

# South Australian Metropolitan Fire Service

Financial report  
for the year ended  
30 June 2020



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## To the Chief Officer South Australian Metropolitan Fire Service

### Opinion

I have audited the financial report of South Australian Metropolitan Fire Service for the financial year ended 30 June 2020.

In my opinion, the accompanying financial report gives a true and fair view of the financial position of the South Australian Metropolitan Fire Service as at 30 June 2020, its financial performance and its cash flows for the year then ended in accordance with relevant Treasurer's Instructions issued under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards.

The financial report comprises:

- a Statement of Comprehensive Income for the year ended 30 June 2020
- a Statement of Financial Position as at 30 June 2020
- a Statement of Changes in Equity for the year ended 30 June 2020
- a Statement of Cash Flows for the year ended 30 June 2020
- notes, comprising significant accounting policies and other explanatory information
- a Certificate from the Chief Officer and the Business Manager.

### Basis for opinion

I conducted the audit in accordance with the *Public Finance and Audit Act 1987* and Australian Auditing Standards. My responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial report' section of my report. I am independent of South Australian Metropolitan Fire Service. The *Public Finance and Audit Act 1987* establishes the independence of the Auditor-General. In conducting the audit, the relevant ethical requirements of APES 110 *Code of Ethics for Professional Accountants* (including Independence Standards) have been met.

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

## **Responsibilities of the Chief Officer for the financial report**

The Chief Officer is responsible for the preparation of the financial report that gives a true and fair view in accordance with relevant Treasurer's Instructions issued under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of the financial report that gives a true and fair view and that is free from material misstatement, whether due to fraud or error.

## **Auditor's responsibilities for the audit of the financial report**

As required by section 31(1)(b) of the *Public Finance and Audit Act 1987* section 52(2) of the *Fire and Emergency Services Act 2005*, I have audited the financial report of South Australian Metropolitan Fire Service for the financial year ended 30 June 2020.

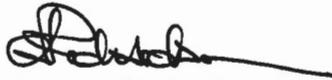
My objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an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

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

- identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for 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
- 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 South Australian Metropolitan Fire Service's internal control
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Chief Officer
- 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.

My report refers only to the financial report described above and does not provide assurance over the integrity of electronic publication by the entity on any website nor does it provide an opinion on other information which may have been hyperlinked to/from the report.

I communicate with the Chief Officer about, 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 the audit.

A handwritten signature in black ink, appearing to read 'Andrew Richardson', with a long horizontal stroke extending to the right.

Andrew Richardson

**Auditor-General**

24 September 2020

# **South Australian Metropolitan Fire Service (MFS)**

## **Financial Statements**

For the year ended 30 June 2020

**South Australian Metropolitan Fire Service**  
**Certification of the Financial Statements**  
*for the year ended 30 June 2020*

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We certify that the attached general-purpose financial statements for the South Australian Metropolitan Fire Service:

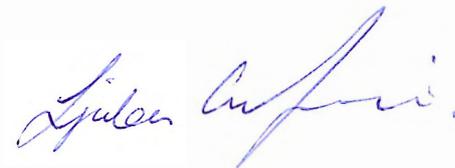
- comply with relevant Treasurer's Instructions issued under section 41 of the *Public Finance and Audit Act 1987*, and relevant Australian Accounting Standards;
- are in accordance with the accounts and records of the South Australian Metropolitan Fire Service; and
- present a true and fair view of the financial position of the South Australian Metropolitan Fire Service as at 30 June 2020 and the results of its operations and cash flows for the financial year.

We certify that the internal controls employed by the South Australian Metropolitan Fire Service for the financial year over its financial reporting and its preparation of the general purpose financial statements have been effective throughout the reporting period.



Michael Morgan AFSM  
Chief Officer  
South Australian Metropolitan Fire Service

18 September 2020



Luba Cvetanovic  
Business Manager  
South Australian Metropolitan Fire Service

18 September 2020

**South Australian Metropolitan Fire Service**  
**Statement of Comprehensive Income**  
*for the year ended 30 June 2020*

	Note	2020 \$'000	2019 \$'000
<b>Income</b>			
Contributions from the Community Emergency Services Fund	2.1	152 424	148 348
Fees and charges	2.2	6 091	5 525
Grants and contributions	2.3	1 175	1 136
Net gain from disposal of non-current assets	2.4	-	6
Interest revenues	2.5	6	49
Intra-government transfers	2.6	16 616	1 208
Other income	2.7	1 180	554
<b>Total income</b>		<b>177 492</b>	<b>156 826</b>
<b>Expenses</b>			
Employee benefits	3.3	123 338	161 908
Supplies and services	4.1	17 989	19 230
Grants and subsidies	4.2	322	401
Borrowing costs	4.3	30	-
Depreciation and amortisation	4.4	7 819	7 313
Other expenses	4.5	393	-
<b>Total expenses</b>		<b>149 891</b>	<b>188 852</b>
<b>Net result</b>		<b>27 601</b>	<b>(32 026)</b>
<b>Other comprehensive income</b>			
<i>Items that will not be reclassified to net result</i>			
Changes in asset revaluation surplus	5.2	49 675	-
<b>Total other comprehensive income</b>		<b>49 675</b>	<b>-</b>
<b>Total comprehensive result</b>		<b>77 276</b>	<b>(32 026)</b>

The accompanying notes form part of these financial statements. The net result and total comprehensive result are attributable to the SA Government as owner.

**South Australian Metropolitan Fire Service**  
**Statement of Financial Position**  
*as at 30 June 2020*

	Note	2020 \$'000	2019 \$'000
<b>Current assets</b>			
Cash and cash equivalents	6.1	5 895	2 915
Receivables	6.2	1 980	1 213
<b>Total current assets</b>		<b>7 875</b>	<b>4 128</b>
<b>Non-current assets</b>			
Property, plant and equipment	5.1	186 664	136 639
Intangible assets	5.4	127	201
<b>Total non-current assets</b>		<b>186 791</b>	<b>136 840</b>
<b>Total assets</b>		<b>194 666</b>	<b>140 968</b>
<b>Current liabilities</b>			
Payables	7.1	7 195	7 766
Financial liabilities	7.2	268	-
Employee benefits	3.4	20 051	17 997
Provisions	7.3	5 475	10 879
<b>Total current liabilities</b>		<b>32 989</b>	<b>36 642</b>
<b>Non-current liabilities</b>			
Payables	7.1	4 608	5 039
Financial liabilities	7.2	1 013	-
Employee benefits	3.4	26 371	28 638
Provisions	7.3	50 086	68 326
<b>Total non-current liabilities</b>		<b>82 078</b>	<b>102 003</b>
<b>Total liabilities</b>		<b>115 067</b>	<b>138 645</b>
<b>Net assets</b>		<b>79 599</b>	<b>2 323</b>
<b>Equity</b>			
Asset revaluation surplus		148 120	98 445
Retained earnings		(68 521)	(96 122)
<b>Total equity</b>		<b>79 599</b>	<b>2 323</b>

The accompanying notes form part of these financial statements. The total equity is attributable to the SA Government as owner.

**South Australian Metropolitan Fire Service**  
**Statement of Changes in Equity**  
*for the year ended 30 June 2020*

	Asset revaluation surplus	Retained earnings	Total equity
Note	\$'000	\$'000	\$'000
<b>Balance at 30 June 2018</b>	98 445	(64 179)	34 266
Adjustments on initial adoption of AASB 9	-	83	83
<b>Adjusted balance at 1 July 2018</b>	98 445	(64 096)	34 349
Net result for 2018-19	-	(32 026)	(32 026)
<b>Total comprehensive result for 2018-19</b>	-	<b>(32 026)</b>	<b>(32 026)</b>
<b>Balance at 30 June 2019</b>	<b>98 445</b>	<b>(96 122)</b>	<b>2 323</b>
Net result for 2019-20	-	27 601	27 601
Gain on revaluation of land and buildings during 2019-20	27 282	-	27 282
Gain on revaluation of vehicles during 2019-20	21 406	-	21 406
<b>Total comprehensive result for 2019-20</b>	<b>49 675</b>	<b>27 601</b>	<b>77 276</b>
<b>Balance at 30 June 2020</b>	<b>148 120</b>	<b>(68 521)</b>	<b>79 599</b>

The accompanying notes form part of these financial statements. All changes in equity is attributable to the SA Government as owner.

**South Australian Metropolitan Fire Service**  
**Statement of Cash Flows**  
*for the year ended 30 June 2020*

		2020	2019
		(Outflows)	(Outflows)
		Inflows	Inflows
	Note	\$'000	\$'000
<b>Cash flows from operating activities</b>			
<b>Cash inflows</b>			
Contributions from the Community Emergency Services Fund		152 424	148 348
Intra-government transfers		16 506	2 232
Fees and charges		6 133	6 280
Receipts from grants and contributions		1 285	88
Interest received		6	49
GST recovered from the Australian Taxation Office		1 086	1 239
Receipts for paid Parental Leave Scheme		56	49
Other receipts		1 157	659
<b>Cash generated from operations</b>		<b>178 653</b>	<b>158 944</b>
<b>Cash outflows</b>			
Employee benefits payments		(148 040)	(134 153)
Supplies and services payments		(20 027)	(22 706)
Interest paid		(30)	-
Payments for paid Parental Leave Scheme		(47)	(49)
Grants and subsidies payments		(322)	(377)
<b>Cash used in operations</b>		<b>(168 466)</b>	<b>(157 285)</b>
<b>Net cash provided by / (used in) operating activities</b>	8.1	<b>10 187</b>	<b>1 659</b>
<b>Cash flows from investing activities</b>			
<b>Cash inflows</b>			
Proceeds from the sale of property, plant and equipment		-	17
<b>Cash generated from investing activities</b>		<b>-</b>	<b>17</b>
<b>Cash outflows</b>			
Purchase of property, plant and equipment		(6 890)	(2 637)
<b>Cash used in investing activities</b>		<b>(6 890)</b>	<b>(2 637)</b>
<b>Net cash provided by / (used in) investing activities</b>		<b>(6 890)</b>	<b>(2 620)</b>
<b>Cash flows from financing activities</b>			
<b>Cash flows used in financing activities</b>			
Repayment of leases		(317)	-
<b>Cash used in financing activities</b>		<b>(317)</b>	<b>-</b>
<b>Net cash provided by / (used in) financing activities</b>		<b>(317)</b>	<b>-</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>2 980</b>	<b>(961)</b>
Cash and cash equivalents at the beginning of the reporting period		2 915	3 876
<b>Cash and cash equivalents at the end of the reporting period</b>	6.1	<b>5 895</b>	<b>2 915</b>

The accompanying notes form part of these financial statements.

**South Australian Metropolitan Fire Service**  
**Notes to and forming part of the financial statements**  
*for the year ended 30 June 2020*

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**South Australian Metropolitan Fire Service**  
**Notes to and forming part of the financial statements**  
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# South Australian Metropolitan Fire Service

## Notes to and forming part of the financial statements

### for the year ended 30 June 2020

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#### 1. About the South Australian Metropolitan Fire Service

Under the Fire and Emergency Services Act 2005 (the Act), the South Australian Metropolitan Fire Service (MFS) is a body corporate, an agency of the Crown and part of the consolidated emergency services sector.

The financial statements include all the controlled activities of MFS.

##### 1.1. Basis of preparation

The financial statements are general purpose financial statements prepared in compliance with:

- section 23 of the Public Finance and Audit Act 1987;
- Treasurer's Instructions and Accounting Policy Statements issued by the Treasurer under the Public Finance and Audit Act 1987; and

For the 2019-20 financial statements MFS adopted AASB 15 – *Revenue from Contracts with Customers*, AASB 16 – *Leases* and AASB 1058 – *Income of Not-for-Profit Entities*. Further information is provided in note 9.1.

The financial statements are prepared based on a 12-month reporting period and presented in Australian currency. The historical cost convention is used unless a different measurement basis is specifically disclosed in the note associated with the item measured.

Income, expenses and assets are recognised net of the amount of GST except:

- when the GST incurred on a purchase of goods or services is not recoverable from the Australian Taxation Office, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item applicable; and
- receivables and payables, which are stated with the amount of GST included.

Assets and liabilities that are to be sold, consumed or realised as part of the normal operating cycle have been classified as current assets or current liabilities. All other assets and liabilities are classified as non-current.

##### 1.2. Objectives and programs

###### Objectives

The MFS is established under the *Fire and Emergency Services Act 2005 (the Act)* and is responsible under the Act for the following functions:

- to provide services with a view to preventing the outbreak of fires, or reducing the impact of fires, in any fire district
- to provide efficient and responsive services in any fire district for the purpose of fighting fires, dealing with other emergencies or undertaking any rescue
- to protect life, property and environmental assets from fires and other emergencies occurring in any fire district
- to develop and maintain plans to cope with the effects of fires or emergencies in any fire district
- to provide services or support to assist with recovery in the event of a fire or other emergency in a fire district
- to perform any other function assigned to MFS by or under this or any other Act.

**South Australian Metropolitan Fire Service**  
**Notes to and forming part of the financial statements**  
*for the year ended 30 June 2020*

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**1.2. Objectives and programs (continued)**

Funding of MFS is primarily derived from the Community Emergency Services Fund (the Fund), in accordance with the *Emergency Services Funding Act 1998*.

**Programs**

In achieving its objectives, MFS provides services within three general areas: frontline services, frontline services support and governance and public value. These services are classified under one program titled 'South Australian Metropolitan Fire Service'.

**1.3. Impact of COVID-19 pandemic**

The COVID-19 pandemic has impacted on the operations of MFS and the impacts are included under the relevant disclosure notes. The key impacts in 2019-20 were:

- Additional expenditure to keep personnel safe while maintaining service delivery to the community.
- Additional expenditure to support the South Australian response to the COVID-19 pandemic.
- Increased leave liabilities as a result of cancellation of leave.
- Reduced capital expenditure due to supplier business restrictions.
- Increased expected credit losses on fees and charges resulting from the impact of the COVID-19 pandemic on businesses.

The Emergency Services Sector has considered the possible impact of the COVID-19 pandemic on property, plant and equipment valuations and has concluded that there is no observable evidence of what that impact would be at this stage.

**South Australian Metropolitan Fire Service**  
**Notes to and forming part of the financial statements**  
*for the year ended 30 June 2020*

**1.4. Budget performance**

The budget performance table compares MFS outcomes against budget information presented to Parliament (2019-20 Budget Paper 4). The budget amounts have not been adjusted to reflect revised budgets or administrative restructures. The budget process is not subject to audit.

		Original budget	Actual	Variance
	Note	2020 \$'000	2020 \$'000	\$'000
<b>Statement of Comprehensive Income</b>				
<b>Income</b>				
Contribution from the Community Emergency Services Fund		152 575	152 424	(151)
Fees and charges		4 703	6 091	1 388
Grants and contributions		1 175	1 175	-
Intra-government transfers	a	-	16 616	16 616
Interest Revenues		112	6	(106)
Other Income		321	1 180	859
<b>Total income</b>		<b>158 886</b>	<b>177 492</b>	<b>18 606</b>
<b>Expenses</b>				
Employee benefits		127 687	123 338	(4 349)
Supplies and services		17 846	17 989	143
Depreciation and amortisation		8 541	7 819	(722)
Grants and subsidies		292	322	30
Borrowing costs		-	30	30
<b>Total expenses</b>		<b>154 366</b>	<b>149 498</b>	<b>(4 868)</b>
<b>Net result</b>		<b>4 520</b>	<b>27 994</b>	<b>23 474</b>
<b>Other comprehensive income</b>				
Changes in revaluation surplus	b	-	49 675	49,675
<b>Total comprehensive result</b>		<b>4 520</b>	<b>77 669</b>	<b>73 149</b>

Explanations are provided for variances where the variance exceeds the greater of 10% of the original budgeted amount and 5% of original budgeted total expenses.

- a Intra gov transfers are above budget due to supplementation for the Enterprise Bargain \$6.8m and once off supplies and services \$7.2m and out of scale incidents \$2.4m.
- b The movement in the asset valuation is as a result of an independent valuation undertaken in 2019-20.

**South Australian Metropolitan Fire Service**  
**Notes to and forming part of the financial statements**  
*for the year ended 30 June 2020*

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**1.4. Budget Performance (continued)**

		Original budget 2020 \$'000	Actual 2020 \$'000	Variance \$'000
<b>Investing expenditure summary</b>				
Total new projects	c	-	4 910	4 910
Total annual programs		6 338	1 980	(4 358)
<b>Total investing expenditure</b>		<b>6 338</b>	<b>6 890</b>	<b>552</b>

c New projects are higher than the original budget due to budget timing of capital carryover requests.

**1.5. Significant transactions with government related entities**

**Significant transactions with government related entities**

Significant transactions with the SA Government are identifiable throughout this financial report. In addition:

- Contributions received from the Community Emergency Services Fund (refer note 2.1)
- Payment made to SA Government Radio Network for \$2.373m

**South Australian Metropolitan Fire Service**  
**Notes to and forming part of the financial statements**  
*for the year ended 30 June 2020*

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**2. Income**

**2.1. Contributions from the Community Emergency Services Fund**

	2020	2019
	\$'000	\$'000
Community Emergency Services Fund	152 424	148 348
<b>Total Contributions from the Community Emergency Services Fund</b>	<b>152 424</b>	<b>148 348</b>

Contributions from Community Emergency Services Fund (the Fund) are recognised as revenues when MFS obtains control over the funding. Control over contributions is normally obtained upon receipt.

For details on the expenditure associated with the contributions from the Community Emergency Services Fund refer note 3.3, 4.1, 4.2 and 5.1.

**2.2. Revenues from fees and charges**

	2020	2019
	\$'000	\$'000
Fire alarm attendance fees	2 493	2 131
Fire alarm monitoring fees	2 441	2 276
Rent of premises	382	419
Fire safety fees	309	343
Incident cost recoveries	464	356
Other recoveries	2	-
<b>Total revenues from fees and charges</b>	<b>6 091</b>	<b>5 525</b>

Income from fees and charges is derived from the provision of goods and services to other SA Government agencies and to the public. This revenue is recognised upon delivery of the service to the client or by reference to the stage of completion.

**2.3. Commonwealth-sourced grants and funding**

	2020	2019
	\$'000	\$'000
Commonwealth Government	1 175	1 136
<b>Total grants and contributions</b>	<b>1 175</b>	<b>1 136</b>

Contributions are recognised as an asset and income when MFS obtains control of the contributions or obtains the right to receive the contributions and the income recognition criteria are met.

Commonwealth grant funding for MFS relates to the cost of providing fire and emergency services to Commonwealth Properties. There is a Memorandum of Understanding in relation to these Commonwealth contributions. All contributions received from the Commonwealth are contributions with unconditional stipulations.

**South Australian Metropolitan Fire Service**  
**Notes to and forming part of the financial statements**  
*for the year ended 30 June 2020*

**2.4. Net gain / (loss) from disposal of non-current assets**

	2020	2019
	\$'000	\$'000
<b>Vehicles</b>		
Proceeds from disposal	-	17
Less carrying amount of assets disposed	-	-
<b>Net gain / (loss) from disposal of vehicles</b>	<u>-</u>	<u>17</u>
<b>Plant and equipment</b>		
Proceeds from disposal	-	-
Less carrying amount of assets disposed	-	(11)
<b>Net gain / (loss) from disposal of plant and equipment</b>	<u>-</u>	<u>(11)</u>
<b>Total assets</b>		
Total proceeds from disposal	-	17
Less total carrying amount of assets disposed	-	(11)
<b>Total net gain / (loss) from disposal of non-current assets</b>	<u>-</u>	<u>6</u>

Gains/losses on disposal are recognised at the date which control of the asset is passed to the buyer and are determined after deducting the cost of the asset from the proceeds at that time. When revalued assets are sold, the revaluation surplus is transferred to retained earnings.

**2.5. Interest revenues**

	2020	2019
	\$'000	\$'000
Interest on deposit accounts	6	49
<b>Total interest revenues</b>	<u>6</u>	<u>49</u>

**2.6. Intra-government transfers**

	2020	2019
	\$'000	\$'000
Intra-government transfers	16 616	1,208
<b>Total Intra-government transfers</b>	<u>16 616</u>	<u>1 208</u>

Intra-government transfers are recognised as income on receipt.

**2.7. Other income**

	2020	2019
	\$'000	\$'000
Insurance recoveries	10	19
Assets received free of charge	8	-
Donations	-	10
Salary recoveries	57	9
Sundry revenues	1 064	474
Other	41	42
<b>Total other income</b>	<u>1 180</u>	<u>554</u>

Other income is recognised as income on receipt.

**South Australian Metropolitan Fire Service**  
**Notes to and forming part of the financial statements**  
*for the year ended 30 June 2020*

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**3. Board, committees and employees**

**3.1. Key management personnel**

Key management personnel of MFS include the Minister, the Chief Officer and the Deputy Chief Officer of MFS, who have responsibility for the strategic direction and management of the agency.

The compensation detailed below excludes salaries and other benefits received by the Minister for Emergency Services. The Minister's remuneration and allowances are set by the Parliamentary Remuneration Act 1990 and the Remuneration Tribunal of SA respectively and are payable from the Consolidated Account (via the Department of Treasury and Finance) under section 6 the *Parliamentary Remuneration Act 1990*.

	2020	2019
	\$'000	\$'000
Salaries and other short term employee benefits	503	463
Post-employment benefits	59	62
<b>Total related party transaction</b>	<b>562</b>	<b>525</b>

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

There are no material transactions or balances to disclose with key management personnel or related parties

**3.2. Remuneration of board and committee members**

Members of boards and committees during 2020 were:

**South Australian Metropolitan Fire Service Disciplinary Committee**

L D P Holland

P L Kilsby\* (term expired 26 March 2020)

R Thompson\* (appointed 26 March 2020)

S J Smithson\*

J L Virgo\* (term expired 31 January 2020)

B Robertson (appointed 01 February 2020)

\* In accordance with the Premier and Cabinet's Circular Number 016, government employees did not receive any remuneration for board/committee duties during the financial year.

**Board and committee remuneration**

The number of members whose remuneration received/receivable falls within the following bands:

	2020	2019
\$nil	5	4
\$1 - \$19 999	1	1
	<b>6</b>	<b>5</b>

The total remuneration received or receivable by members was \$5 000 (2019: \$5 000). Remuneration of members includes sitting fees, superannuation contributions, salary sacrifice benefits, fringe benefits and related fringe benefits tax.

For the purposes of this table, travel allowances and other out-of-pocket expenses paid to members have not been included as remuneration as it is considered to be reimbursement of direct expenses incurred by relevant members.

**South Australian Metropolitan Fire Service**  
**Notes to and forming part of the financial statements**  
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**3.3. Employee benefits expenses**

	<b>2020</b>	<b>2019</b>
	<b>\$'000</b>	<b>\$'000</b>
Salaries and wages	103 917	94 955
Workers' compensation	(18 764)	23 421
Employment on-costs - superannuation	14 364	14 311
Annual leave	13 232	12 586
Long service leave	931	7 321
Payroll Tax	6 614	6 416
Skills and experience retention leave	1 076	1 272
Additional compensation	1 631	1 245
Board fees	5	5
Other employment related expenses	332	376
<b>Total employee benefits expenses</b>	<b>123 338</b>	<b>161 908</b>

**Employment on-costs – superannuation**

The superannuation employment on-cost charge represents MFS's contributions to superannuation plans in respect of current services of current employees.

**Remuneration of employees**

The number of employees whose remuneration received or receivable falls within the following bands:

	<b>2020</b>	<b>2019</b>
	<b>Number</b>	<b>Number</b>
\$151 000 to \$154 000*	N/A	20
\$154 001 to \$174 000	123	104
\$174 001 to \$194 000	45	26
\$194 001 to \$214 000	16	2
\$214 001 to \$234 000	7	1
\$234 001 to \$254 000	2	1
\$274 001 to \$294 000	1	-
\$294 001 to \$314 000	1	1
<b>Total</b>	<b>195</b>	<b>155</b>

\* This band has been included for the purposes of reporting comparative figures based on the executive base level remuneration rate for 2018-19.

The total remuneration received by these employees for the year was \$34.18 million (2019: \$25.81 million).

The table includes all employees who received remuneration equal to or greater than the base executive remuneration level during the year. Remuneration of employees reflects all costs of employment including salaries and wages, payments in lieu of leave, superannuation contributions, salary sacrifice benefits and fringe benefits and any fringe benefits tax paid or payable in respect of those benefits.

**South Australian Metropolitan Fire Service**  
**Notes to and forming part of the financial statements**  
*for the year ended 30 June 2020*

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**3.4. Employee benefits liability**

	2020	2019
	\$'000	\$'000
<b>Current</b>		
Annual leave	11 946	10 939
Accrued salaries and wages	3 381	2 656
Long service leave	2 865	2 777
Skills and experience retention leave	1 859	1 625
<b>Total current employee benefits</b>	<u>20 051</u>	<u>17 997</u>
<b>Non-current</b>		
Long service leave	<u>26 371</u>	<u>28 638</u>
<b>Total non-current employee benefits</b>	<u>26 371</u>	<u>28 638</u>
<b>Total employee benefits</b>	<u><u>46 422</u></u>	<u><u>46 635</u></u>

Employee benefits accrue as a result of services provided up to the reporting date that remain unpaid. Long-term employee benefits are measured at present value and short-term employee benefits are measured at nominal amounts.

**Salaries and wages, annual leave skills and experience retention leave (SERL) and sick leave**

The liability for salary and wages is measured as the amount unpaid at the reporting date at remuneration rates current at reporting date.

The annual leave liability and the SERL liability in full is expected to be payable within 12 months and is measured at the undiscounted amount expected to be paid

No provision has been made for sick leave as all sick leave is non-vesting and the average sick leave taken in future years by employees is estimated to be less than the annual entitlement of sick leave.

**Long service leave**

The liability for long service leave is measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the project unit credit methods. Details about the measurement of long service leave liability is provided as note 11.1.

**South Australian Metropolitan Fire Service**  
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**4. Expenses**

Employee benefits expenses are disclosed in note 3.3.

**4.1. Supplies and services**

	2020	2019
	\$'000	\$'000
Property costs	3 129	3 170
Vehicles	3 431	2 517
Government radio network	2 373	2 304
Consultancy, contractors and legal fees	1 518	1 899
Computing costs	1 723	1 875
Operational costs	1 629	1 315
Uniforms and protective clothing	924	2 039
Travel and training	742	1 053
Communications	604	696
Insurance premiums	354	226
Low-value leases	116	-
Operating lease costs	-	557
Shared Services SA payments	14	7
Other expenses	1 432	1 572
<b>Total supplies and services</b>	<b>17 989</b>	<b>19 230</b>

**Operating leases**

Operating lease payments (less any lease incentives) are recognised as an expense on a straight-line basis over the lease term. Operating lease payments do not include payments associated with accommodation MoAA. This information is provided for 2018-19 only, as AASB 16 Leases does not distinguish between operating and finance leases for lessees.

	2020	2019
	\$'000	\$'000
Operating lease minimum payments	-	557
<b>Total</b>	<b>-</b>	<b>557</b>

**Other**

Audit fees paid/payable to the Auditor-General's Department (AGD) relating to work performed under the *Public Finance and Audit Act* were \$30 000 (2019: \$29 000). These costs are recognised in 'Other expenses' above. No other services were provided by the Auditor-General's Department.

**South Australian Metropolitan Fire Service**  
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**4.1. Supplies and services (continued)**

**Consultants**

The number and dollar amount of consultancies paid/payable (included in supplies and services expenses) fell within the following bands:

	2020 Number	2020 \$'000	2019 Number	2019 \$'000
Below \$10 000	6	23	3	10
\$10 000 or above	5	339	2	730
<b>Total</b>	<b>11</b>	<b>362</b>	<b>5</b>	<b>740</b>

**4.2. Grants and subsidies**

	2020 \$'000	2019 \$'000
Recurrent grant	322	401
<b>Total grants and subsidies</b>	<b>322</b>	<b>401</b>

**4.3. Borrowing costs**

	2020 \$'000	2019 \$'000
Interest expense on lease liabilities	30	-
<b>Total Borrowing costs</b>	<b>30</b>	<b>-</b>

**South Australian Metropolitan Fire Service**  
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**4.4. Depreciation and amortisation**

	2020	2019
	\$'000	\$'000
<b>Depreciation</b>		
Vehicles	3 824	4 017
Right-of-use vehicles	242	-
Buildings	2 902	2 493
Right-of-use buildings	89	-
Plant	308	314
Communications	294	288
Computers	84	126
<b>Total depreciation</b>	<u>7 743</u>	<u>7 238</u>
<b>Amortisation</b>		
Software	76	75
<b>Total amortisation</b>	<u>76</u>	<u>75</u>
<b>Total depreciation and amortisation</b>	<u><u>7 819</u></u>	<u><u>7 313</u></u>

All non-current assets with a limited useful life, are systematically depreciated/amortised over their useful lives in a manner that reflects the consumption of their service potential.

Land and non-current assets held for sale are not depreciated.

**Useful life**

Depreciation and amortisation are calculated on a straight-line basis. Property, plant and equipment and intangible assets depreciation and amortisation are calculated over the estimated useful life of the following classes of assets as follows:

<b>Class of asset</b>	<b>Useful life (years)</b>
Buildings	50
Vehicles	15
Communications equipment	10
Plant and equipment	10
Right-of-use assets	Lease term
Computer equipment	5
Intangibles	5

The amortisation period and the amortisation method for intangible assets is reviewed on an annual basis.

**Review of Accounting Estimates**

Assets' residual values, useful lives and amortisation methods are reviewed and adjusted if appropriate, on an annual basis.

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for prospectively by changing the time period or method, as appropriate.

**South Australian Metropolitan Fire Service**  
**Notes to and forming part of the financial statements**  
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**4.5. Other expenses**

	2020	2019
	\$'000	\$'000
CWIP write off	393	-
<b>Total other expenses</b>	<b>393</b>	<b>-</b>

**South Australian Metropolitan Fire Service**  
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**5. Non-financial assets**

**5.1. Property, plant and equipment**

Property, plant and equipment comprises owned and right-of-use (leased) tangible assets that do not meet the definition of investment property.

	2020 \$'000	2019 \$'000
<b>Land</b>		
Land at fair value	61 801	48 385
<b>Total land</b>	<u>61 801</u>	<u>48 385</u>
<b>Buildings</b>		
Buildings at fair value	68 050	68 030
Accumulated depreciation	(2 064)	(13 532)
<b>Total buildings</b>	<u>65 986</u>	<u>54 498</u>
<b>Right-of-use buildings</b>		
Right-of-use buildings at cost	1 061	-
Accumulated depreciation	(89)	-
<b>Total right-of-use buildings</b>	<u>972</u>	<u>-</u>
<b>Vehicles</b>		
Vehicles at fair value	46 415	49 714
Accumulated depreciation	(2 549)	(23 686)
<b>Total vehicles</b>	<u>43 866</u>	<u>26 028</u>
<b>Right-of-use vehicles</b>		
Right-of-use vehicles at cost	502	-
Accumulated depreciation	(207)	-
<b>Total right-of-use vehicles</b>	<u>295</u>	<u>-</u>
<b>Communications (Comms.) equipment</b>		
Communications equipment at fair value	1 996	2 793
Accumulated depreciation	(199)	(1 097)
<b>Total communication equipment</b>	<u>1 797</u>	<u>1 696</u>
<b>Computer equipment</b>		
Computer equipment at fair value	513	633
Computer equipment at cost (deemed fair value)	-	-
Accumulated depreciation	(44)	(466)
<b>Total computer equipment</b>	<u>469</u>	<u>167</u>
<b>Plant and equipment</b>		
Plant and equipment at valuation	3 417	3 638
Accumulated depreciation	(196)	(1 340)
<b>Total plant and equipment</b>	<u>3 221</u>	<u>2 298</u>
<b>Capital work in progress</b>		
Capital work in progress at cost (deemed fair value)	8 257	3 567
<b>Total capital work in progress</b>	<u>8 257</u>	<u>3 567</u>
<b>Total property, plant and equipment</b>	<u><u>186 664</u></u>	<u><u>136 639</u></u>

**South Australian Metropolitan Fire Service**  
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**5.2. Property, plant and equipment owned by MFS**

Property, plant and equipment owned by the MFS with a value equal to or in excess of \$10 000 is capitalised, otherwise it is expensed. Property, plant and equipment owned by the MFS is recorded at fair value. Detail about the MFS's approach to fair value is set out in note 11.2.

**Impairment**

Property, plant and equipment owned by the MFS have not been assessed for impairment as they are non-cash generating assets, that are specialised in nature and held for continual use of their service capacity and are subject to regular revaluation.

**Reconciliation 2019-20**

	Land	Buildings	Vehicles	Comms. Equipment	Computer Equipment	Plant & equipment	Work in progress	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Carrying amount at 1 July 2019	48 385	54 498	26 028	1 696	167	2 298	3 567	136 639
Acquisitions	-	-	-	-	-	-	6 890	6 890
Transfers from capital WIP	6	518	256	117	82	826	(1 807)	(2)
Depreciation	-	(2 902)	(3 824)	(294)	(84)	(308)	-	(7 412)
Disposals	-	-	-	-	-	-	(393)	(393)
Net revaluation increment/(decrement)	13 410	13 872	21 406	278	304	405	-	49 675
<b>Carrying amount at 30 June 2020</b>	<b>61 801</b>	<b>65 986</b>	<b>43 866</b>	<b>1 797</b>	<b>469</b>	<b>3 221</b>	<b>8 257</b>	<b>185 397</b>

**Reconciliation 2018-19**

	Land	Buildings	Vehicles	Comms. Equipment	Computer Equipment	Plant & equipment	Work in progress	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Carrying amount at 1 July 2018	48 385	56 558	28 848	1 936	293	2 238	2 977	141 235
Acquisitions	-	-	10	-	-	-	2 627	2 637
Transfers from capital WIP	-	433	1 187	48	-	385	(2 053)	-
Depreciation	-	(2 493)	(4 017)	(288)	(126)	(314)	-	(7 238)
Disposals	-	-	-	-	-	(11)	-	(11)
Other	-	-	-	-	-	-	16	16
<b>Carrying amount at 30 June 2019</b>	<b>48 385</b>	<b>54 498</b>	<b>26 028</b>	<b>1 696</b>	<b>167</b>	<b>2 298</b>	<b>3 567</b>	<b>136 639</b>

**South Australian Metropolitan Fire Service**  
**Notes to and forming part of the financial statements**  
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**5.3. Property, plant and equipment leased by MFS**

Property, plant and equipment leased by the MFS is recorded at cost. Additions to leased property, plant and equipment during 2019-20 were \$1.2 million.

Short-term leases of 12 months or less and low value leases where the underlying asset value is less than \$15,000 are not recognised as right-of-use assets. The associated lease payments are recognised as an expense and are disclosed in note 3.1.

The department has a limited number of leases:

- 52 motor vehicle leases with the South Australian Government Financing Authority (SAFA). Motor vehicle leases are non-cancellable, with rental payments monthly in arrears. Motor vehicle lease terms can range from 3 years (60,000km) up to 5 years (100,000km). No contingent rental provisions exist within the lease agreements and no options exist to renew the leases at the end of their term.
- the MFS has one commercial lease for a building used for the purpose of operating a regional fire station at Mount Barker.

The lease liabilities related to the right-of-use assets are disclosed in note 7.2. The department's maturity analysis of its lease liabilities is disclosed in note 11.3. Expenses related to leases, including depreciation and interest expenses, are disclosed in note 4. Cash outflows related to leases are disclosed in note 8.1.

**Impairment**

Property, plant and equipment leased by the department has been assessed for impairment. There was no indication of impairment. No impairment loss or reversal of impairment loss was recognised.

**South Australian Metropolitan Fire Service**  
**Notes to and forming part of the financial statements**  
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**5.4. Intangible assets**

	2020	2019
	\$'000	\$'000
<b>Software</b>		
Computer software	451	449
Accumulated amortisation	(324)	(248)
<b>Total software</b>	<u>127</u>	<u>201</u>
<b>Total intangible assets</b>	<u><u>127</u></u>	<u><u>201</u></u>

Intangible assets are initially measured at cost and are tested for indications of impairment at each reporting period. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

The acquisition of or internal development of software is capitalised only when the expenditure meets the definition and recognition criteria and when the amount of expenditure is greater than or equal to \$10 000.

<b>Reconciliation 2019-20</b>	<b>Computer Software</b>
	<b>\$'000</b>
Carrying amount at 1 July 2019	201
Transfers from capital WIP	2
Amortisation	(76)
<b>Carrying amount at 30 June 2020</b>	<u>127</u>

<b>Reconciliation 2018-19</b>	<b>Computer Software</b>
	<b>\$'000</b>
Carrying amount at 1 July 2018	276
Amortisation	(75)
<b>Carrying amount at 30 June 2019</b>	<u>201</u>

**South Australian Metropolitan Fire Service**  
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**6. Financial assets**

**6.1. Cash and cash equivalents**

	2020	2019
	\$'000	\$'000
Cash on hand	6	6
Deposits with the Treasurer	5 889	2 909
<b>Total cash and cash equivalents</b>	<b>5 895</b>	<b>2 915</b>

Cash is measured at nominal amounts.

**Deposits with the Treasurer**

One operating account is held with the Treasurer. This account is interest bearing.

**Interest rate risk**

Cash on hand is non-interest bearing. Deposits at call and with the Treasurer earn a floating interest rate based on daily bank deposit rates. The carrying amount of cash and cash equivalents represent fair value.

**6.2. Receivables**

	2020	2019
	\$'000	\$'000
<b>Current</b>		
Receivables	764	569
Less impairment loss on receivables	(2)	(8)
Prepayments	132	146
Accrued revenues	682	123
GST input tax recoverable	404	383
<b>Total current receivables</b>	<b>1 980</b>	<b>1 213</b>
<b>Total receivables</b>	<b>1 980</b>	<b>1 213</b>

Receivables arise in the normal course of selling goods and services to other government agencies and to the public. Receivables are normally settled within 30 days after the issue of an invoice or the goods/services have been provided under a contractual arrangement. Receivables, prepayments and accrued revenues are non-interest bearing. Receivables are held with the objective of collecting the contractual cash flows and they are measured at amortised cost.

Other than as recognised in the allowance for impairment loss, it is not anticipated that counterparties will fail to discharge their obligations. The carrying amount of receivables approximates net fair value due to being receivable on demand. There is no concentration of credit risk

Refer to note 11.3 for further information on risk management.

	2020	2019
	\$'000	\$'000
<b>Allowance for impairment loss on receivables</b>		
Carrying amount at the beginning of the period	8	8
Increase/(decrease) in the allowance	-	1
Amounts written off	(6)	(1)
<b>Carrying amount at the end of the period</b>	<b>2</b>	<b>8</b>

All of the above impairment losses are from receivables arising from contracts with customers.

Refer to note 10.2 for details regarding credit risk and the methodology for determining impairment.

**South Australian Metropolitan Fire Service**  
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**7. Liabilities**

Employee benefits are disclosed in note 3.4.

**7.1. Payables**

	2020	2019
	\$'000	\$'000
<b>Current</b>		
Creditors	399	1 142
Accrued expenses	2 534	2 859
Paid Parental Leave Scheme payable	9	-
Employment on-costs	4 253	3 765
<b>Total current payables</b>	<b>7 195</b>	<b>7 766</b>
<b>Non-current</b>		
Creditors	3	2
Employment on-costs	4 605	5 037
<b>Total non-current payables</b>	<b>4 608</b>	<b>5 039</b>
<b>Total payables</b>	<b>11 803</b>	<b>12 805</b>

Payables and accruals are raised for all amounts owing but unpaid. Sundry payables are normally settled within 30 days from the date the invoice is first received. All payables are non-interest bearing. The carrying amount of payables represents fair value due to their short-term nature.

The net amount of GST recoverable from the ATO is included as part of payables.

**Employment on-costs**

Employment on-costs include payroll tax, workers' compensation levies and superannuation contributions and are settled when the respective employee benefits that they relate to is discharged.

MFS makes contributions to several State Government and externally managed superannuation schemes. These contributions are treated as an expense when they occur. There is no liability for payments to beneficiaries as they have been assumed by the respective superannuation schemes. The only liability outstanding at reporting date relates to any contributions due but not yet paid to the superannuation schemes.

As a result of an actuarial assessment performed by the Department of Treasury and Finance (DTF) has resulted in the percentage of the proportion of long service leave taken as leave has changed from the 2019 rate 89% to 87.71% and the average factor for the calculation of employer superannuation cost on-cost is 13.5% (2019: 13.5%). These rates are used in the employment on-cost calculation.

The estimated impact on future periods is not expected to be materially different to the effect on the current period as shown above.

**Paid parental leave scheme**

Paid Parental Leave Scheme payable represents amounts which MFS has received from the Commonwealth Government to forward onto eligible employees via MFS standard payroll processes. That is, MFS is acting as a conduit through which the payment to eligible employees is made on behalf of the Family Assistance Office.

**South Australian Metropolitan Fire Service**  
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**7.2. Financial liabilities**

	2020	2019
	\$'000	\$'000
<b>Current</b>		
Lease liabilities	268	-
<b>Total current financial liabilities</b>	<u>268</u>	<u>-</u>
-		
<b>Non-Current</b>		
Lease liabilities	1 013	-
<b>Total non-current financial liabilities</b>	<u>1 013</u>	<u>-</u>
<b>Total financial liabilities</b>	<u><u>1 281</u></u>	<u><u>-</u></u>

All material cash outflows are reflected in the lease liabilities disclosed above.

**7.3. Provisions**

	2020	2019
	\$'000	\$'000
<b>Current</b>		
Provision for workers' compensation	4 917	10 586
Additional compensation	558	293
<b>Total current provisions</b>	<u>5 475</u>	<u>10 879</u>
<b>Non-current</b>		
Provision for workers' compensation	36 496	55 822
Additional compensation	13 590	12 504
<b>Total non-current provisions</b>	<u>50 086</u>	<u>68 326</u>
<b>Total provisions</b>	<u><u>55 561</u></u>	<u><u>79 205</u></u>

**Movement in Provisions**

	2020	2019
	\$'000	\$'000
<b>Workers' compensation:</b>		
Carrying amount at the beginning of the period	66 252	47 533
Additional provisions recognised	-	23 421
Reductions resulting from re-measurement	(18 764)	-
Reductions arising from payments	(6 074)	(4 702)
<b>Carrying amount at the end of the period</b>	<u>41 414</u>	<u>66 252</u>
<b>Additional compensation:</b>		
Carrying amount at the beginning of the period	12 953	12 187
Additional provisions recognised	1 631	1 244
Reductions arising from payments	(437)	(478)
<b>Carrying amount at the end of the period</b>	<u>14 147</u>	<u>12 953</u>

**South Australian Metropolitan Fire Service**  
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**7.3. Provisions (continued)**

**Workers' Compensation**

A provision has been reported to reflect unsettled workers compensation claims. The workers compensation provision is based on an actuarial assessment of the outstanding liability as at 30 June 2020 provided by a consulting actuary engaged through the Office of the Commissioner for the Public Sector. The provision is for the estimated cost of ongoing payments to workers as required under current legislation.

MFS is responsible for the payment of workers' compensation claims.

Presumptive workers compensation coverage for firefighters for a range of cancers came into effect in 2013. The workers compensation provision includes an actuarial assessment of firefighter cancer claims. However, the actuarial assessment is sensitive to changes in assumptions and there is a significant degree of uncertainty associated with estimating future claim and expense payments.

The provision increased significantly in 2019 based on observed increases in cancer claims and that those claims tended to receive the maximum benefit payable. Claims experience during 2020 has seen a large reduction in the average outstanding claim size and this has resulted in a significantly lower provision for 2020.

**Additional Compensation for Certain Work-Related Injuries or Illnesses (Additional Compensation provision)**

Additional compensation was introduced in 2018 and provides continuing benefits to workers who have suffered eligible work-related injuries and whose entitlements have ceased under the statutory workers compensation scheme.

The additional compensation provision is based on an actuarial assessment of the outstanding liability as at 30 June 2020 provided by a consulting actuary engaged through the Office of the Commissioner for the Public Sector. The provision is for the estimated cost of ongoing payments to workers as required under current arrangements.

MFS is responsible for the payment of additional compensation claims.

There is a degree of uncertainty associated with this estimate. In addition to the general uncertainties associated with estimating future claim and expense payments, the additional compensation provision is impacted by a short claim's history and the evolving nature of the interpretation of, and evidence required to meet, eligibility criteria.

**South Australian Metropolitan Fire Service**  
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**8. Other disclosures**

**8.1. Cash flow reconciliation**

Cash flows are included in the Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the ATO is classified as part of operating cash flows.

	2020	2019
	\$'000	\$'000
<b>Leases</b>		
Buildings	78	-
Vehicles	204	-
<b>Total cash outflows for leases</b>	<u>282</u>	<u>-</u>
<b>Reconciliation of net result to cash flows from operating activities</b>		
	2020	2019
	\$'000	\$'000
<b>Reconciliation of cash and cash equivalents at the end of the reporting period</b>		
Cash and cash equivalents disclosed in the Statement of Financial Position	5 895	2 915
Balance as per the Statement of Cash Flows	5 895	2 915
<b>Reconciliation of net cash provided by / (used in) operating activities to net result</b>		
Net cash provided by/(used in) operating activities	10 187	1 659
<b>Add / (less) non-cash items</b>		
Depreciation and amortisation	(7 819)	(7 313)
Adjustments on initial adoption of AASB 9	1	(83)
Net gain/(loss) from disposal of non-current assets	-	6
Other expenses	(393)	-
<b>Movement in assets and liabilities</b>		
Increase/(decrease)in receivables	767	(17)
(Increase)/decrease in payables	1 001	(549)
(Increase)/decrease in employee benefits	213	(6 244)
(Increase)/decrease in provisions	23 644	(19 485)
<b>Net result</b>	<u>27 601</u>	<u>(32 026)</u>

**South Australian Metropolitan Fire Service**  
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**9. Changes in accounting policy**

**9.1. AASB 16 Leases**

AASB 16 sets out a comprehensive model for lessee accounting that addresses recognition, measurement, presentation and disclosure of leases. Lessor accounting is largely unchanged. AASB 16 Leases replaces AASB 117 Leases and related interpretations.

The adoption of AASB 16 Leases from 1 July 2019 resulted adjustments to the amounts recognised from a lessee perspective in the financial statements:

- AASB 117 Leases only required the recognition of an asset and lease liability in relation to finance leases. AASB 16 Leases applies a comprehensive model to all leases. Applying AASB 16 will result in leases previously classified as operating leases having right-of-use assets and related lease liabilities being recognised in the Statement of Financial Position
- AASB 117 Leases resulted in operating lease payments being recognised as an expense under Supplies and Services. AASB 16 Leases largely replaces this with depreciation expenses that represents the use of the right-of-use asset and borrowing costs that represent the cost associated with financing the right-of-use asset.

**Impact on retained earnings**

The total impact on MFS's retained earnings as at 1 July 2019 is as follows:

	<u>\$'000</u>
<b>Closing retained earnings 30 June 2019 – AASB 117</b>	<b>(96 122)</b>
<b>Assets</b>	
Right-of-use assets	368
<b>Liabilities</b>	
Financial liabilities	<u>368</u>
<b>Opening retained earnings 1 July 2019 – AASB 16</b>	<b>(96 122)</b>

MFS disclosed in its 2018-19 financial report total undiscounted operating lease commitments of \$1.9 million under AASB 117.

MFS has no accommodation services provided by the Department of Planning, Transport and Infrastructure (DPTI) under Memoranda of Administrative Arrangement (MoAA) issued in accordance with Government-wide accommodation policies.

# South Australian Metropolitan Fire Service

## Notes to and forming part of the financial statements

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#### 9.1. AASB 16 Leases (continued)

##### Accounting policies on transition

AASB 16 sets out accounting policies on transition in its transitional provisions. The Treasurer's Instructions (Accounting Policy Statements) requires certain choices in those transitional provisions to be taken. The department has adopted the following accounting policies:

- to apply AASB 16 retrospectively. The cumulative effect of initially applying the Standard was recognised at 1 July 2019. Comparatives have not been restated.
- at 1 July 2019 AASB 16 was applied only to contracts that were previously identified as containing a lease under AASB 117 and related interpretations.
- the initial measurement of lease liability was the present value of the remaining lease payments discounted using the relevant incremental borrowing published by the Department of Treasury and Finance rate as at 1 July 2019 based on the SA Government's cost of borrowing. The average weighted incremental borrowing rate for this purpose was 1.5%.
- the initial measurement of right-of-use assets has been calculated as an amount equal to the lease liability on transition adjusted for prepaid or accrued lease payments and lease incentive liabilities.
- the initial measurement of lease liabilities and right-of-use assets excludes all leases that ended by 30 June 2020, except for vehicles leased from SAFA.

##### Ongoing accounting policies

The *Treasurer's Instructions (Accounting Policy Statements)* specify required accounting policies for public authorities in applying AASB 16. These requirements are reflected in the department's accounting policies as follows:

- AASB 16 is not applied to leases of intangible assets.
- right-of-use assets and lease liabilities are not recognised for leases of low value assets, being assets, which have a value of \$15 000 or less, nor short-term leases, being those with a lease term of 12 months or less.
- the department, in the capacity of a lessee, does not include non-lease components in lease amounts.
- right-of-use assets are not measured at fair value on initial recognition for leases that have significantly below-market terms and conditions principally to enable the public authority to further its objectives.
- right-of-use assets are subsequently measured applying a cost model.

Significant accounting policies relate to the application of AASB 16 are disclosed under relevant notes and are referenced at note 5.3.

#### 9.2. AASB 15 Revenue from Contracts with Customers

AASB 15 Revenue from Contracts with Customers establishes a revenue recognition model for revenue arising from contracts with customers. It requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. AASB 15 supersedes AASB 111 Construction contracts, AASB 118 Revenue and related Interpretations and applies to all revenue arising from contracts with customers.

##### Impact on retained earnings

On transition, there was no impact on retained earnings.

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**9.3. AASB 1058 Income of Not-for-Profit Entities**

AASB 1058 Income of Not-for-Profit Entities establishes new income recognition requirements for not-for-profit entities. Its requirements apply where the consideration to acquire an asset, including cash, is significantly less than fair value principally to the entity to further its objectives. AASB 1058 also contains requirements for the receipt of volunteer services. AASB 1058 supersedes income recognition requirements in AASB 1004 Contributions, AASB 118 Revenue and AASB 111 Construction Contracts. However, elements of AASB 1004 remain in place, primarily in relation to restructures of administrative arrangements and other contributions and distributions by owners.

**Accounting policies on transition**

On transition, there was no impact on retained earnings.

**9.4. Presentation of Financial Statements**

Treasurer's Instructions (Accounting Policy Statements) issued on 01 June 2020 removed the previous requirement for financial statements to be prepared using the net cost of services format. The net cost of services is the total cost of services less any revenue retained by public authorities involved in the provision of services but does not include items classified as revenues from and payments to the South Australian Government.

Presentation of the Statement of Comprehensive Income on an 'income and expense' basis allows information to be presented in such a way that eliminates potential confusion as to the source of funding for MFS. As well as changes to the format of the Statement of Comprehensive Income, there are presentational changes to remove the net cost of services format from the Statement of Cash Flows. These statements now show income before expenses, and cash receipts before cash payments. Related disclosures also reflect this changed format.

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**10. Outlook**

**10.1. Unrecognised contractual commitments**

Commitments include operating, capital and outsourcing arrangements arising from contractual or statutory sources and are disclosed at their nominal value.

**Capital commitments**

Capital expenditure contracted for at the reporting date but not recognised as liabilities in the financial report, are payable as follows:

	2020	2019
	\$'000	\$'000
Within one year	2 739	2 476
<b>Total capital commitments</b>	<b>2 739</b>	<b>2 476</b>

These capital commitments are for vehicles.

**Expenditure commitments**

Expenditure contracted for at the reporting date but not recognised as liabilities in the financial report, are payable as follows:

	2020	2019
	\$'000	\$'000
Within one year	3 743	1 619
Later than one year but not later than five years	3 534	600
<b>Total expenditure commitments</b>	<b>7 277</b>	<b>2 219</b>

MFS's expenditure commitments are for agreements for:

- Contractual commitments relate to information technology and fire appliance modifications.

**Operating lease commitments**

	2020	2019
	\$'000	\$'000
Within one year	-	522
Later than one year but not later than five years	-	637
Later than five years	-	700
<b>Total operating lease commitments</b>	<b>-</b>	<b>1 859</b>

Operating lease commitments is provided for the comparative year only as AASB 16 *Leases* does not distinguish between operating and finance leases for the lessee.

**10.2. Contingent assets and liabilities**

Contingent assets and contingent liabilities are not recognised in the Statement of Financial Position, but are disclosed by way of a note and, if quantifiable, are measured at nominal value.

MFS is not aware of any contingent assets or liabilities.

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**10.3. Impact of standards and statements not yet effective**

MFS has assessed the impact of new and changed Australian Accounting Standards Board Standards and Interpretations not yet effective.

**AASB 1059 Service Concession Arrangements: Grantors**

AASB 1059 prescribes the accounting for certain arrangements in which an operator provides public services on behalf of a public sector grantor involving a service concession arrangement. This standard applies to reporting periods beginning on or after 1 January 2020. MFS has assessed its arrangements where operators provide services and has concluded that none of these will be within the scope of AASB 1059.

**10.4. COVID-19 pandemic outlook for the MFS**

The COVID-19 pandemic will continue to impact the operations of MFS in 2020-21. The key expected impacts are:

- Further significant outbreaks of the COVID-19 pandemic in South Australia would see greater response measures with associated additional expenses.
- Additional employee expenses are likely to be incurred in addressing cancelled leave.
- Additional expenditure may be incurred due to supplier business restrictions.
- Expected credit losses may continue at elevated levels until economic conditions improve.

**10.5. Events after the reporting period**

There were no events after the reporting period affecting the financial statements.

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**11. Measurement and risk**

**11.1. Long service leave**

AASB 119 *Employee Benefits* contains the calculation methodology for long service leave liability.

The actuarial assessment performed by the Department of Treasury and Finance has provided a basis for the measurement of long service leave and is based on actuarial assumptions on expected future salary and wage levels, experience of employee departures and periods of service. These assumptions are based on employee data over the police and emergency services sector.

AASB 119 *Employee Benefits* requires the use of the yield on long-term Commonwealth Government bonds as the discount rate in the measurement of the long service leave liability. The yield on long-term Commonwealth Government bonds has decreased from 2019 (1.25%) to 2020 (1.00%).

This decrease in the bond yield, which is used as the rate to discount future long service leave cash flows, results in an increase in the reported long service leave liability.

The net financial effect of the changes to actuarial assumptions in the current financial year is a decrease in the long service leave liability of \$29,235,824.86 and employee benefits expense of \$32,565,893.31. The impact on future periods is impracticable to estimate as the long service leave liability is calculated using a number of demographical and financial assumptions – including the long-term discount rate.

The actuarial assessment performed by DTF left the salary inflation rate at 2.50% for long service leave liability. As a result, there is no net financial effect resulting from changes in the salary inflation rate.

**11.2. Fair value**

AASB 13 *Fair Value Measurement* defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants, in the principal or most advantageous market, at the measurement date.

**Initial Recognition**

Non-current tangible assets are initially recorded at cost or at the value of any liabilities assumed, plus any incidental cost involved with the acquisition.

Where assets are acquired at no value, or minimal value, they are recorded at fair value in the Statement of Financial Position.

**Revaluation**

Property, plant and equipment are subsequently measured at fair value after allowing for accumulated depreciation.

The revaluation process is reviewed by MFS each year.

Non-current tangible assets are valued at fair value and revaluation of non-current assets or a group of assets is only performed when the fair value at the time of acquisition is greater than \$1.5 Million and estimated useful life is greater than three years.

Revaluation is undertaken on a regular cycle as detailed below. If at any time management considers that the carrying amount of an asset materially differs from its fair value, then the asset will be revalued regardless of when the last valuation took place.

Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amounts of the assets and the net amounts are restated to the revalued amounts of the asset.

The valuation highlighted a possibility of the COVID-19 pandemic impacting the determined fair values. However there is no observable evidence that can reliably quantify the impact at the reporting date.

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**11.2. Fair value (continued)**

**Fair value hierarchy**

MFS classifies the value measurement using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements, based on the data and assumptions used in the most recent revaluation:

Level 1: traded in active markets and is based on unadjusted quoted prices in active markets for identical assets or liabilities that the entity can access at measurement date.

Level 2: not traded in active market and are derived from inputs (inputs other than quoted prices included within level 1) that are observable for the asset, either directly or indirectly.

Level 3: not traded in active market and are derived from unobservable inputs.

MFS's policy is to recognise transfers into and out of fair value hierarchy levels as at the end of the reporting period.

During 2020 and 2019, MFS had no valuations categorised into level 1; there were no transfers of assets between level 1 and 2 fair value hierarchy levels and there were no changes in valuation technique.

**Fair value classification - non-financial assets at 30 June 2020**

	Note	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>Recurring fair value measurements</b>				
Land	5.1	-	61 801	61 801
Buildings	5.1	-	65 986	65 986
Vehicles	5.1	-	43 866	43 866
Communication equipment	5.1	-	1 797	1 797
Computer equipment	5.1	-	469	469
Plant and equipment	5.1	-	3 221	3 221
<b>Total recurring fair value measurements</b>		-	<b>177 140</b>	<b>177 140</b>
<b>Total fair value measurements</b>		-	<b>177 140</b>	<b>177 140</b>

**Fair value classification - non-financial assets at 30 June 2019**

	Note	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>Recurring fair value measurements</b>				
Land	5.1	5 310	43 075	48 385
Buildings	5.1	3 042	51 456	54 498
Vehicles	5.1	-	26 028	26 028
Communication equipment	5.1	-	1 696	1 696
Computer equipment	5.1	-	167	167
Plant and equipment	5.1	-	2 298	2 298
<b>Total recurring fair value measurements</b>		<b>8 352</b>	<b>124 720</b>	<b>133 072</b>
<b>Total fair value measurements</b>		<b>8 352</b>	<b>124 720</b>	<b>133 072</b>

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**11.2. Fair value (continued)**

**Land and buildings**

An independent valuation of land and buildings was performed by a Certified Practising Valuer from Liquid Pacific Holdings Pty Ltd as at 1 November 2019. These have been recognised at their carrying amounts from 30 June 2019. The land and buildings values at revaluation were considered relevant for 30 June 2020.

Fair value of land has been determined using the market approach. The valuation was based on recent market transactions for similar land in the area and includes adjustment for factors specific to the land such as size and location. For land classified as restricted in use, an adjustment was applied to reflect the restriction.

The fair value of buildings was determined using current replacement cost, due to there not being an active market. The current replacement cost considered the need for ongoing provision of government services, specialised nature and restricted use of the assets, their size, condition and location.

**Plant and equipment**

All items of plant and equipment had a fair value at the time of acquisition less than \$1.5 million and had an estimated useful life that less than three years. Plant and equipment have not been revalued in accordance with APS 116.D. The carrying value of these items are deemed to approximate fair value.

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**11.2. Fair value (continued)**

**Reconciliation of level 3 recurring fair value measurement at 30 June 2020**

The following table is a reconciliation of fair value measurements using significant unobservable inputs (Level 3):

	Land	Buildings	Vehicles	Comms. equipment	Computer equipment	Plant & equipment	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Opening balance at the beginning of the period	43 075	51 456	26 028	1 696	167	2 298	124 720
Capitalised asset transfers	6	518	256	117	82	826	1 805
Gains/(losses) for the period recognised in net result:							
Depreciation	-	(2 902)	(3 824)	(294)	(84)	(308)	(7 412)
Transfer into Level 3	5 310	3 042	-	-	-	-	8 352
Total gains/(losses) recognised in net result	5 310	140	(3 824)	(294)	(84)	(308)	940
Gains/(losses) for the period recognised in net other comprehensive income (OCI):							
Revaluation increments/(decrements)	13 410	13 872	21 406	278	304	405	49 675
Total gains/(losses) recognised in OCI	13 410	13 872	21 406	278	304	405	49 675
<b>Carrying amount at the end of the period</b>	<b>61 801</b>	<b>65 986</b>	<b>43 866</b>	<b>1 797</b>	<b>469</b>	<b>3 221</b>	<b>177 140</b>

**Reconciliation of level 3 recurring fair value measurement at 30 June 2019**

	Land	Buildings	Vehicles	Comms. equipment	Computer equipment	Plant & equipment	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Opening balance at the beginning of the period	43 075	53 671	28 848	1 936	293	2 238	130 061
Acquisitions	-	-	10	-	-	-	10
Capitalised asset transfers	-	196	1 187	48	-	385	1 816
Disposals	-	-	-	-	-	(11)	(11)
Gains/(losses) for the period recognised in net result:							
Depreciation	-	(2 411)	(4 017)	(288)	(126)	(314)	(7 156)
Total gains/(losses) recognised in net result	-	(2 411)	(4 017)	(288)	(126)	(314)	(7 156)
<b>Carrying amount at the end of the period</b>	<b>43 075</b>	<b>51 456</b>	<b>26 028</b>	<b>1 696</b>	<b>167</b>	<b>2 298</b>	<b>124 720</b>

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**11.3. Financial instruments**

**Financial risk management**

Risk management is managed by MFS corporate services section and risk management policies are in accordance with the *Risk Management Policy Statement* issued by the Premier and Treasurer and the principles established in the *Australian Standard Risk Management Principles and Guidelines*.

The exposure of MFS financial risk (liquidity risk, credit risk and market risk) is low due to the nature of the financial instruments held. There have been no changes in risk exposure since the last reporting period.

**Liquidity risk**

MFS is funded principally from the Community Emergency Services Fund ('the Fund'). MFS works with the Fund to determine the cash flows associated with its Government approved program of work to meet the expected cash flows.

Refer to note 7.1 and 7.2 for further information.

**Credit risk**

MFS has policies and procedures in place to ensure that transactions occur with customers with appropriate credit history.

No collateral is held as security and no credit enhancements related to financial assets held by MFS.

**Impairment of financial assets**

Loss allowances for receivables are measured at an amount equal to lifetime expected credit loss using the simplified approach in AASB 9. MFS uses an allowance matrix to measure the expected credit loss of receivables from non-government debtors which comprise a large number of small balances.

To measure the expected credit losses, receivables are grouped based on shared risks characteristics and the days past due. When estimating expected credit loss, MFS considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on MFS' historical experience and informed credit assessment, including forward-looking information.

The maximum period considered when estimating expected credit losses is the maximum contractual period over which MFS is exposed to credit risk.

The expected credit loss of government debtors is considered to be nil based on the external credit ratings and nature of the counterparties

Loss rates are calculated based on the probability of a receivable progressing through stages to write off based on the common risk characteristics of the transaction and debtor.

The following table provides information about the exposure to credit risk and ECL for non-government debtors

	Debtor gross carrying amount \$'000	Loss %	Lifetime expected losses \$'000
<b>2020</b>			
Current (not past due)	607	0%	-
1 - 30 days past due	275	0%	1
31 - 60 days past due	66	1%	-
61 - 90 days past due	-	1%	-
More than 90 days past due	25	1%	-
<b>Loss allowance</b>	<b>973</b>	<b>3%</b>	<b>1</b>

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**11.3. Financial instruments (continued)**

**Impairment of financial assets (continued)**

Loss rates are based on actual history of credit loss, these rates have been adjusted to reflect differences between previous economic conditions, current conditions and MFS's view of the forecast economic conditions over the expected life of the receivables.

Impairment losses are presented as net impairment losses within net result, subsequent recoveries of amounts previously written off are credited against the same line item.

Receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include the failure of a debtor to enter into a payment plan with MFS and a failure to make contractual payments for a period of greater than 180 days past due.

MFS considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties and therefore the expected credit loss is nil.

All of MFS's debt investments at amortised cost are considered to have low credit risk and the consideration of expected credit loss was limited to 12 months expected losses. The expected credit loss is nil.

The allowance was recognised when there was objective evidence that a receivable was impaired. The allowance for impairment was recognised in other expenses for specific debtors and debtors assessed on a collective basis for which such evidence existed.

**Market risk**

MFS does not trade in foreign currency, nor enter into transactions for speculative purposes, nor for hedging. The agency does not undertake any hedging in relation to interest or foreign currency risk and manages its risk as per the government's risk management strategy articulated in *TI 23 Management of Foreign Currency Exposures*.

Exposure to interest rate risk may arise through its interest-bearing liabilities, including borrowings. MFS' interest bearing liabilities are managed through the South Australian Government Financing Authority (SAFA) and any movement in interest rates are monitored on a daily basis. There is no exposure to foreign currency or other price risks.

**Categorisation of financial instruments**

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

**11.3. Financial Instruments (continued)**

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**Classification of financial instruments**

MFS measures all financial instruments at amortised cost.

Category of financial asset and financial liability	Note	Carrying amount / fair value \$'000	2020 Contractual maturities		
			Within 1 year \$'000	1-5 years \$'000	More than 5 years \$'000
<b>Financial assets</b>					
<b>Cash and equivalent</b>					
Cash and cash equivalent	6.1	5 895	5 895	-	-
<b>Financial assets at amortised cost</b>					
Receivables	6.2	1 442	1 442	-	-
<b>Total financial assets</b>		<b>7 337</b>	<b>7 337</b>	<b>-</b>	<b>-</b>
<b>Financial liabilities</b>					
<b>Financial liabilities at amortised cost</b>					
Payables	7.1	2 936	2 933	-	3
Financial liabilities	7.2	1 281	268	1 013	-
<b>Total financial liabilities</b>		<b>4 217</b>	<b>3 201</b>	<b>1 013</b>	<b>3</b>

Category of financial asset and financial liability	Note	Carrying amount / fair value \$'000	2019 Contractual maturities		
			Within 1 year \$'000	1-5 years \$'000	More than 5 years \$'000
<b>Financial assets</b>					
<b>Cash and equivalent</b>					
Cash and cash equivalents	6.1	2 915	2 915	-	-
<b>Loans and receivables</b>					
Receivables	6.2	596	596	-	-
<b>Total financial assets</b>		<b>3 511</b>	<b>3 511</b>	<b>-</b>	<b>-</b>
<b>Financial liabilities</b>					
Payables	7.1	3 093	3 091	-	2
<b>Total financial liabilities</b>		<b>3 093</b>	<b>3 091</b>	<b>-</b>	<b>2</b>

For 2018-19 the lease liabilities reflect only finance leases recognised in accordance with AASB 117.

**Receivables and payables**

The receivable and payable amounts disclosed here exclude amounts relating to statutory receivables and payables (e.g. Commonwealth, State and Local Government taxes, fees and charges; Auditor-General's Department audit fees). In government, certain rights to receive or pay cash may not be contractual and therefore, in these situations, the requirements will not apply. Where rights or obligations have their source in legislation such as levies, tax and equivalents, they would be excluded from the disclosure. The standard defines contract as enforceable by law. All amounts recorded are carried at amortised cost.

The receivables amount disclosed here excludes prepayments as they are not financial assets. Prepayments are presented in note 6.2