions, employee contributions (FBT) and bad debt reversals.

**Rental income** from leasing of properties 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 CFA in delivering services and outputs. In Note 2, the funds that enable the provision of services were disclosed and in this note the cost associated with provision of services are recorded.

#### Structure

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#### 3.1 Expenses incurred in delivery of services

|  | Notes | (\$ thousand)  |                |
|--|-------|----------------|----------------|
|  |       | 2018           | 2017           |
| Employee benefit expenses                              | 3.1.1 | 346,759        | 322,333        |
| Grants and other transfers                             | 3.2   | 15,875         | 18,524         |
| Other operating expenses                               | 3.3   | 182,083        | 194,895        |
| <b>Total expenses incurred in delivery of services</b> |       | <b>544,717</b> | <b>535,752</b> |

##### 3.1.1 Employee benefits in the comprehensive operating statement

|  |  | (\$ thousand)  |                |
|--|--|----------------|----------------|
|  |  | 2018           | 2017           |
| Defined contribution superannuation expense                          |  | 7,165          | 6,761          |
| Defined benefit superannuation expense                               |  | 17,580         | 15,280         |
| Other on-costs (payroll tax, fringe benefits tax, workcover premium) |  | 16,276         | 19,750         |
| Employee allowance and support costs                                 |  | 17,393         | 13,434         |
| Salaries and wages, annual leave and long service leave              |  | 288,345        | 267,108        |
| <b>Total employee benefit expenses</b>                               |  | <b>346,759</b> | <b>322,333</b> |

**Employee benefit 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. CFA does not recognise any defined benefit liabilities because it has no legal or constructive obligation to pay future benefits relating to its employees; its only obligation is to pay superannuation contributions as they fall due. The Department of Treasury and Finance (DTF) 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 CFA 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.

### 3.1.2 Employee benefits in the balance sheet

|   | (\$ thousand)  |                |
|---|----------------|----------------|
|   | 2018           | 2017           |
| <b>Current provisions</b>                                 |                |                |
| <b>Annual leave</b>                                       |                |                |
| Unconditional and expected to settle within 12 months     | 34,817         | 31,066         |
| Unconditional and expected to settle after 12 months      | 345            | 2,091          |
| <b>Long service leave</b>                                 |                |                |
| Unconditional and expected to settle within 12 months     | 2,819          | 3,216          |
| Unconditional and expected to settle after 12 months      | 47,419         | 42,647         |
| <b>Provisions for on-costs</b>                            |                |                |
| Unconditional and expected to settle within 12 months     | 8,365          | 7,451          |
| Unconditional and expected to settle after 12 months      | 8,484          | 7,892          |
| <b>Total current provisions for employee benefits</b>     | <b>102,249</b> | <b>94,362</b>  |
| <b>Non-current provisions</b>                             |                |                |
| Employee benefits   | 6,602          | 5,790          |
| On-costs  | 1,157          | 992            |
| <b>Total non-current provisions for employee benefits</b> | <b>7,759</b>   | <b>6,782</b>   |
| <b>Total provisions for employee benefits</b>             | <b>110,008</b> | <b>101,144</b> |

Reconciliation of movement in on-cost provision

|   | (\$ thousand) |               |
|---|---------------|---------------|
|   | 2018          | 2017          |
| <b>Opening balance</b>  | <b>16,334</b> | <b>14,925</b> |
| Additional provisions recognised                              | 7,761         | 7,181         |
| Reductions arising from payments                              | (6,207)       | (5,880)       |
| Unwind of discount and effect of changes in the discount rate | 118           | 107           |
| <b>Closing balance</b>  | <b>18,006</b> | <b>16,334</b> |
| Current   | 16,849        | 15,342        |
| Non-current   | 1,157         | 992           |

**Liabilities for annual leave** are recognised as part of the employee benefit provision as current liabilities, because CFA does not have an unconditional right to defer settlements of these liabilities.

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

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

**Liabilities for long service leave (LSL)** are recognised in the provision for employee benefits.

**Unconditional LSL** is disclosed as a current liability; even where CFA 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 CFA expects to wholly settle within 12 months; or
- present value – if CFA does not expect to wholly settle within 12 months.

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

**No provision has been made for sick leave** as all sick leaves are non-vesting and it is not considered probable that the average sick leave taken in the future will be greater than the benefits accrued in the future. As sick leave is non-vesting, an expense is recognised in the comprehensive operating statement as it is taken.

**Employment on-costs** such as payroll tax, workers compensation and superannuation are not employee benefits. They are disclosed separately as a component of the provision for employee benefits when the employment to which they relate has occurred.

**Liabilities for salaries and wages** payable as at balance sheet date are disclosed under payables in Note 5.3.

### 3.1.3 Superannuation contributions

Employees of CFA are entitled to receive superannuation benefits and CFA contributes to both defined benefit and accumulated contribution plans managed by the Emergency Services Superannuation Scheme (ESSS). The defined benefit plan provides benefits based on years of service and final average salary.

CFA does not recognise any defined benefit liability in respect of the plans because CFA has no legal or constructive obligation to pay future benefits relating to its employees; its only obligation is to pay superannuation contributions as they fall due. As noted before, the defined benefit liability is recognised in DTF 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 CFA.

|   | (\$ thousand)                     |               |   |          |
|---|-----------------------------------|---------------|---|----------|
|   | Paid contribution<br>for the year |               | Contribution outstanding<br>at year end |          |
|   | 2018                              | 2017          | 2018                                    | 2017     |
| <b>Defined benefit plans<sup>(a)</sup></b>        |                                   |               |   |          |
| Emergency Services Superannuation Scheme (ESSS)   | 17,496                            | 15,233        | –                                       | –        |
| Other (Government Superannuation Office)          | 83                                | 46            | –                                       | –        |
| <b>Defined contribution plans</b>                 |                                   |               |   |          |
| Emergency Services Superannuation Plan (ESS Plan) | 5,523                             | 5,572         | –                                       | –        |
| Others  | 1,643                             | 1,189         | –                                       | –        |
| <b>Total</b>                                      | <b>24,745</b>                     | <b>22,041</b> | <b>–</b>                                | <b>–</b> |

Notes:

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

### 3.2 Grant expenses

|                                  | (\$ thousand) |               |
|----------------------------------|---------------|---------------|
|                                  | 2018          | 2017          |
| <b>General purpose grants</b>    |               |               |
| Grants to volunteer associations | 1,568         | 1,506         |
| Grants to local governments      | 240           | 234           |
| Grants to federal government     | 160           | –             |
| Grants to DJR                    | 13,907        | 16,784        |
| <b>Total grant expenses</b>      | <b>15,875</b> | <b>18,524</b> |

**Grant expenses** are contributions of CFA's resources to another party for specific or general purposes where there is no expectation that the amount will be repaid in equal value (either by money, goods or services).

Grants can either be operating or capital in nature. Grants can be paid as general purpose grants, which refer to grants that are not subject to conditions regarding their use. Alternatively, they may be paid as specific purpose grants which are paid for a specific purpose and/or have conditions attached regarding their use.

Grant expenses are recognised in the reporting period in which they are paid or payable. Grants can take the form of money, assets, goods, services or forgiveness of liabilities.

### 3.3 Other operating expenses

|   | (\$ thousand)  |                |
|---|----------------|----------------|
|   | 2018           | 2017           |
| <b>Supplies and services</b>  |                |                |
| Purchase of inventories   | 9,706          | 14,971         |
| Purchase of services (including remuneration of auditors)                           |                |                |
| – Legal fees  | 1,726          | 3,597          |
| – Contractors and consultants fees  | 6,313          | 4,710          |
| – Audit fees  | 546            | 460            |
| – Catering – operational  | 1,377          | 408            |
| – Contractor payments to external services – ESTA and others                        | 36,418         | 26,552         |
| Maintenance   |                |                |
| – Building operating and maintenance  | 12,034         | 10,951         |
| – Motor vehicle operating and maintenance   | 13,657         | 12,362         |
| – Computer equipment and systems  | 3,111          | 5,016          |
| – Communications, alarms and radio replacement                                      | 19,747         | 19,323         |
| – Other operating and maintenance   | 6,757          | 6,139          |
| Printing and stationery   | 2,475          | 2,646          |
| External training and skills maintenance  | 6,761          | 6,730          |
| Hire fees – plant, equipment and vehicles   | 4,828          | 2,646          |
| Aircraft hire   | 10,588         | 6,202          |
| Publicity/advertising   | 1,592          | 883            |
| Volunteer compensation and insurance  | 13,680         | 10,823         |
| Net volunteer and brigade running costs   | 5,969          | 6,177          |
| Fair value assets and services provided free of charge or for nominal consideration | –              | 324            |
| Contribution to other organisations   | 1,527          | 1,351          |
| Operating lease rental expenses   | 8,591          | 8,078          |
| Bad debts from transactions   | 10             | 48             |
| Cost of goods sold/distributed  | 4,962          | 5,191          |
| Essential remediation and decommissioning expenses                                  | 1,746          | –              |
| General expenses  | 6,145          | 6,159          |
| Assets written off  | 1,817          | 33,148         |
| <b>Total other operating expenses</b>   | <b>182,083</b> | <b>194,895</b> |

### **Supplies and services**

Supplies and services are recognised as an expense in the reporting period in which they are incurred.

### **Cost of goods sold/distributed**

The carrying amounts of any inventories held for distribution are expensed when the inventories are distributed.

### **Operating lease rental expenses**

Operating lease rental expenses 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. Leased assets are not recognised in the balance sheet.

## 4. KEY ASSETS AVAILABLE TO SUPPORT OUTPUT DELIVERY

### Introduction

The CFA controls property, plant, equipment and other assets that are utilised in fulfilling its objectives and conducting its activities. They represent the resources that have been entrusted to CFA to be utilised for delivery of those outputs.

*Significant judgement: Classification of property, plant and equipment*

The key variables where management applied judgment in regard to property, plant and equipment relate to:

- the useful lives of assets;
- asset condition;
- fair values; and
- whether assets are specialised assets.

*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.

#### Structure

|   |    |
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| 4.3 Intangible assets.....              | 72 |

### 4.1 Property, plant and equipment

|                                      | Gross carrying amount |                  | (\$ thousand)    |                  | Net carrying amount |                  |
|--------------------------------------|-----------------------|------------------|------------------|------------------|---------------------|------------------|
|                                      | 2018                  | 2017             | 2018             | 2017             | 2018                | 2017             |
| Land at fair value*                  | 171,774               | 141,939          | –                | –                | 171,774             | 141,939          |
| Buildings at fair value              | 654,989               | 636,097          | (22,132)         | (10,738)         | 632,857             | 625,359          |
| Leasehold improvements at fair value | 24,781                | 24,679           | (14,707)         | (13,372)         | 10,074              | 11,307           |
| Plant and equipment at fair value    | 81,692                | 77,996           | (69,747)         | (67,528)         | 11,946              | 10,468           |
| Vehicles at fair value               | 576,328               | 565,060          | (285,457)        | (264,936)        | 290,871             | 300,123          |
| Assets under construction at cost    | 84,544                | 53,758           | –                | –                | 84,544              | 53,758           |
| <b>Net carrying amount</b>           | <b>1,594,109</b>      | <b>1,499,528</b> | <b>(392,043)</b> | <b>(356,573)</b> | <b>1,202,066</b>    | <b>1,142,954</b> |

\* A managerial revaluation on land was performed in the current year as the fair value increased by more than 10 per cent in comparison to the land value as at 30 June 2016, which was fair valued by the Valuer General Victoria. The managerial revaluation increased the value of the land and the comprehensive result by \$18,828k

#### Property, plant and equipment

All non-financial physical assets are measured initially at cost and subsequently revalued at fair value less accumulated depreciation and impairment. Where an asset is 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. More details about the valuation techniques and inputs used in determining the fair value of non-financial physical assets are discussed in Note 7.3.2 ‘Fair value determination: Non-financial physical assets’.

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

During the reporting period, CFA also holds, heritage assets, and other non-financial physical assets (including Crown land and infrastructure assets) that CFA intends to preserve because of their unique historical or environmental attributes. The fair value of those assets is measured at the depreciated replacement cost. This cost generally represents the replacement cost of the building/component after applying depreciation rates on a useful life basis. However, the cost of some heritage and iconic assets 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. In addition, as there are limitations and restrictions imposed on those assets use and/or disposal, they may impact the fair value of those assets, and should be taken into account when the fair value is determined.

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

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

#### **Volunteer brigade land and buildings**

CFA acknowledges the significant contributions made by volunteer brigades to the capital value of fire stations. CFA has 1,217 volunteer brigades and many of these have made substantial improvements to fire stations and property over many decades. The value of these improvements is considered when the five-yearly Valuer General’s valuation occurs and the aggregate amount is then included in future financial statements.

Where practical the value of major community funded projects is taken up at fair value when the improvement is carried out.

#### **Volunteer brigade vehicles and plant and equipment**

CFA fully recognises the major community contribution by bringing to account, at cost less accumulated depreciation, fire fighting vehicles acquired by volunteer brigades and plant and equipment valued at over \$5,000.

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

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

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

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

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

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

#### 4.1.1 Depreciation

Charge for the period

|                           | (\$ thousand) |               |
|---------------------------|---------------|---------------|
|                           | 2018          | 2017          |
| Buildings                 | 11,028        | 10,854        |
| Leasehold improvements    | 1,335         | 904           |
| Plant and equipment       | 2,223         | 1,827         |
| Vehicles                  | 29,397        | 28,188        |
| <b>Total depreciation</b> | <b>43,983</b> | <b>41,773</b> |

Depreciation

All buildings, plant and equipment and other non-financial physical assets greater than \$5,000 that have finite useful lives, are depreciated. The exceptions to this rule include items under assets held for sale, land, heritage assets and investment properties.

At acquisition, the cost of an asset less its estimated residual value is depreciated fully on a straight-line basis at the rate calculated using the asset’s estimated useful life. On revaluation, the same rate is applied to depreciate the asset. However, no assets have been revalued during the current year except freehold land. Typical estimated useful lives for the different asset classes for the current year and prior year are included in the table below:

| Asset                   | (years)<br>Useful life |
|-------------------------|------------------------|
| Buildings at fair value | 50 – 67                |
| Leasehold improvements  | 4 – 50                 |
| Plant and equipment     | 3 – 25                 |
| Vehicles                | 3 – 25                 |

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

**Indefinite life assets:** Land, which is considered to have an indefinite life, is not depreciated. Depreciation is not recognised in respect of this asset because its service potential is 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 included in the net result', 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>(a)</sup>

|                                    | (\$ thousand)                    |                  |                  |                  |
|------------------------------------|----------------------------------|------------------|------------------|------------------|
|                                    | Public safety<br>and environment |                  | Total            |                  |
|                                    | 2018                             | 2017             | 2018             | 2017             |
| <b>Nature based classification</b> |                                  |                  |                  |                  |
| Land at fair value                 | 171,774                          | 141,939          | 171,774          | 141,939          |
| Buildings at fair value            | 632,857                          | 625,359          | 632,857          | 625,359          |
| Leasehold improvements             | 10,074                           | 11,307           | 10,074           | 11,307           |
| Plant and equipment at fair value  | 11,946                           | 10,468           | 11,946           | 10,468           |
| Vehicles at fair value             | 290,871                          | 300,123          | 290,871          | 300,123          |
| Assets under construction at cost  | 84,544                           | 53,758           | 84,544           | 53,758           |
| <b>Net carrying amount</b>         | <b>1,202,066</b>                 | <b>1,142,954</b> | <b>1,202,066</b> | <b>1,142,954</b> |

Notes:

(a) 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

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

|  | Land at fair value (*) |                | Buildings at fair value |                | Leasehold improvements at fair value |               | Plant and equipment at fair value |               | Vehicles at fair value |                | Assets under construction at cost |               | Total            |
|--|------------------------|----------------|-------------------------|----------------|--------------------------------------|---------------|-----------------------------------|---------------|------------------------|----------------|-----------------------------------|---------------|------------------|
|  | 2018                   | 2017           | 2018                    | 2017           | 2018                                 | 2017          | 2018                              | 2017          | 2018                   | 2017           | 2018                              | 2017          | 2018             |
| <b>Opening balance</b>                                   | 141,939                | 144,330        | 625,360                 | 631,740        | 11,307                               | 8,250         | 10,468                            | 11,251        | 300,122                | 290,659        | 53,758                            | 84,415        | 1,142,954        |
| Fair value of assets (provided) /received free of charge | –                      | (4)            | –                       | (320)          | –                                    | –             | –                                 | –             | –                      | –              | –                                 | –             | (324)            |
| Additions  | –                      | –              | –                       | –              | –                                    | –             | –                                 | –             | –                      | –              | –                                 | 81,934        | 60,790           |
| Disposals  | (374)                  | (4,717)        | (3,505)                 | (5,001)        | –                                    | –             | (3)                               | –             | (3,315)                | (2,334)        | –                                 | –             | (12,053)         |
| Assets written-off                                       | –                      | –              | –                       | (33,147)       | –                                    | –             | (673)                             | –             | (1,143)                | –              | –                                 | –             | (33,147)         |
| Transfer in/out of assets under construction             | 6,557                  | 3,630          | 15,230                  | 42,826         | 103                                  | 3,960         | 3,828                             | 965           | 23,633                 | 39,477         | (49,351)                          | (90,859)      | –                |
| Revaluation of freehold land*                            | 18,828                 | –              | –                       | –              | –                                    | –             | –                                 | –             | –                      | –              | –                                 | –             | 18,828           |
| Brigade assets recognised                                | –                      | –              | 276                     | –              | –                                    | –             | 549                               | 79            | 971                    | 508            | (1,796)                           | (587)         | –                |
| Transfer (to)/from investment property (Note 4.2)**      | 4,825                  | (1,301)        | 6,523                   | 116            | –                                    | –             | –                                 | –             | –                      | –              | –                                 | –             | 11,349           |
| Depreciation   | –                      | –              | (11,028)                | (10,854)       | (1,335)                              | (904)         | (2,223)                           | (1,827)       | (29,397)               | (28,188)       | –                                 | –             | (43,983)         |
| <b>Closing balance</b>                                   | <b>171,774</b>         | <b>141,939</b> | <b>632,858</b>          | <b>625,360</b> | <b>10,074</b>                        | <b>11,307</b> | <b>11,946</b>                     | <b>10,468</b> | <b>290,870</b>         | <b>300,122</b> | <b>84,544</b>                     | <b>53,758</b> | <b>1,202,066</b> |
|  |                        |                |                         |                |                                      |               |                                   |               |                        |                |                                   |               | <b>1,142,954</b> |

\* A managerial revaluation on land was performed in the current year as the fair value increased by more than 10% in comparison to the land value as at 30 June 2016, which was fair valued by Valuer General Victoria. The managerial revaluation increased the value of the land and the comprehensive result by \$18,828k

\*\* Investment properties comprising land and buildings with a value of \$11,348k at 30 June 2017 have been re-classified as property, plant and equipment in 2017-18 as the properties are held by CFA to meet service delivery objectives rather than to earn rent or for capital appreciation

## 4.2 Investment properties

|   | (\$ thousand) |               |
|---|---------------|---------------|
|   | 2018          | 2017          |
| Balance at beginning of financial year                          | 11,349        | 10,164        |
| Acquisitions/transfers in/(out) – Property, plant and equipment | (11,349)      | 1,184         |
| <b>Balance at end of financial year</b>                         | <b>–</b>      | <b>11,349</b> |

**Investment properties** represent properties held to earn rental income or for capital appreciation, or both. Investment properties exclude properties held to meet service delivery objectives of CFA. Investment properties are initially recognised at cost. Costs incurred after initial acquisition are capitalised when it is probable that future economic benefits more than the originally assessed performance of the asset will flow to CFA.

After 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.

Investment properties comprising land and buildings with a value of \$11,348k at 30 June 2017 have been re-classified as property, plant and equipment in 2017–18 as the properties are held by CFA to meet service delivery objectives rather than to earn rent or for capital appreciation.

## 4.3 Intangible assets

|   | (\$ thousand) |               |
|---|---------------|---------------|
|   | 2018          | 2017          |
| <b>Gross carrying amount</b>                                  |               |               |
| Opening balance   | 12,714        | 12,714        |
| Additions   | –             | –             |
| <b>Closing balance</b>  | <b>12,714</b> | <b>12,714</b> |
| <b>Accumulated depreciation and amortisation</b>              |               |               |
| Opening balance   | 10,536        | 9,729         |
| Depreciation of intangible produced assets <sup>(a)</sup>     | 576           | 576           |
| Amortisation of intangible non-produced assets <sup>(a)</sup> | 231           | 231           |
| <b>Closing balance</b>  | <b>11,344</b> | <b>10,536</b> |
| <b>Net book value at end of financial year</b>                | <b>1,370</b>  | <b>2,178</b>  |

Notes:

(a) The consumption of intangible produced assets is included in ‘depreciation’ line item. 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

### **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. 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**

Costs incurred after initial acquisition are capitalised when it is expected that additional future economic benefits will flow to CFA.

### **Depreciation**

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.

Intangible produced assets with finite useful lives are depreciated as an ‘expense from transactions’ on a straight-line basis over their useful lives. Intangible non-produced assets with finite useful lives are amortised as an ‘other economic flow’ on a straight-line basis over their useful lives. Intangible assets have useful lives of between seven and 10 years.

| <b>Intangible assets</b>  | <b>(years)<br/>Useful life</b> |
|---------------------------|--------------------------------|
| Software                  | 7                              |
| Trademarks and copyrights | 10                             |

### **Impairment of intangible assets**

All intangible assets with indefinite useful lives are not depreciated or amortised, but are tested for impairment by comparing its recoverable amounts with its carrying amount:

- annually; and
- whenever there is an indication that the intangible asset may be impaired (refer section 4.1.1).

Intangible assets with finite useful lives are tested for impairment whenever an indication of impairment is identified.

### **Significant intangible assets**

CFA has capitalised development expenditure associated with software. CFA has also capitalised trademarks and copyrights held for protection of its brand and marketing materials. These are amortised over their useful life.

## 5. OTHER ASSETS AND LIABILITIES

### Introduction

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

#### Structure

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### 5.1 Receivables

|  | (\$ thousand) |               |
|--|---------------|---------------|
|  | 2018          | 2017          |
| <b>Contractual</b>                             |               |               |
| Trade receivables*                             | 16,077        | 7,309         |
| Provision for doubtful contractual receivables | (36)          | (36)          |
| Other receivables*                             | 3,283         | 2,469         |
| <b>Statutory</b>                               |               |               |
| GST input tax credit recoverable               | 2,655         | 3,873         |
| Regulatory fees*                               | 20,429        | 24,015        |
| Provision for doubtful statutory receivables   | –             | (528)         |
| <b>Total receivables</b>                       | <b>42,408</b> | <b>37,102</b> |
| Represented by:                                |               |               |
| Current receivables                            | 24,221        | 37,102        |
| Non-current receivables                        | 18,187        | –             |

\* 2017 figure is restated to align with the presentation in 2018

**Contractual receivables** mainly include debtors in relation to goods and services.

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. After 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.

### Movement in the provision for doubtful debts

|   | (\$ thousand) |              |
|---|---------------|--------------|
|   | 2018          | 2017         |
| <b>Balance at beginning of the year</b>   | (564)         | (49)         |
| Receivables recovered during the year   | –             | 28           |
| Increase in provision recognised in the net result                                | –             | (543)        |
| Reversal of provision of receivables written off during the year as uncollectible | 528           | –            |
| <b>Balance at end of the year</b>   | <b>(36)</b>   | <b>(564)</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 and rendering of services 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.

### Ageing analysis of contractual receivables

|                    | (\$ thousand)   |                               |                           |            |                   |           |
|--------------------|-----------------|-------------------------------|---------------------------|------------|-------------------|-----------|
|                    | Carrying amount | Not past due and not impaired | Past due but not impaired |            |                   |           |
|                    |                 |                               | Less than 1 month         | 1–3 months | 3 months – 1 year | 1–5 years |
| <b>2018</b>        |                 |                               |                           |            |                   |           |
| Trade receivables  | 16,041          | 14,671                        | 539                       | 385        | 446               | –         |
| Other receivables  | 3,283           | 3,283                         | –                         | –          | –                 | –         |
| <b>Total</b>       | <b>19,324</b>   | <b>17,954</b>                 | <b>539</b>                | <b>385</b> | <b>446</b>        | <b>–</b>  |
| <b>2017</b>        |                 |                               |                           |            |                   |           |
| Trade receivables* | 7,273           | 5,976                         | 699                       | 75         | 523               | –         |
| Other receivables* | 2,469           | 2,469                         | –                         | –          | –                 | –         |
| <b>Total</b>       | <b>9,742</b>    | <b>8,445</b>                  | <b>699</b>                | <b>75</b>  | <b>523</b>        | <b>–</b>  |

\* 2017 figure is restated to align with the presentation in 2018

Currently, CFA does not hold any collateral as security nor credit enhancements relating to any of its financial assets.

## 5.2 Inventories

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

Inventories held for distribution are measured at cost, adjusted for any loss of service potential. All other inventories are measured at the lower of cost and net realisable value.

Cost for all inventories is measured based on weighted average cost.

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

## 5.3 Payables

|                       | (\$ thousand) |               |
|-----------------------|---------------|---------------|
|                       | 2018          | 2017          |
| <b>Contractual</b>    |               |               |
| Trade payables        | 4,909         | 4,710         |
| Other payables        | 21,398        | 25,896        |
| <b>Statutory</b>      |               |               |
| Payroll tax           | 1,236         | 1,208         |
| PAYG withholding      | 19            | 19            |
| FBT payable           | 276           | 227           |
| GST payable           | 72            | 344           |
| <b>Total payables</b> | <b>27,910</b> | <b>32,404</b> |
| Represented by:       |               |               |
| Current payables      | 27,910        | 32,404        |

Payables consist of:

- **contractual payables** are classified as financial instruments and measured at amortised cost. Accounts payable represent liabilities for goods and services provided to CFA 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.

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

Maturity analysis of contractual payables<sup>(a)</sup>

|                | Carrying amount | Nominal amount | (\$ thousand)     |            |                   |           |          |
|----------------|-----------------|----------------|-------------------|------------|-------------------|-----------|----------|
|                |                 |                | Maturity dates    |            |                   |           |          |
|                |                 |                | Less than 1 month | 1–3 months | 3 months – 1 year | 1–5 years | 5+ years |
| <b>2018</b>    |                 |                |                   |            |                   |           |          |
| Trade payables | 4,909           | 4,909          | 4,909             | –          | –                 | –         | –        |
| Other payables | 21,398          | 21,398         | 21,398            | –          | –                 | –         | –        |
| <b>Total</b>   | <b>26,307</b>   | <b>26,307</b>  | <b>26,307</b>     | –          | –                 | –         | –        |
| <b>2017</b>    |                 |                |                   |            |                   |           |          |
| Trade payables | 4,710           | 4,710          | 4,710             | –          | –                 | –         | –        |
| Other payables | 25,896          | 25,896         | 25,896            | –          | –                 | –         | –        |
| <b>Total</b>   | <b>30,606</b>   | <b>30,606</b>  | <b>30,606</b>     | –          | –                 | –         | –        |

Note:

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

#### 5.4 Other provisions

|   |  | (\$ thousand) |               |
|---|--|---------------|---------------|
|   |  | 2018          | 2017          |
| <b>Current provisions</b>                           |  |               |               |
| Volunteer compensation                              |  | 5,875         | 4,806         |
| Environmental decommissioning and remediation works |  | 11,852        | 10,905        |
| <b>Total current provisions</b>                     |  | <b>17,727</b> | <b>15,711</b> |
| <b>Non-current provisions</b>                       |  |               |               |
| Volunteer compensation                              |  | 36,581        | 32,395        |
| Environmental decommissioning and remediation works |  | 38,831        | 49,969        |
| <b>Total non-current provisions</b>                 |  | <b>75,412</b> | <b>82,364</b> |
| <b>Total other provisions</b>                       |  | <b>93,140</b> | <b>98,075</b> |

Other provisions are recognised when CFA has a present obligation, the future sacrifice of economic benefits is probable and the amount of the provision can be measured reliably. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation.

Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows, using a discount rate that reflects the time, value of money and risks specific to the provision.

### Volunteer compensation

CFA administers a compensation scheme, provided for under the *Country Fire Authority Act 1958* that is designed to recompense its volunteers for personal loss and injury incurred as a direct result of their firefighting and emergency response activities. An actuarial assessment of this scheme was performed by Actuarial Edge, to determine the present value of CFA's future payment obligations for injuries sustained up to 30 June 2018. An allowance for anticipated recoveries was made, with these predominantly related to lump sum recoveries from the Victorian Managed Insurance Authority (VMIA).

**Large claims:** An individual projection model was used, based on current case estimate assumptions, with allowance for future case estimate development and mortality.

**Non-large claims:** Payments and recoveries were modelled using two actuarial techniques: payments per claim incurred (PPCI) (for injuries in 2010 to 2018) and chain-ladder (for injuries prior to 2010).

Allowance was made for claims incurred but not reported (IBNR) and claims incurred but not enough reported (IBNER), based on experience in recent injury years. Inflation adjusted future payments and recoveries were discounted to 30 June 2018 using risk-free discount rates.

A significant portion (\$3.6m) of the provision increase for the year is attributable to increasing our allowance for volunteers to stay on benefit longer and higher average size of benefits. These changes reflect the substantially higher payment experience, particularly in the last year.

The volunteer compensation provision is based on the following key assumptions as at 30 June 2018.

| Assumptions                         | 30 June 2018 | 30 June 2017 |
|-------------------------------------|--------------|--------------|
| Claim inflation                     | 3.0%         | 3.0%         |
| Discount rate                       | 2.8%         | 2.8%         |
| Risk margin                         | 25.0%        | 25.0%        |
| Claims handling expenses            | 11.0%        | 10.0%        |
| Weighted average term of settlement | 8.0 years    | 8.0 years    |

### Reconciliation of movements in other provision for volunteer compensation

|                                       | (\$ thousand) |               |
|---------------------------------------|---------------|---------------|
|                                       | 2018          | 2017          |
| <b>Opening balance</b>                | 37,201        | 33,539        |
| Net movement in provisions recognised | 5,255         | 3,662         |
| <b>Closing balance</b>                | <b>42,456</b> | <b>37,201</b> |

### **Environmental decommissioning and remediation works**

The Environment Protection Authority (EPA) issued clean up notices for the former Fiskville Training College (Fiskville) and six Victorian Emergency Management Training Centres (VEMTC) managed by CFA. In response to this, CFA then engaged external consultants to provide strategic environmental advice for the management of legacy contamination resulting from fire training activities. As part of that advice, the external consultant designed and costed the rehabilitation activities required at Fiskville. The design was subsequently endorsed by the EPA's independent environmental auditor.

Based on the auditor's endorsement of the rehabilitation strategy, the cost components determined during the year 2015–16 and included in the provision for environmental remediation and decommissioning works for that year are considered to remain valid for the year 2017–18. Based on the current clean-up plan, with decommissioning already complete, the remaining environmental rehabilitation works are planned to be completed by 2020.

CFA has completed all work required under the clean-up notices for the Wangaratta, Longerongong, Huntly, West Sale and Bangholme VEMTC sites with environmental assessments completed and ongoing environmental sampling, monitoring and reporting continuing. VEMTC Penshurst remains under clean-up notice with the clean-up plan having been endorsed by the EPA's independent environmental auditor in the year under review and the recommended civil upgrade works nearing completion.

### **Reconciliation of movements in other provision for environmental decommissioning and remediation works**

|                                  | (\$ thousand) |               |
|----------------------------------|---------------|---------------|
|                                  | 2018          | 2017          |
| <b>Opening balance</b>           | 60,874        | 65,180        |
| Reductions arising from payments | (10,191)      | (4,306)       |
| <b>Closing balance</b>           | <b>50,683</b> | <b>60,874</b> |

## 6. HOW WE FINANCED OUR OPERATIONS

### Introduction

This section provides information on the sources of finance utilised by CFA during its operations and other information related to financing activities of CFA.

This section includes disclosures of balances that are financial instruments (such as cash balances). Notes 7.1 and 7.3 provide additional, specific financial instrument disclosures.

#### Structure

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#### 6.1 Cash and deposits

Cash and deposits, including cash equivalents, comprise cash on hand and cash at bank, deposits at call and those highly liquid investments with an original maturity of three months or less, which are held for 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.

Cash and deposits held by volunteer brigades are included in the balance sheet.

|   | (\$ thousand)  |                |
|---|----------------|----------------|
|   | 2018           | 2017           |
| <b>Total cash and deposits disclosed in the balance sheet</b> |                |                |
| Cash at bank and on hand held by CFA corporate                | 23,475         | 25,247         |
| Cash at bank held by brigades*                                | 29,993         | 29,313         |
| Short-term deposits held by CFA corporate                     | 49,000         | 45,000         |
| Short-term deposits held by brigades*                         | 2,434          | 3,211          |
| <b>Balance as per cash flow statement</b>                     | <b>104,902</b> | <b>102,771</b> |

\* 2017 figure is restated to align with the presentation in 2018

Cash and deposits represent liquid funds primarily held for the following purposes:

- expenditure on projects and activities where funding has been received – see the Report of Operations for further information; and
- balances held by brigades, which in general will be deployed for the benefit of the relevant brigade or group of brigades.

Short-term deposits held by CFA corporate are invested with Treasury Corporation Victoria (TCV). Short-term deposits held by brigades are invested in Authorised Deposit-Taking Institutions (ADIs) approved by Australian Prudential Regulation Authority (APRA) as per CFA's Treasury and Investment Management Policy.

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

|  | (\$ thousand) |                |
|--|---------------|----------------|
|  | 2018          | 2017           |
| <b>Net result for the period</b>                               | <b>49,073</b> | <b>8,358</b>   |
| <b>Non cash movements</b>                                      |               |                |
| Loss on sale or disposal of non-current assets                 | 973           | 3,860          |
| Amortisation of non-produced intangible asset                  | 231           | 231            |
| Depreciation and amortisation of non-current assets            | 44,559        | 42,349         |
| Asset write-off  | 1,817         | 33,148         |
| Resources provided free of charge or for nominal consideration | –             | 324            |
| Allowances for doubtful debts                                  | –             | 515            |
| Bad debts written off  | 600           | –              |
| Gain arising from revaluation of long service liability        | (75)          | (531)          |
| Other movements  | 45            | –              |
| <b>Movements in assets and liabilities</b>                     |               |                |
| Decrease/(increase) in prepayments                             | 2,681         | (4,408)        |
| (Increase)/decrease in receivables                             | (5,906)       | 9,829          |
| (Increase)/decrease in inventories                             | (365)         | 1,070          |
| (Decrease)/increase in payables                                | (4,493)       | 3,093          |
| Increase in provisions   | 8,939         | 11,594         |
| Decrease in other liabilities                                  | (4,935)       | (645)          |
| <b>Net cash inflow from operating activities</b>               | <b>93,144</b> | <b>108,787</b> |

## 6.2 Trust account balances

The following is a list of trust account balances relating to trust accounts controlled and/or administered by CFA.

### Public Trust

The Public Trust is a public fund for the *Income Tax Assessment Act 1997* (as amended).

The purpose is to assist CFA volunteers and to further develop their leadership and fire-fighting skills.

The Public Trust balance forms part of the cash at bank and on hand held by CFA corporate in Note 6.1.

### CFA and Brigades Donations Fund

The CFA and Brigades Donations Fund is a public fund for the *Income Tax Assessment Act 1997* (as amended). The general objectives of the Trust are to raise and receive money and donations of goods and services from the public for distribution to the brigades to enable them to meet the costs of purchasing and maintaining fire-fighting equipment and facilities, providing training and resources and to otherwise meet those administrative expenses of the brigades which are associated with their fire-fighting equipment functions.

Any earnings on the funds held pending distribution are also applied to the trust funds under management as appropriate. The transactions and balances of the 'CFA and Brigades Donations Fund' are not consolidated in this financial statement based on materiality.

Trust account balances relating to trust accounts controlled and/or administered by CFA

| Cash and cash equivalents and investments | 2018                              |              |                |                | 2017                               |              |                |                                    |
|---|-----------------------------------|--------------|----------------|----------------|------------------------------------|--------------|----------------|------------------------------------|
|   | Opening balance as at 1 July 2017 |              | Total receipts | Total payments | Closing balance as at 30 June 2018 |              | Total receipts | Total payments                     |
|   |                                   |              |                |                |                                    |              |                | Closing balance as at 30 June 2017 |
| Public trust                              | 3,306                             | 87           | 59             | 3,334          | 3,299                              | 132          | 125            | 3,306                              |
| CFA and Brigades Donations Fund           | 1,590                             | 4,234        | 4,518          | 1,306          | 1,620                              | 5,020        | 5,050          | 1,590                              |
| <b>Total</b>                              | <b>4,896</b>                      | <b>4,321</b> | <b>4,576</b>   | <b>4,640</b>   | <b>4,919</b>                       | <b>5,152</b> | <b>5,175</b>   | <b>4,896</b>                       |

### 6.3 Investments

| Term deposits   | (\$ thousand)  |                |
|---|----------------|----------------|
|   | 2018           | 2017           |
| Australian dollar term deposits held by CFA corporate > 3 months* | 209,000        | 140,000        |
| Australian dollar term deposits held by brigades > 3 months*      | 43,077         | 39,753         |
| <b>Total current investments</b>                                  | <b>252,077</b> | <b>179,753</b> |

\* 2017 figure is regrouped to align with the presentation in 2018

## 7. RISKS, CONTINGENCIES AND VALUATION JUDGEMENTS

### Introduction

The CFA 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 higher level of judgement to be applied, which for CFA relates mainly to fair value determination.

#### Structure

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### 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 CFA's activities, certain financial assets and financial liabilities arise under statute rather than a contract (taxes, fines and regulatory fees). Such assets and liabilities do not meet the definition of financial instruments in AASB 132 Financial Instruments: Presentation.

#### Categories of financial instruments

**Loans and receivables** 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. After initial measurement, loans and receivables are measured at amortised cost using the effective interest method (and for assets, less any impairment). CFA recognises the following assets in this category:

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

**Financial liabilities measured 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. After 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. CFA recognises the following liability in this category:

- payables (excluding statutory payables).

**Offsetting financial instruments:** Financial instrument assets and liabilities are offset and the net amount presented in the Balance sheet when, and only when, CFA 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 CFA 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.

**De-recognition 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 de-recognised when:

- the rights to receive cash flows from the asset have expired; or

- CFA 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
- CFA has transferred its rights to receive cash flows from the asset and either:
  - has transferred substantially all the risks and rewards of the asset; or
  - has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

**Impairment of financial assets:** At the end of each reporting period, CFA 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.

Net gain/(loss) on financial instruments includes realised and unrealised gains and losses from revaluations of financial instruments that are designated at fair value through profit and loss or held for trading, impairment and reversal of impairment for financial instruments at amortised cost, and disposals of financial 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.

**De-recognition of financial liabilities:** A financial liability is de-recognised 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 de-recognition 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.

### 7.1.1 Financial instruments: Categorisation

| Financial instrument                      | Categorisation              | (\$ thousand)  |                |
|---|-----------------------------|----------------|----------------|
|   |                             | 2018           | 2017           |
| <b>Contractual financial assets</b>       |                             |                |                |
| Cash and deposits                         | Loans, receivables and cash | 104,902        | 102,771        |
| <b>Receivables<sup>(a)</sup></b>          |                             |                |                |
| Trade receivables*                        | Loans, receivables and cash | 16,041         | 7,273          |
| Other receivables*                        | Loans, receivables and cash | 3,283          | 2,469          |
| <b>Investments</b>                        |                             |                |                |
| Term deposits                             | Loans, receivables and cash | 252,077        | 179,753        |
| <b>Total contractual financial assets</b> |                             | <b>376,303</b> | <b>292,266</b> |

| Financial instrument                           | Categorisation | (\$ thousand) |               |  |
|--|----------------|---------------|---------------|--|
|  |                | 2018          | 2017          |  |
| <b>Contractual financial liabilities</b>       |                |               |               |  |
| <b>Payables<sup>(a)</sup></b>                  |                |               |               |  |
| Supplies and services                          | Amortised cost | 4,909         | 4,710         |  |
| Other payables                                 | Amortised cost | 21,398        | 25,896        |  |
| <b>Total contractual financial liabilities</b> |                | <b>26,307</b> | <b>30,606</b> |  |

Notes:

(a) The total amounts disclosed here exclude statutory amounts

\* 2017 figure is restated to align with the presentation in 2018

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

| 2018                                      | Total interest income |
|---|-----------------------|
| <b>Contractual financial assets</b>       |                       |
| Financial assets – Cash and deposits      |                       |
| Financial assets – Cash and deposits      | 5,705                 |
| <b>Total contractual financial assets</b> | <b>5,705</b>          |

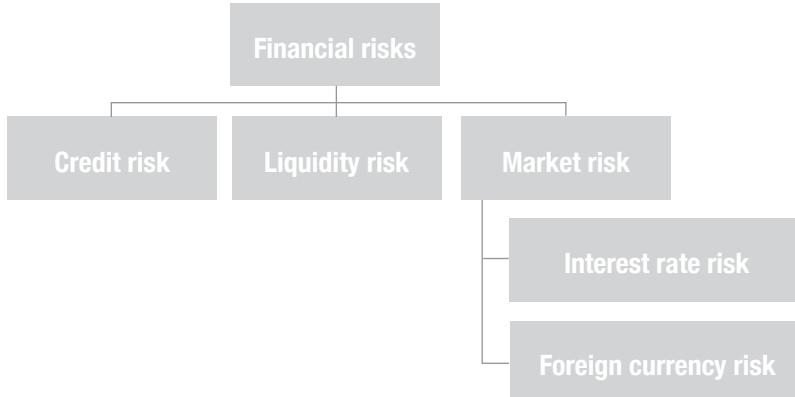
| 2017                                      | Total interest income |
|---|-----------------------|
| <b>Contractual financial assets</b>       |                       |
| Financial assets – Cash and deposits      |                       |
| Financial assets – Cash and deposits      | 4,367                 |
| <b>Total contractual financial assets</b> | <b>4,367</b>          |

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 assets 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



CFA'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 and financial liability above are disclosed in Note 7.3 to the financial statements.

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

CFA's main financial risks include credit risk, liquidity risk, interest rate risk and foreign currency risk. CFA manages these financial risks in accordance with its Treasury and Investment Management Policy.

CFA uses different methods to measure and manage the different risks to which it is exposed. Primary responsibility for the identification and management of financial risks rests with the Board of CFA.

#### **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. CFA's exposure to credit risk arises from the potential default of counterparties on their contractual obligations resulting in financial loss to CFA. Credit risk is measured at fair value and is monitored on a regular basis.

Credit risk associated with CFA's contractual financial assets is minimal because CFA minimises the concentration of credit risk by undertaking transactions with a large number of customers. Other than trade debtors, the major amounts owing at any point in time are from government (considered to be no credit risk considered).

Credit risk in trade receivables is managed in the following ways:

- payment terms are 30 days from date of invoice;
- statements are issued on all debts outstanding, five working days after the end of each month;
- debtors outstanding after 60 days are contacted and a record made of reason for delay in payment;
- follow up statements continue to be issued; and
- debts outstanding after 90 days are referred to a debt collection agency.

CFA has in place a Board-approved Treasury and Investment Management Policy, which complies with the *Borrowing and Investment Powers Act 1987*.

Investments are only made subject to the appropriate institution having a Standard & Poor's credit rating for investments of AAA at the time of investing the funds, other than investments held by brigades where the investments may be made in approved banking institutions.

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

Currently CFA does not hold any collateral as security nor credit enhancements relating to any of its financial assets.

As at reporting date, there is no event to indicate that any of the financial assets are impaired. There are no financial assets that have had their terms renegotiated to prevent them from being past due or impaired, and they are stated at the carrying amounts as indicated.

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 CFA's maximum exposure to credit risk without taking account of the value of any collateral obtained.

There has been no material change to CFA's credit risk profile in 2017–18.

Credit quality of contractual financial assets that are neither past due nor impaired

| 2018  | (\$ thousand)                              |                |                |
|---|--|----------------|----------------|
|   | Government agencies<br>(AAA credit rating) | Other          | Total          |
| Cash and deposits   | 49,000                                     | 55,902         | 104,902        |
| Receivables <sup>(a)</sup>                                  | –  | 19,324         | 19,324         |
| Investments held by CFA corporate > 3 months <sup>(b)</sup> | 209,000                                    | –              | 209,000        |
| Investments held by brigades > 3 months <sup>(b)</sup>      | –  | 43,077         | 43,077         |
| <b>Total contractual financial assets</b>                   | <b>258,000</b>                             | <b>118,302</b> | <b>376,303</b> |

| 2017   | (\$ thousand)                              |                |                |
|--|--|----------------|----------------|
|  | Government agencies<br>(AAA credit rating) | Other          | Total          |
| Cash and deposits  | 45,000                                     | 57,771         | 102,771        |
| Receivables <sup>(a)*</sup>                                  | –  | 9,742          | 9,742          |
| Investments held by CFA corporate > 3 months <sup>(b)*</sup> | 140,000                                    | –              | 140,000        |
| Investments held by brigades > 3 months <sup>(b)*</sup>      | –  | 39,753         | 39,753         |
| <b>Total contractual financial assets</b>                    | <b>185,000</b>                             | <b>107,266</b> | <b>292,266</b> |

Notes:

(a) The total amounts disclosed here exclude statutory amounts

(b) Investments held by CFA corporate are invested with Treasury Corporation Victoria (TCV). Investments held by brigades are invested in Authorised Deposit-Taking Institutions (ADIs) approved by Australian Prudential Regulation Authority (APRA) as per CFA's Treasury and Investment Management Policy

\* 2017 figure is restated to align with the presentation in 2018

## **Financial instruments: Liquidity risk**

Liquidity risk arises from being unable to meet financial obligations as they fall due. CFA 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.

CFA is exposed to liquidity risk mainly through the financial liabilities as disclosed in the face of the balance sheet. CFA manages its liquidity risk by:

- 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; and
- careful maturity planning of its financial obligations based on forecasts of future cash flows.

CFA's exposure to liquidity risk is deemed insignificant based on prior periods' data and current assessment of risk. Cash for unexpected events is generally sourced from liquidation of available-for-sale financial investments.

The carrying amount of contractual financial liabilities detailed in Note 5.3 represents CFA's maximum exposure to liquidity risk.

## **Financial instruments: Market risk**

CFA's exposures to market risk which would primarily be through day-to-day interest rates is minimal because of fixed interest rate deposits and only insignificant exposure to foreign currency and other price risks.

Objectives, policies and processes used to manage each of these risks are disclosed below.

### *Sensitivity disclosure analysis and assumptions*

CFA'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. CFA's fund managers cannot be expected to predict movements in market rates and prices. Sensitivity analysis shown is for illustrative purposes only. The following movements are 'reasonably possible' over the next 12 months:

- a movement of 50 basis points up and down (2017: 50 basis points up and down) in market interest rates (AUD).

The tables that follow show the impact on CFA's net result for each category of financial instrument held by CFA 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. CFA does not hold any interest bearing financial instruments that are measured at fair value, and therefore has no 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. CFA has minimal exposure to cash flow interest rate risks through cash and deposits, term deposits and bank overdrafts that are at floating rate.

CFA 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, as financial assets that can be left at floating rate without necessarily exposing CFA to significant bad risk, management monitors movement in interest rates on a daily basis.

The carrying amounts of financial assets that are exposed to interest rates and the CFA's sensitivity to interest rate risk are set out in the table that follows. There are no financial liabilities with interest rate exposure.

### Interest rate exposure of financial instruments

| 2018                             | (\$ thousand)                  |                 |                     |                        |                      |
|----------------------------------|--------------------------------|-----------------|---------------------|------------------------|----------------------|
|                                  | Weighted average interest rate | Carrying amount | Fixed interest rate | Variable interest rate | Non-interest bearing |
| <b>Financial assets</b>          |                                |                 |                     |                        |                      |
| Cash and deposits                | 1.50                           | 104,902         | 49,000              | 55,902                 | –                    |
| <b>Receivables<sup>(a)</sup></b> |                                |                 |                     |                        |                      |
| Trade receivables                |                                | 16,041          | –                   | –                      | 16,041               |
| Other receivables                |                                | 3,283           | –                   | –                      | 3,283                |
| Investments > 3 months           | 1.86                           | 252,077         | 252,077             | –                      | –                    |
| <b>Total financial assets</b>    |                                | <b>376,303</b>  | <b>301,077</b>      | <b>55,902</b>          | <b>19,324</b>        |

| 2018                               | (\$ thousand)                  |                 |                     |                        |                      |
|------------------------------------|--------------------------------|-----------------|---------------------|------------------------|----------------------|
|                                    | Weighted average interest rate | Carrying amount | Fixed interest rate | Variable interest rate | Non-interest bearing |
| <b>Financial liabilities</b>       |                                |                 |                     |                        |                      |
| <b>Payables<sup>(a)</sup></b>      |                                |                 |                     |                        |                      |
| Trade payables                     |                                | 4,909           | –                   | –                      | 4,909                |
| Other payables                     |                                | 21,398          | –                   | –                      | 21,398               |
| <b>Total financial liabilities</b> |                                | <b>26,307</b>   | <b>–</b>            | <b>–</b>               | <b>26,307</b>        |

| 2017                             | (\$ thousand)                  |                 |                     |                        |                      |
|----------------------------------|--------------------------------|-----------------|---------------------|------------------------|----------------------|
|                                  | Weighted average interest rate | Carrying amount | Fixed interest rate | Variable interest rate | Non-interest bearing |
| <b>Financial assets</b>          |                                |                 |                     |                        |                      |
| Cash and deposits                | 1.50                           | 102,771         | 45,000              | 57,771                 | –                    |
| <b>Receivables<sup>(a)</sup></b> |                                |                 |                     |                        |                      |
| Trade receivables*               |                                | 7,273           | –                   | –                      | 7,273                |
| Other receivables*               |                                | 2,469           | –                   | –                      | 2,469                |
| Investments > 3 months           | 1.88                           | 179,753         | 179,753             | –                      | –                    |
| <b>Total financial assets</b>    |                                | <b>292,266</b>  | <b>224,753</b>      | <b>57,771</b>          | <b>9,742</b>         |

| 2017                               | (\$ thousand)                  |                 |                     |                        |                      |
|------------------------------------|--------------------------------|-----------------|---------------------|------------------------|----------------------|
|                                    | Weighted average interest rate | Carrying amount | Fixed interest rate | Variable interest rate | Non-interest bearing |
| <b>Financial assets</b>            |                                |                 |                     |                        |                      |
| Cash and deposits                  | 1.50                           | 102,771         | 45,000              | 57,771                 | –                    |
| <b>Receivables<sup>(a)</sup></b>   |                                |                 |                     |                        |                      |
| Trade receivables*                 |                                | 7,273           | –                   | –                      | 7,273                |
| Other receivables*                 |                                | 2,469           | –                   | –                      | 2,469                |
| Investments > 3 months             | 1.88                           | 179,753         | 179,753             | –                      | –                    |
| <b>Total financial assets</b>      |                                | <b>292,266</b>  | <b>224,753</b>      | <b>57,771</b>          | <b>9,742</b>         |
| <b>Financial liabilities</b>       |                                |                 |                     |                        |                      |
| <b>Payables<sup>(a)</sup></b>      |                                |                 |                     |                        |                      |
| Trade payables                     |                                | 4,710           | –                   | –                      | 4,710                |
| Other payables                     |                                | 25,896          | –                   | –                      | 25,896               |
| <b>Total financial liabilities</b> |                                | <b>30,606</b>   | <b>–</b>            | <b>–</b>               | <b>30,606</b>        |

Notes:

(a) The carrying amounts disclosed here exclude statutory amounts

\* 2017 figure is restated to align with the presentation in 2018

### Interest rate risk sensitivity

|                                     | 2018 | Carrying amount | (\$ thousand)               |                             |
|-------------------------------------|------|-----------------|-----------------------------|-----------------------------|
|                                     |      |                 | -50 basis points Net result | +50 basis points Net result |
| <b>Contractual financial assets</b> |      |                 |                             |                             |
| Cash and deposits <sup>(a)</sup>    |      | 55,902          | (280)                       | 280                         |
| <b>Total impact</b>                 |      |                 | <b>(280)</b>                | <b>280</b>                  |
|                                     | 2017 | Carrying amount | (\$ thousand)               |                             |
|                                     |      |                 | -50 basis points Net result | +50 basis points Net result |
| <b>Contractual financial assets</b> |      |                 |                             |                             |
| Cash and deposits <sup>(a)</sup>    |      | 57,771          | (289)                       | 289                         |
| <b>Total impact</b>                 |      |                 | <b>(289)</b>                | <b>289</b>                  |

Notes:

(a) Cash and deposits include deposits of \$55,902k (2017: \$57,771k) that is exposed to floating rates movements. Sensitivities to these movements are calculated as follows:

- 2018:  $\$55,902k \times 0.005 = \$280k$ ; and
- 2017:  $\$57,771k \times 0.005 = \$289k$

### Foreign currency risk

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

CFA is exposed to insignificant foreign currency risk through its payables relating to purchases of supplies and consumables from overseas. This is because of a limited amount of purchases denominated in foreign currencies and a short timeframe between commitment and settlement with the availability of facilities such as EFT.

## 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.

CFA has not identified any contingent assets for 2017–18 financial year (2016–17: nil).

## 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*

- (i) At 30 June 2018, CFA is included as a party in many legal proceedings. Due to the diversity of issues associated with these legal matters and their discretionary nature, quantification of the financial effect cannot be reliably estimated and it is therefore impractical to do so.
- (ii) Remediation and closure of Fiskville Training College and remediation of VEMTC training grounds.

On 26 March 2015, the government announced the permanent closure of Fiskville Training College (Fiskville). Fiskville, VEMTC training grounds owned by CFA at Penshurst, Bangholme, West Sale, Wangaratta, Huntly, and Longerenong have been the subject of notices issued by the EPA. Note 5.4 ‘Other provisions’ details the provisions associated with the closure of Fiskville and the activities required for addressing the obligations associated with these notices.

CFA also has many contingent liabilities arising from the closure of Fiskville and the notices issued by EPA. These relate to any further notices that may be issued by EPA, any regulatory infringements that may be imposed by EPA, compensation that may be sought and, any legal claims that may be made. At this stage it is impractical to quantify the financial effects of these contingent liabilities.

## 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 CFA.

Consistent with AASB13 Fair Value Measurement, CFA determines the policies and procedures for both recurring fair value measurements such as property, plant and equipment, in accordance with the requirements of AASB13 and the relevant FRDs.

This section sets out information on how CFA 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, plant and equipment; and
- investment properties.

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

CFA determines the 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, many inputs are used. To increase 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.

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

CFA 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.

The Valuer General Victoria (VGV) is CFA's independent valuation agency. CFA, in conjunction with VGV, monitors changes in the fair value of each asset and liability through relevant data sources to determine whether revaluation is required.

### 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 relating to fair value determination for financial instruments (refer to Note 7.3.1) and non-financial physical assets (refer to Note 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.

CFA 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 due to their short-term nature and all are determined at Level 3 above. Refer to Note 7.1.1 for the list of financial instruments.

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

Fair value measurement hierarchy

| 2018  | Carrying amount as at 30 June<br>2018 | (\$ thousand)          |                        |                        |
|---|---------------------------------------|------------------------|------------------------|------------------------|
|   |                                       | Level 1 <sup>(a)</sup> | Level 2 <sup>(a)</sup> | Level 3 <sup>(a)</sup> |
| Specialised land  | 171,774                               |                        |                        | 171,774                |
| <b>Total of land at fair value</b>                          | <b>171,774</b>                        | -                      | -                      | <b>171,774</b>         |
| Specialised buildings                                       | 631,241                               |                        |                        | 631,241                |
| Heritage assets <sup>(b)</sup>                              | 1,616                                 |                        |                        | 1,616                  |
| <b>Total of buildings at fair value</b>                     | <b>632,857</b>                        | -                      | -                      | <b>632,857</b>         |
| Leasehold improvements                                      | 10,074                                |                        |                        | 10,074                 |
| <b>Total of leasehold improvements</b>                      | <b>10,074</b>                         | -                      | -                      | <b>10,074</b>          |
| Plant and equipment   | 11,946                                |                        |                        | 11,946                 |
| Vehicles  | 290,871                               |                        |                        | 290,871                |
| <b>Total of plant, equipment and vehicles at fair value</b> | <b>302,816</b>                        | -                      | -                      | <b>302,816</b>         |

| 2017  | Carrying amount as at 30 June<br>2017 | (\$ thousand)          |                        |                        |
|---|---------------------------------------|------------------------|------------------------|------------------------|
|   |                                       | Level 1 <sup>(a)</sup> | Level 2 <sup>(a)</sup> | Level 3 <sup>(a)</sup> |
| Specialised land  | 141,939                               |                        |                        | 141,939                |
| <b>Total of land at fair value</b>                          | <b>141,939</b>                        | -                      | -                      | <b>141,939</b>         |
| Specialised buildings                                       | 623,743                               |                        |                        | 623,743                |
| Heritage assets <sup>(b)</sup>                              | 1,616                                 |                        |                        | 1,616                  |
| <b>Total of buildings at fair value</b>                     | <b>625,359</b>                        | -                      | -                      | <b>625,359</b>         |
| Leasehold improvements                                      | 11,307                                |                        |                        | 11,307                 |
| <b>Total of leasehold improvements</b>                      | <b>11,307</b>                         | -                      | -                      | <b>11,307</b>          |
| Plant and equipment   | 10,468                                |                        |                        | 10,468                 |
| Vehicles  | 300,123                               |                        |                        | 300,123                |
| <b>Total of plant, equipment and vehicles at fair value</b> | <b>310,591</b>                        | -                      | -                      | <b>310,591</b>         |

Notes:

(a) Classified in accordance with the fair value hierarchy

(b) CFA holds \$1,616k (2017: \$1,616k) worth of properties listed as heritage assets. These heritage assets cannot be modified nor disposed of without formal ministerial approval

### Land and buildings

For CFA, the highest and best use of its property is considered by the valuers to be for the continued use as specialised purpose assets for the fulfilment of community service obligation (CSO).

The market approach to valuation is used for specialised land, although it is adjusted for the CSO to reflect the specialised nature of the land being valued. Under this valuation method, the assets are compared to recent comparable sales or sales of comparable assets which are considered to have nominal or no added improvement value.

The CSO adjustment reflects 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 considering the highest and best use consideration required for fair value measurement, and considers the use of the asset that is physically possible, legally permissible, and financial feasible. As adjustments of CSO are considered as significant unobservable inputs, specialised land would be classified as Level 3 assets.

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

### Vehicles

Vehicles are valued using the depreciated replacement cost method. CFA 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 at CFA who set relevant depreciation rates during use to reflect the utilisation of the vehicles.

### Plant and equipment

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 2018. For all assets measured at fair value, the current use is considered the highest and best use.

### Reconciliation of Level 3 fair value movements

| 2018                         | (\$ thousand)    |                       |                 |                        |                     |                |
|------------------------------|------------------|-----------------------|-----------------|------------------------|---------------------|----------------|
|                              | Specialised land | Specialised buildings | Heritage assets | Leasehold improvements | Plant and equipment | Vehicles       |
| <b>Opening balance</b>       | <b>141,938</b>   | <b>623,744</b>        | <b>1,616</b>    | <b>11,307</b>          | <b>10,468</b>       | <b>300,123</b> |
| Purchases (sales)            | 6,557            | 15,507                | –               | 103                    | 4,377               | 24,604         |
| Disposals out of Level 3     | (374)            | (3,505)               | –               | –                      | (677)               | (4,459)        |
| Transfers in/out of Level 3  | 4,825            | 6,523                 | –               | –                      | –                   | –              |
| Revaluation of freehold land | 18,828           | –                     | –               | –                      | –                   | –              |
| Depreciation                 | –                | (11,028)              | –               | (1,335)                | (2,223)             | (29,397)       |
| <b>Subtotal</b>              | <b>171,774</b>   | <b>631,241</b>        | <b>1,616</b>    | <b>10,074</b>          | <b>11,946</b>       | <b>290,871</b> |
| <b>Closing balance</b>       | <b>171,774</b>   | <b>631,241</b>        | <b>1,616</b>    | <b>10,074</b>          | <b>11,946</b>       | <b>290,871</b> |

| 2017                         | (\$ thousand)    |                       |                 |                        |                     |                |
|------------------------------|------------------|-----------------------|-----------------|------------------------|---------------------|----------------|
|                              | Specialised land | Specialised buildings | Heritage assets | Leasehold improvements | Plant and equipment | Vehicles       |
| <b>Opening balance</b>       | <b>144,330</b>   | <b>630,124</b>        | <b>1,616</b>    | <b>8,250</b>           | <b>11,251</b>       | <b>290,659</b> |
| Purchases (sales)            | 3,630            | 42,826                | –               | 3,960                  | 1,044               | 39,985         |
| Disposals out of Level 3*    | (4,721)          | (38,469)              | –               | –                      | –                   | (2,333)        |
| Transfers in/out of Level 3* | (1,301)          | 116                   | –               | –                      | –                   | –              |
| Depreciation                 | –                | (10,854)              | –               | (904)                  | (1,827)             | (28,188)       |
| <b>Subtotal</b>              | <b>141,938</b>   | <b>623,744</b>        | <b>1,616</b>    | <b>11,307</b>          | <b>10,468</b>       | <b>300,123</b> |
| <b>Closing balance</b>       | <b>141,938</b>   | <b>623,744</b>        | <b>1,616</b>    | <b>11,307</b>          | <b>10,468</b>       | <b>300,123</b> |

\* 2017 figure is restated to align with the presentation in 2018

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

| 2018 and 2017         | Valuation technique                         | Significant unobservable inputs      | Range          |
|-----------------------|---|--------------------------------------|----------------|
| Specialised land      | Market approach                             | CSO adjustment 20%                   | Not applicable |
| Specialised buildings | Depreciated replacement cost                | Useful life of specialised buildings | 50–67 years    |
| Heritage assets       | Depreciated replacement cost <sup>(a)</sup> | Useful life of heritage assets       | 50–67 years    |
| Vehicles              | Depreciated replacement cost                | Useful life of vehicles              | 3–25 years     |
| Plant and equipment   | Depreciated replacement cost                | Useful life of plant and equipment   | 3–25 years     |

Notes:

(a) For some heritage and iconic 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 2017.

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

| 2018                  | Carrying amount as at 30 June 2018 | (\$ thousand)  |                        |                        |
|-----------------------|------------------------------------|--|------------------------|------------------------|
|                       |                                    | Fair value measurement at end of reporting period using: | Level 1 <sup>(a)</sup> | Level 2 <sup>(a)</sup> |
| Investment properties | –                                  | –  | –                      | –                      |

| 2017                  | Carrying<br>amount as<br>at 30 June<br>2017 | (\$ thousand)   |                        |                        |
|-----------------------|---|---|------------------------|------------------------|
|                       |   | Fair value measurement at end<br>of reporting period using: | Level 1 <sup>(a)</sup> | Level 2 <sup>(a)</sup> |
| Investment properties | 11,349                                      | -   | -                      | 11,349                 |

Notes:

(a) Classified in accordance with the fair value hierarchy

There have been no transfers between levels during the period. There were no changes in valuation techniques throughout the period to 30 June 2018.

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

The valuation was determined by reference to market evidence of transaction prices for similar properties with no significant unobservable adjustments, in the same location and condition and subject to similar lease and other contracts.

## 8. OTHER DISCLOSURES

### Introduction

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

#### Structure

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#### 8.1 Ex-gratia expenses<sup>(a)</sup>

|                                 | (\$ thousand) |      |
|---------------------------------|---------------|------|
|                                 | 2018          | 2017 |
| Payments made on termination    | 23            | -    |
| <b>Total ex-gratia expenses</b> | <b>23</b>     | -    |

Notes:

(a) Includes ex-gratia expenses for both individual items or in aggregate that are greater than or equal to \$5k

#### 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.

|  | (\$ thousand)  |                |
|--|----------------|----------------|
|  | 2018           | 2017           |
| <b>Net gain/(loss) on non-financial assets</b>                             |                |                |
| Amortisation of non-produced intangible assets <sup>(a)</sup>              | (231)          | (231)          |
| Net loss on disposal of property plant and equipment                       | (973)          | (3,860)        |
| <b>Total net loss on non-financial assets</b>                              | <b>(1,204)</b> | <b>(4,091)</b> |
| <b>Net gain / (loss) on financial instruments</b>                          |                |                |
| Bad debts written off  | (600)          | -              |
| Doubtful debts provision*  | -              | (515)          |
| <b>Total net loss on financial instruments</b>                             | <b>(600)</b>   | <b>(515)</b>   |
| <b>Other gain/(loss) from other economic flows</b>                         |                |                |
| Net gain arising from revaluation of long service liability <sup>(b)</sup> | 75             | 531            |
| <b>Total other gain from other economic flows</b>                          | <b>75</b>      | <b>531</b>     |

Notes:

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

(b) Revaluation gain due to changes in bond rates

\* 2017 figure is restated to align with the presentation in 2018

### 8.3 Physical asset revaluation surplus

|  | (\$ thousand)  |                |
|--|----------------|----------------|
|  | 2018           | 2017           |
| <b>Physical asset revaluation surplus</b>                |                |                |
| Balance at beginning of financial year                   | 465,548        | 465,548        |
| <b>Revaluation increments</b>                            |                |                |
| – Freehold land  | 18,828         | –              |
| <b>Net changes in physical asset revaluation surplus</b> | <b>484,376</b> | <b>465,548</b> |

### 8.4 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. These future expenditures cease to be disclosed as commitments once the related liabilities are recognised in the balance sheet.

| Nominal amounts<br>2018                             | (\$ thousand)       |               |              |                |
|---|---------------------|---------------|--------------|----------------|
|   | Less than<br>1 year | 1–5<br>years  | 5+<br>years  | Total          |
| Capital expenditure commitments payable             | 27,290              | 413           | –            | 27,704         |
| Operating lease commitments payable                 | 8,172               | 10,752        | 3,179        | 22,103         |
| Other commitments payable                           | 78,983              | 84,648        | 8            | 163,638        |
| <b>Total commitments (inclusive of GST)</b>         | <b>114,445</b>      | <b>95,813</b> | <b>3,187</b> | <b>213,445</b> |
| Less GST recoverable from the Australian Tax Office | (10,404)            | (8,710)       | (290)        | (19,404)       |
| <b>Total commitments (exclusive of GST)</b>         | <b>104,041</b>      | <b>87,103</b> | <b>2,897</b> | <b>194,041</b> |

| Nominal amounts<br>2017                             | (\$ thousand)       |               |              |                |
|---|---------------------|---------------|--------------|----------------|
|   | Less than<br>1 year | 1–5<br>years  | 5+<br>years  | Total          |
| Capital expenditure commitments payable             | 27,583              | 190           | –            | 27,774         |
| Operating lease commitments payable                 | 7,717               | 15,855        | 4,228        | 27,800         |
| Other commitments payable                           | 55,400              | 30,106        | –            | 85,507         |
| <b>Total commitments (inclusive of GST)</b>         | <b>90,701</b>       | <b>46,152</b> | <b>4,228</b> | <b>141,081</b> |
| Less GST recoverable from the Australian Tax Office | (8,246)             | (4,196)       | (384)        | (12,826)       |
| <b>Total commitments (exclusive of GST)</b>         | <b>82,455</b>       | <b>41,956</b> | <b>3,844</b> | <b>128,255</b> |

## 8.5 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.

### Names

The names of the people who were ‘Responsible Persons’ at any time during the financial year are:

#### Responsible Minister

Minister for Emergency Services

The Hon James Merlino, MP

1 July 2017 to 30 June 2018

The Hon Gayle Tierney, MP (Acting)

23 September 2017 to 8 October 2017;  
31 March 2018 to 8 April 2018

#### Authority Members (CFA Board Members)

Greg Smith AM (Chair)

1 July 2017 to 30 June 2018

Michelle McLean (Deputy Chair)

1 July 2017 to 30 June 2018

Pamela White PSM

1 July 2017 to 30 June 2018

Gillian Sparkes

1 July 2017 to 30 June 2018

Simon Weir

1 July 2017 to 30 June 2018

Hazel Clothier

1 July 2017 to 30 June 2018

|   |  |
|---|--|
| Peter Shaw  | 1 July 2017 to 30 June 2018  |
| Lynda Hamilton  | 1 July 2017 to 30 June 2018  |
| Timothy Young   | 1 July 2017 to 30 June 2018  |
| <b>Accountable Officer</b>                                |  |
| Frances Diver (Chief Executive Officer)                   | 1 July 2017 to 31 January 2018                                       |
| Paul Smith (Chief Executive Officer)                      | 1 February 2018 to 30 June 2018                                      |
| Steve Warrington AFSM<br>(Acting Chief Executive Officer) | 24 August 2017 to 4 September 2017;<br>3 April 2018 to 15 April 2018 |
| Nigel McCormick<br>(Acting Chief Executive Officer)       | 8 November 2017 to 13 November 2017                                  |
| John Haynes AFSM<br>(Acting Chief Executive Officer)      | 23 December 2017 to 1 January 2018                                   |

#### Remuneration (other than the Responsible Minister)

The numbers of Responsible Persons are shown below in their relevant income bands:

| Income Band <sup>(a)</sup>        | 2018<br>Number | 2017<br>Number |
|-----------------------------------|----------------|----------------|
| \$0 – \$9,999 <sup>(b)</sup>      | 1              | 1              |
| \$50,000 – \$59,999               | 6              | 6              |
| \$60,000 – \$69,999               | 1              | 1              |
| \$110,000 – \$119,999             | 1              | 1              |
| \$200,000 – \$209,999             | 1              | –              |
| \$330,000 – \$339,999             | 1              | –              |
| \$390,000 – \$399,999             | –              | 1              |
| <b>Total numbers</b>              | <b>11</b>      | <b>10</b>      |
| <b>Total amount (\$ thousand)</b> | <b>1,064</b>   | <b>897</b>     |

Notes:

(a) The income band classification excludes Responsible Persons in the acting position of Accountable Officer for the year 2018

(b) Gillian Sparkes is the Commissioner for Environmental Sustainability Victoria and as such received \$nil remuneration from CFA during 2018 (2017: nil)

#### 8.6 Remuneration of executives

The number of executive officers, other than Ministers and the Accountable Officer, and their total remuneration during the reporting period are shown in the table below. Total annualised employee equivalents provide 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 salaries, wages, 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 employer's contribution to superannuation.

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

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

| Remuneration of executive officers<br>(including Key Management Personnel disclosed in Note 8.7) | (\$ thousand) |              |
|--|---------------|--------------|
|  | 2018          | 2017         |
| Short-term employee benefits   | 6,325         | 4,752        |
| Post-employment benefits   | 598           | 417          |
| Other long-term benefits   | 554           | 73           |
| Termination benefits   | 198           | 356          |
| <b>Total remuneration</b>  | <b>7,675</b>  | <b>5,598</b> |
| <b>Total number of executives<sup>(a)</sup></b>  | <b>36</b>     | <b>31</b>    |
| <b>Total annualised employee equivalents<sup>(b)</sup></b>                                       | <b>36</b>     | <b>31</b>    |

Notes:

(a) The total number of executive officers include persons who meet the definition of Key Management Personnel (KMP) of the entity under AASB 124 Related Party Disclosures and are also reported within the related parties note disclosure (Note 8.7)

(b) Annualised employee equivalent is based on the time fraction worked over the reporting period

## 8.7 Related parties

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

Related parties of CFA include:

- all KMP and their close family members and personal business interests (controlled entities, joint ventures and entities they have significant influence over); and
- all cabinet ministers and their close family members.

**KMP** of CFA include the Portfolio Minister, Board of Directors, Chief Executive Officer, Chief Officer and members of CFA Executive Team.

| KMP                                | KMP category       | Position title                         | Period   |
|------------------------------------|--------------------|--|--|
| The Hon James Merlino, MP          | Portfolio Minister | Minister for Emergency Services        | 1 July 2017 to 30 June 2018  |
| The Hon Gayle Tierney, MP (Acting) | Portfolio Minister | Acting Minister for Emergency Services | 23 September 2017 to 8 October 2017; 31 March 2018 to 8 April 2018 |
| Greg Smith AM (Chair)              | Board of Directors | Chair                                  | 1 July 2017 to 30 June 2018  |
| Michelle McLean (Deputy Chair)     | Board of Directors | Deputy Chair                           | 1 July 2017 to 30 June 2018  |
| Gillian Sparkes                    | Board of Directors | Board Member                           | 1 July 2017 to 30 June 2018  |
| Pamela White PSM                   | Board of Directors | Board Member                           | 1 July 2017 to 30 June 2018  |

| KMP                   | KMP category       | Position title  | Period                              |
|-----------------------|--------------------|---|-------------------------------------|
| Simon Weir            | Board of Directors | Board Member  | 1 July 2017 to<br>30 June 2018      |
| Timothy Young         | Board of Directors | Board Member  | 1 July 2017 to<br>30 June 2018      |
| Lynda Hamilton        | Board of Directors | Board Member  | 1 July 2017 to<br>30 June 2018      |
| Peter Shaw            | Board of Directors | Board Member  | 1 July 2017 to<br>30 June 2018      |
| Hazel Clothier        | Board of Directors | Board Member  | 1 July 2017 to<br>30 June 2018      |
| Frances Diver         | Chief Executive    | Chief Executive Officer                                       | 1 July 2017 to<br>31 January 2018   |
| Paul Smith            | Chief Executive    | Chief Executive Officer                                       | 1 February 2018 to<br>30 June 2018  |
| Steve Warrington AFSM | CFA Executive      | Chief Officer   | 1 July 2017 to<br>30 June 2018      |
| Nigel McCormick       | CFA Executive      | Chief Financial Officer                                       | 1 July 2017 to<br>30 June 2018      |
| Zemeel Saba           | CFA Executive      | Executive Director<br>– People & Culture                      | 1 July 2017 to<br>19 December 2017  |
| Elizabeth Radcliffe   | CFA Executive      | Executive Director<br>– People & Culture                      | 20 December 2017<br>to 30 June 2018 |
| Anthony Ramsay        | CFA Executive      | Executive Director<br>– Infrastructure Services               | 1 July 2017 to<br>30 June 2018      |
| John Haynes AFSM      | CFA Executive      | Executive Director<br>– Volunteer and Strategy                | 1 July 2017 to<br>30 June 2018      |
| Lidija Ivanovski      | CFA Executive      | Director Communications<br>and Government<br>Relations        | 1 July 2017 to<br>29 March 2018     |
| Licardo Prince        | CFA Executive      | Acting Director<br>Communications and<br>Government Relations | 3 April 2018 to<br>30 June 2018     |
| Bruce Russell         | CFA Executive      | General Counsel   | 1 July 2017 to<br>30 June 2018      |
| Garry Cook            | CFA Executive      | Deputy Chief Officer<br>Regional Services                     | 12 December 2017<br>to 30 June 2018 |
| John Sullivan         | CFA Executive      | Director Governance   | 1 August 2017 to<br>30 June 2018    |
| Daniel Atkin          | CFA Executive      | Director<br>– Enterprise Risk                                 | 12 June 2018 to<br>30 June 2018     |
| Kessia Thomson        | CFA Executive      | Director<br>– Policy and Coordination                         | 4 June 2018 to<br>30 June 2018      |

### Transactions and balances with KMP

The compensation detailed below excludes the salaries and benefits of the responsible Minister. The Minister's remuneration and allowances is set by the *Parliamentary Salaries and Superannuation Act 1968* and is reported within the Department of Parliamentary Services financial report.

| Compensation of KMP          | (\$ thousand) |              |
|------------------------------|---------------|--------------|
|                              | 2018          | 2017         |
| Short-term employee benefits | 3,017         | 2,381        |
| Post-employment benefits     | 281           | 211          |
| Other long-term benefits     | 183           | 24           |
| Termination benefits         | 22            | –            |
| <b>Total<sup>(a)</sup></b>   | <b>3,503</b>  | <b>2,616</b> |

Notes:

(a) Note that KMP who are members of CFA Executive Team are also reported in the disclosure of remuneration of executive officers (Note 8.6)

### Transactions and balances with 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. payment of stamp duty and other government fees and charges. Further, employment 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.

All payments made or received between CFA and other government entities are on arm's length basis and at normal commercial terms.

A summary of related party transactions above \$100k during the period are shown below.

| Entity  | KMP                       | Position title                  | Nature                              | (\$ thousand) |          |       | Net dues to/(owed by) CFA as at 30 June 2018 |
|---|---------------------------|---------------------------------|-------------------------------------|---------------|----------|-------|--|
|   |                           |                                 |                                     | Receipts      | Payments |       |  |
| Ambulance Victoria                                    | Greg Smith AM             | Chair, CFA                      | Use of Ambulance Services           | 123           | 640      | 67    |  |
| Metropolitan Fire and Emergency Services Board        | The Hon James Merlino, MP | Minister for Emergency Services | ICT Services, Recruit Cost Training | 898           | 4,651    | (715) |  |
| Emergency Services Telecommunication Authority (ESTA) | The Hon James Merlino, MP | Minister for Emergency Services | Communication Services              | 28            | 42,448   | –     |  |
| Department of Justice and Regulation                  | The Hon James Merlino, MP | Minister for Emergency Services | Grants                              | 628,428       | 14,615   | 11    |  |
| Emergency Management Victoria (EMV)                   | The Hon James Merlino, MP | Minister for Emergency Services | Grants                              | 14,641        | –        | 314   |  |
| Victoria State Emergency Service                      | The Hon James Merlino, MP | Minister for Emergency Services | Providing Infrastructure Services   | 732           | –        | 26    |  |

| Entity  | KMP                       | Position title                  | Nature                              | (\$ thousand) |          | Net dues to/(owed by) CFA as at 30 June 2017 |
|---|---------------------------|---------------------------------|-------------------------------------|---------------|----------|--|
|   |                           |                                 |                                     | Receipts      | Payments |  |
| Ambulance Victoria                                    | Greg Smith AM             | Chair, CFA                      | Use of Ambulance Services           | 46            | 427      | 30   |
| Metropolitan Fire and Emergency Services Board        | The Hon James Merlino, MP | Minister for Emergency Services | ICT Services, Recruit Cost Training | 389           | 5,100    | 213  |
| Emergency Services Telecommunication Authority (ESTA) | The Hon James Merlino, MP | Minister for Emergency Services | Communication Services              | 26            | 27,969   | –  |
| Department of Justice and Regulation                  | The Hon James Merlino, MP | Minister for Emergency Services | Grants                              | 606,896       | 17,303   | 3  |
| Emergency Management Victoria (EMV)                   | The Hon James Merlino, MP | Minister for Emergency Services | Grants                              | 2,468         | –        | 4,162  |
| Victoria State Emergency Service                      | The Hon James Merlino, MP | Minister for Emergency Services | Providing Infrastructure Services   | 637           | –        | 21   |

No provision has been required, nor any expense recognised, for impairment of receivables from related parties.

## 8.8 Remuneration of auditors

|   | (\$ thousand) |            |
|---|---------------|------------|
|   | 2018          | 2017       |
| Audit of the financial statements by the Victorian-Auditor-General's Office | 205           | 185        |
| Audit fees – internal audit services  | 340           | 275        |
| <b>Total</b>  | <b>546</b>    | <b>460</b> |

## 8.9 Subsequent events

The policy in connection with recognising subsequent events, that are for events that occur between the end of the reporting period and the date when the financial statements are authorised for issue, is as follows:

- adjustments are made to amounts recognised in the financial statements where those events provide information about conditions that existed at the reporting date; and/or
- disclosure is made where the events relate to conditions that arose after the end of the reporting period that are considered to be of material interest.

There are no subsequent events requiring adjustment or disclosure.

## 8.10 Other accounting policies

### Contributions by owners

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 CFA.

Additions to net assets that 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.

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

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

The following AASs related to CFA become effective for reporting periods commencing after the operative dates stated. CFA has not adopted these standards early.

| Topic  | Key requirements   | Effective date for CFA | Impact on CFA's financial statements  |
|--|--|------------------------|---|
| AASB 15 Revenue from Contracts with Customers  | The core principle of AASB 15 requires an entity to recognise revenue when the entity satisfies a performance obligation by transferring a promised good or service to a customer. Note that amending standard AASB 2015 8 Amendments to Australian Accounting Standards – Effective Date of AASB 15 has deferred the effective date of AASB 15 to annual reporting periods beginning on or after 1 January 2018, instead of 1 January 2017. | 1 July 2019            | 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 2016–17 Amendments to Australian Accounting Standards – Deferral of AASB 15 for Not-for-Profit Entities | This Standard defers the mandatory effective date of AASB 15 for not-for-profit entities from 1 January 2018 to 1 January 2019.  | 1 July 2019            | This amending standard will defer the application period of AASB 15 for not-for-profit entities to the 2019–20 reporting period.  |
| AASB 16 Leases   | The key changes introduced by AASB 16 include the recognition of operating leases (which are currently not recognised) on the balance sheet.   | 1 July 2019            | The assessment has indicated that most operating leases, with the exception of short term and low value leases will come on to the balance sheet and will be recognised as right of use assets with a corresponding lease liability.<br><br>In the operating statement, the operating lease expense will be replaced by depreciation expense of the asset and an interest charge. |

| Topic  | Key requirements  | Effective date for CFA | Impact on CFA's financial statements   |
|--|---|------------------------|--|
| AASB 1058<br>Income of Not-for-Profit Entities | <p>AASB 1058 standard will replace the majority of income recognition in relation to government grants and other types of contributions requirements relating to public sector not-for-profit entities, previously in AASB 1004 Contributions.</p> <p>The restructure of administrative arrangement will remain under AASB 1004 and will be restricted to government entities and contributions by owners in a public sector context, AASB 1058 establishes principles for transactions that are not within the scope of AASB 15, where the consideration to acquire an asset is significantly less than fair value to enable not-for-profit entities to further their objective.</p> | 1 July 2019            | <p>The current revenue recognition for grants is to recognise revenue up front upon receipt of the funds. This may change under AASB 1058, as capital grants for the construction of assets will need to be deferred. Income will be recognised over time, upon completion and satisfaction of performance obligations for assets being constructed, or income will be recognised at a point in time for acquisition of assets.</p> <p>The revenue recognition for operating grants will need to be analysed to establish whether the requirements under other applicable standards need to be considered for recognition of liabilities (which will have the effect of deferring the income associated with these grants). Only after that analysis would it be possible to conclude whether there are any changes to operating grants.</p> <p>The impact on current revenue recognition of the changes is the phasing and timing of revenue recorded in the profit and loss statement.</p> |

## 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 that 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'.

**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 comprehensive operating statement representing total change in net worth other than transactions with owners as owners.

**Control** means the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

**Controlled item** generally refers to the capacity of an entity 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 transactions'.

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

**Employee benefits expenses** include all costs related to employment including salaries and wages, fringe benefits tax, leave entitlements, termination 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 or statutory right:
  - to receive cash or another financial asset from another entity; or
  - to exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity; or
- (d) a contract that will or may be settled in the entity's own equity instruments and is:
  - a non-derivative for which the entity is or may be obliged to receive a variable number of the entity's own equity instruments; or
  - a derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments.

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

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

- (a) a contractual obligation:
  - to deliver cash or another financial asset to another entity; or
  - 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:
  - 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

- 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 Reporting Directions (FRDs)** – financial and non-financial reporting requirements prescribed by Department of Treasury and Finance (DTF).

**Financial statements** comprise:

- a comprehensive operating statement for the period;
- a balance sheet as at the end of the period;
- a statement of changes in equity for the period;
- a cash flow statement for the period;
- notes, comprising a summary of significant accounting policies and other explanatory information;
- comparative information in respect of the preceding period as specified in paragraph 38 of AASB 101 Presentation of Financial Statements; and
- 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.

**Grant expenses and other transfers** are transactions in which one unit provides goods, services, assets (or extinguishes a liability) or labour to another unit without receiving approximately equal value in return. Grants can either be operating or capital in nature.

While grants to governments may result in the provision of some goods or services to the transferor, they do not give the transferor a claim to receive directly benefits of approximately equal value. For this reason, grants are referred to by the AASB as involuntary transfers and are termed non-reciprocal transfers. Receipt and sacrifice of approximately equal value may occur, but only by coincidence. For example, governments are not obliged to provide commensurate benefits, in the form of goods or services, to taxpayers in return for their taxes.

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

**General government sector** comprises all government departments, 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 that are mainly non-market in nature, those that are largely for collective consumption by the community and those that involve the transfer or redistribution of income. These services are financed mainly through taxes, or other compulsory levies and user charges.

**Intangible non-produced assets** refer to non-produced asset in this glossary.

**Interest expense** represents costs incurred in connection with borrowings.

**Interest income** includes interest received on bank term deposits, interest from investments and other interest received.

**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.

**Key Management Personnel** – people with the authority and responsibility for directly or indirectly planning, directing and controlling the activities of the entity.

**Leases** are rights to use an asset for an agreed period in exchange for payment. Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement 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** are calculated as liabilities less financial assets. 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).

**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 operating balance or net result from transactions** is a key fiscal aggregate and is income from transactions minus expenses from transactions. It is a summary measure of the ongoing sustainability of operations. It excludes gains and losses resulting from changes in price levels and other changes in the volume of assets. It is the component of the change in net worth that is due to transactions and can be attributed directly to government policies.

**Net 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, investment properties, cultural and heritage assets and intangibles.

**Non-produced assets** are assets used 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 or leases.

**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-financial physical and intangible assets; fair value changes of financial instruments.

**Other economic flows – other comprehensive income** comprises items (including reclassification adjustments) that are not recognised in net result as required or permitted by other AASs. They include changes in physical asset revaluation surplus, changes in accumulated surplus and gains and losses on remeasuring available-for-sale financial assets.

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

**Prepayments** 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.

**Produced assets** include buildings, plant and equipment, inventories, cultivated assets 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).

**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.

**Related party** is a person who has significant influence over a KMP or vice versa and/or a close family member of a KMP.

**Related party transaction** is a transaction between CFA and one of its KMPs, a related party or any entity they control.

**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.

**Transactions** are those economic flows that are considered to arise because 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.

### 8.13 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:

- 0 zero, or rounded to zero
- (xxx.x) negative numbers
- 20xx year period
- 20xx-xx year period

The financial statements and notes are presented based on the illustration for a government department in the 2017–18 Model Report for Victorian Government departments. The presentation of other disclosures is generally consistent with the other disclosures made in earlier publications of CFA's annual report.

## FINANCIAL DISCLOSURES

### Consultancy expenditure

#### Details of consultancies (valued at \$10,000 or greater)

As at 30 June 2018, there were four consultancies where the total fees payable to the consultants were \$10,000 or greater.

| Consultant         | Purpose of Consultancy  | Start date | End date | Total approved project fee (excl. GST) | (\$ thousand)                   |                                |
|--------------------|---|------------|----------|--|---------------------------------|--------------------------------|
|                    |   |            |          |  | Expenditure 2017–18 (excl. GST) | Future expenditure (excl. GST) |
| Deloitte           | To advise on a funding agreement for VFBV                           | Jan 2017   | Jun 2018 | 40.0                                   | 7.0                             | –                              |
| Gravity Consulting | Provide advice on the trial of Strategy Dot the Zero (SDZ) platform | Jul 2017   | Jun 2018 | 110.0                                  | 90.1                            | –                              |
| MosaicLab          | Fire Services Reform Integrated Station consultation                | Oct 2017   | Mar 2018 | 350.0                                  | 260.9                           | –                              |
| Aither             | To develop a draft Outcome Framework for Community Safety           | Nov 2017   | Dec 2017 | 27.5                                   | 25.2                            | –                              |
| <b>Total</b>       |   |            |          | <b>527.5</b>                           | <b>383.2</b>                    | <b>–</b>                       |

#### Details of external consultancies (less than \$10,000)

As of 30 June 2018, there were two consultancies engaged during the year, where the total fees payable to the consultant was less than \$10,000. The total expense incurred on these two consultants was \$4,430.00 (excludes GST).

### Information and Communication Technology expenditure

#### Details of information and communication technology (ICT) expenditure

As at 30 June 2018, total ICT expenditure of \$37.1m with details shown below:

| (\$ million)                       |   |   |                                       |
|------------------------------------|---|---|---------------------------------------|
| BAU*<br>ICT expenditure<br>(Total) | Non-BAU<br>ICT expenditure<br>(Total = A + B) | Non-BAU<br>Operational<br>expenditure (A) | Non-BAU<br>Capital<br>expenditure (B) |
| 25.9                               | 11.2  | 10.8                                      | 0.4                                   |

\* Business As Usual

ICT expenditure refers to costs in providing business-enabling ICT services. It comprises BAU ICT expenditure and Non-BAU ICT expenditure. Non-BAU ICT expenditure relates to extending or enhancing current ICT capabilities. BAU ICT expenditure is all remaining ICT expenditure which primarily relates to ongoing activities to operate and maintain the current ICT capability.

## RELEVANT LEGISLATION AND POLICIES

Legislation and delegated legislation provide a clear framework for our operations. Relevant legislation includes but is not limited to:

### **Victorian Acts**

*Accident Compensation Act 1985  
Audit Act 1994  
Borrowing and Investment Powers Act 1987  
Building Act 1993  
Carers Recognition Act 2012  
Charter of Human Rights and Responsibilities Act 2006  
Country Fire Authority Act 1958  
Dangerous Goods Act 1985  
Disability Act 2006  
Electricity Safety Act 1998  
Emergency Management Act 1986  
Emergency Management Act 2013  
Environment Protection Act 1970  
Equal Opportunity Act 2010  
Financial Management Act 1994  
Fire Services Commissioner Act 2010  
Freedom of Information Act 1982  
Fundraising Act 1998  
Gambling Regulation Act 2003  
Independent Broad-based Anti-Corruption Commission Act 2011  
Occupational Health and Safety Act 2004  
Ombudsman Act 1973  
Planning and Environment Act 1987  
Privacy and Data Protection Act 2014  
Protected Disclosure Act 2012  
Public Administration Act 2004  
Public Records Act 1973  
Rail Safety Act 2006  
Residential Tenancies Act 1997  
Subdivision Act 1988  
Traditional Owner Settlement Act 2010*

### **Commonwealth Acts**

*A New Tax System (Goods and Services Tax) Act 1999  
Competition and Consumer Act 2010  
Disability Discrimination Act 1992  
Fair Work Act 2009  
Fringe Benefits Tax Assessment Act 1986  
Racial Discrimination Act 1975  
Sex Discrimination Act 1984  
Telecommunications Act 1997*

### ***Freedom of Information Act 1982***

The following information is provided in accordance with section 7 of the *Freedom of Information Act 1982* (the FOI Act). Requests for access to documents in the possession of CFA are dealt with by CFA's Freedom of Information (FOI) Officer. CFA is legally obliged to facilitate and promote prompt disclosure of information in its possession at the time the request is received.

#### **Making a request**

FOI requests can be lodged online at [www.foi.vic.gov.au](http://www.foi.vic.gov.au). In the 2017–18 year an application fee of \$28.40 applied, increasing to \$28.90 from 1 July 2018. Access charges may also be payable if the document pool is large, and the search for material is time consuming.

Access to documents can also be obtained through a written request to CFA's FOI team, as detailed in s17 of the FOI Act. As such, requests can also be lodged directly with CFA via email to [foi@cfa.vic.gov.au](mailto:foi@cfa.vic.gov.au). The application fee can be paid either by cheque in the mail or by direct deposit to CFA's bank. Details are as follows:

**Account Name:** CFA

**BSB:** 063 225

**Account number:** 1007 1353

Please include confirmation of the payment in your email so that our accounts receivable department can be notified accordingly.

Written requests for documents in the possession of CFA should be addressed to:

Freedom of Information Officer  
CFA  
PO Box 701  
Mount Waverley Vic 3149  
Telephone: (03) 9262 8512  
Email: [foi@cfa.vic.gov.au](mailto:foi@cfa.vic.gov.au)

FOI statistics/timeliness

1. During 2017–18, CFA received 82 applications. Of these requests, five were from Members of Parliament, four from the media, 45 from law firms and the remainder from the general public.
2. CFA made 53 FOI decisions during the 12 months ended 30 June 2018.
3. All decisions, apart from one that was made within 10 days, were made within the statutory time frame.
4. From the requests received during 2017–18, one request was subject to a complaint/internal review by OVIC.

Further information

Further information regarding the operation and scope of FOI can be obtained from the FOI Act; regulations made under the Act; and [foi.vic.gov.au](http://foi.vic.gov.au).

### ***Financial Management Act 1994 (Vic)***

All of the financial information contained in the report for the financial year has been prepared and presented in accordance with the *Financial Management Act 1994* and the Standing Directions of the Minister for Finance 2016, issued under that Act. Relevant information is available to the Minister for Emergency Services, the Parliament of Victoria, and the public on application to CFA's Accountable Officer (the Chief Executive Officer).

### ***Protected Disclosure Act 2012 (Vic)***

In relation to the matters specified in s70 of the *Protected Disclosure Act 2012* during the reporting year:

- CFA has procedures in accordance with Part 9 of the *Protected Disclosure Act 2012*
- CFA's procedures are accessible from [www.cfa.vic.gov.au/protected-disclosure-act](http://www.cfa.vic.gov.au/protected-disclosure-act)
- copies of CFA's procedures are available for public access during normal business hours from districts, regions and headquarters
- there were nil disclosures notified to the Independent Broad-based Anti-Corruption Commission by CFA under s21(2) during 2015–16.

### ***Privacy and Data Protection Act 2014***

The *Privacy and Data Protection Act 2014* regulates how CFA protects the privacy of individuals, including but not limited to, CFA members.

CFA has a dedicated Privacy Officer appointed to investigate privacy-related issues and provide advice, guidance, education and training on CFA privacy-related matters.

CFA has a privacy policy and registers, and responds to all enquiries and complaints.

### ***Building Act 1993 (Vic)***

CFA complies with the *Building Act 1993*, with respect to alterations and maintenance to the buildings owned by CFA.

### ***National Competition Policy***

CFA complies, to the extent applicable, with the National Competition Policy.

## **Environment and sustainability**

During the 2017–18 financial year, CFA continued to monitor its environmental and sustainable practices relating to energy use, waste production, water consumption, transportation and greenhouse gas emissions.

## **Compliance with DataVic Access Policy**

Consistent with the DataVic Access Policy issued by the Victorian Government in 2012, all data tables included in this annual report will be available at [www.data.vic.gov.au](http://www.data.vic.gov.au) in electronic format.

## **Government advertising expenditure**

As at 30 June 2018, the annual expenditure on advertising campaigns was \$1,023,380.

## **Employment and conduct principles**

CFA is committed to applying merit and equity principles when appointing staff. The selection processes ensure that applicants are assessed and evaluated fairly and equitably on the basis of the key selection criteria and other accountabilities, without discrimination. Employees have been correctly classified in workforce data collections.

## **Inclusion and fairness**

CFA has a commitment to workforce inclusion and fairness. CFA endorsed an Inclusion and Fairness Action Plan and program of work. This included a review of a range of CFA policies with proposals for amendment to incorporate the organisation's commitment to inclusion and fairness.

## ***Carers Recognition Act 2012 (Vic)***

CFA has taken all practical measures to comply with its obligations under the *Carers Recognition Act 2012*.

## ***Disability Act 2006 (Vic) and Disability Discrimination Act 1992 (Cth)***

CFA is prioritising disability inclusion. We have reviewed and updated policies and procedures to comply with accessibility standards. CFA has employed an Engagement Officer to facilitate the planning and development of disability inclusion strategies. We are also prioritising works on CFA buildings to meet with compliance standards. The goal is to reach 80 per cent compliance within the next eight years.

# **OCCUPATIONAL HEALTH AND SAFETY**

## **Employee incidents and claims**

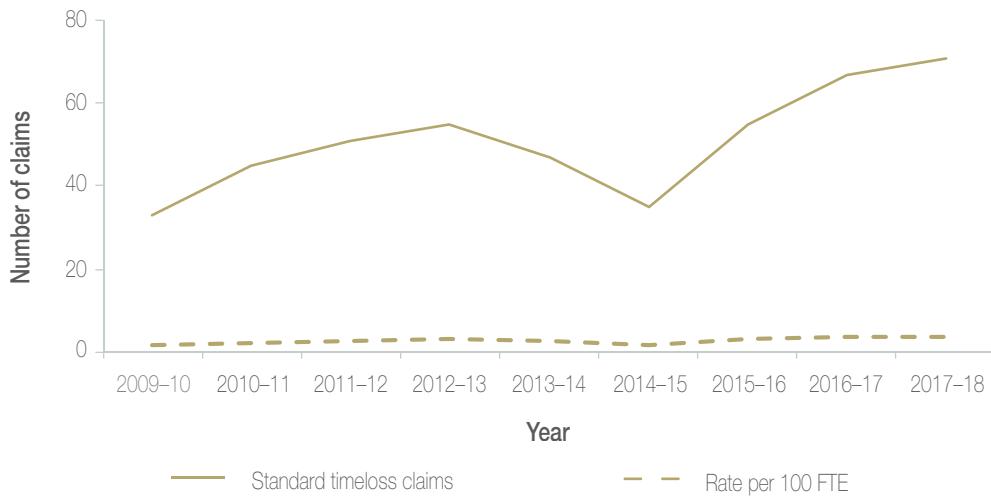
CFA's performance continues to be significantly better than the industry average. CFA saw a slight increase in overall claims in 2017–18. The estimate of outstanding claims costs is \$2,160,480, and the average cost per claim is \$24,005, which is down on the previous year.

Figure 5 : CFA WorkSafe premium vs industry rate.



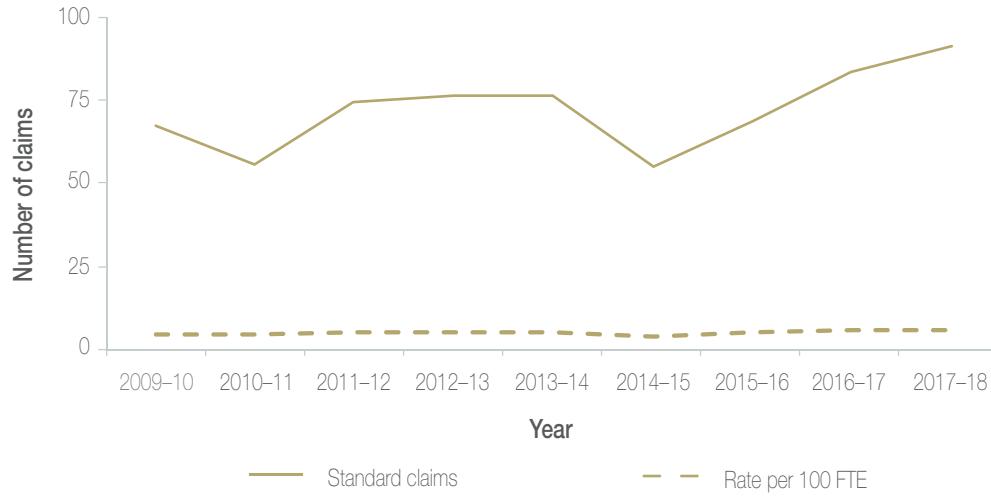
CFA's premium has continued its positive trend, particularly compared with the industry rate.

Figure 6 : Employee lost time claims and rate per 100 FTE.



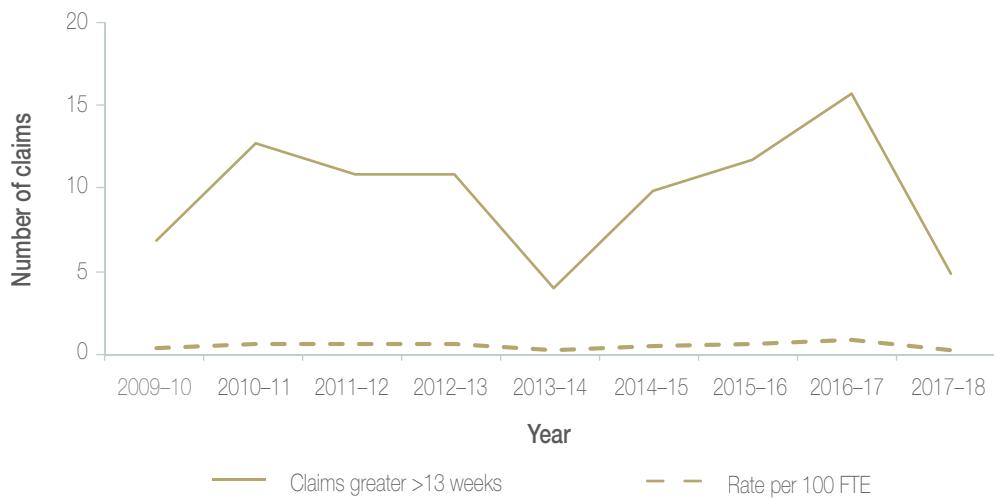
There has been an increase in the number of lost time claims but this is proportional to the increase in employee numbers over recent years, as indicated in the claim rate per 100 FTE.

Figure 7 : Number of standard employee claims and rate per 100 FTE.



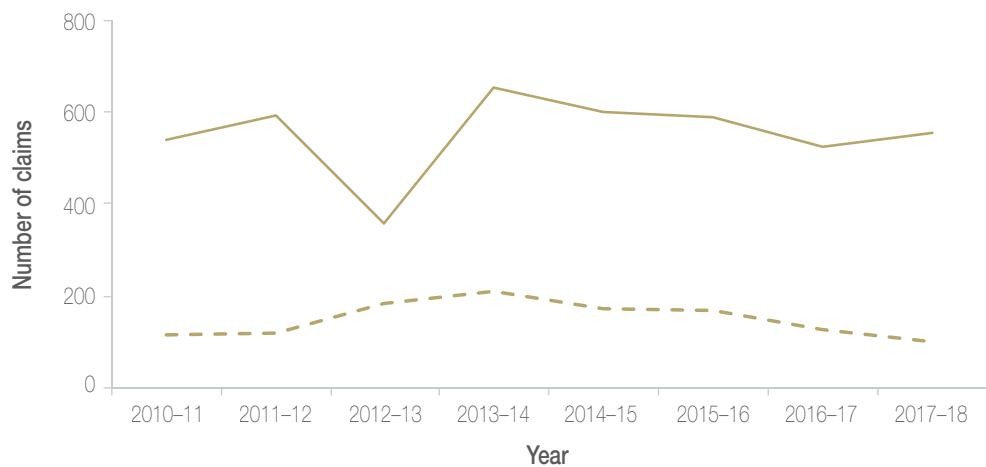
The increase in the number of standard claims is also proportional to the increase in employee numbers as indicated in the claim rate per 100 FTE.

*Figure 8 : Employee claims with timeloss of 13 weeks or greater and rate per 100 FTE.*



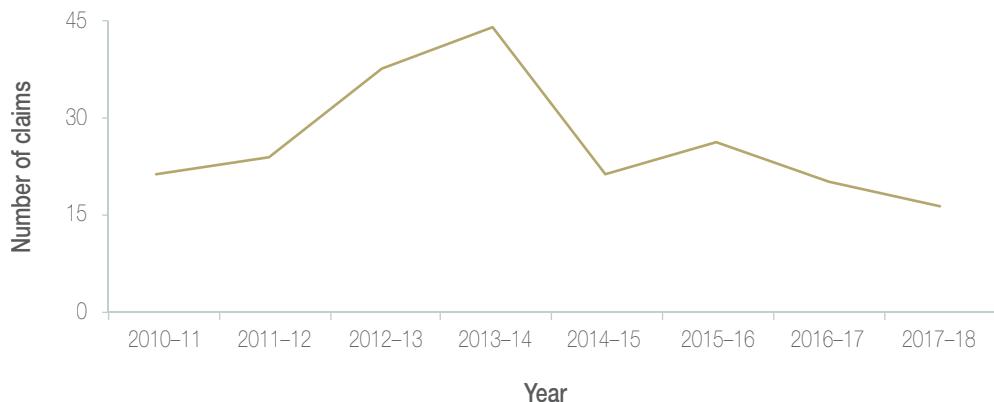
The claim rate has maintained a generally consistent trend.

*Figure 9 : Volunteer claims and incident trends (date of injury).*



The volunteer claim and incident trends show a gradual reduction but can be impacted by the level of emergency activities.

*Figure 10 : Volunteer lost-time claims (date of injury).*



There is a reducing trend of volunteer lost-time injury claims where one or more days' time was lost.

## DISCLOSURE INDEX

### **Victorian Industry Participation Policy (VIPP)**

In accordance with the requirement of the *Victorian Industry Participation Program Act 2003* (VIPP), government agencies are required to include a statement summarising the implementation of the VIPP in annual reports. Financial Reporting Direction (FRD) 25 specifies that VIPP is to be reported for contracts valued at more than \$3m in metropolitan areas and \$1m in regional areas.

A total of six contracts were commenced during 2017–18 in regional Victoria exceeding \$1m in value and one contract within the metropolitan area valued at more than \$3m. The regional contracts were Lucas, Wodonga, Portarlington, Broadford, Huntly Fire Investigation Unit, and Hopetoun facilities. The metropolitan contract was Tarneit fire station.

The local content (including all labour and materials) for these contracts was in the order of 98 per cent.

### **Compliance with statutory disclosure requirements**

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| <b>Charter and purpose</b>                                 |                |
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| FRD 12B Disclosure of major contracts                      | 117            |

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#### Acknowledgement of traditional custodians

CFA would like to respectfully acknowledge the traditional custodians of the land throughout Victoria and acknowledge their ancestors and elders, both past and present.



*Protecting lives and property*