MFB
Protecting Our Community

Metropolitan Fire and Emergency Services Board

ANNUAL REPORT
2012–13

Letter to the Minister

The Honourable Kim Wells MP

Minister for Police and Emergency Services
Level 16, 121 Exhibition Street
Melbourne VIC 3000

Dear Minister,

I am pleased to submit the Metropolitan Fire and Emergency Services Board 2012–13 Annual Report in accordance with the *Financial Management Act 1994.*

Yours sincerely,

Neil Comrie AO, APM
President

Date: 3 September 2013

Contents

WELCOME TO OUR ANNUAL REPORT

Our Annual Report reflects the current reforms occurring in the emergency service sector. MFB supports these reforms and the organisation's vision and goals are now aligned with those of the sector, as set by the Fire Services Commissioner and the strategies outlined in the Government's Green Paper and White Paper.

Our vision

A safer and more resilient community.

Our mission

Protection of life, property and the environment.

Our goals

> **Engage our people.**

> **Build a safer community.**

> **Achieve organisational excellence.**

2012–13 highlights

Working with our community

- responded to 36,059 calls for assistance
- delivered the school Fire Ed program to over 38,000 prep children
- developed and launched the InFlame community safety program
- developed and launched the Hoarding Notification System
- the Home Fire Safety Campaign
- designated incident controller for sector emergency management exercises Hades, Rumpole, Mazu, and Styx

Working with our people

- recruited an additional 100 firefighters over 30 months consistent with the recommendations of the Victorian Bushfires Royal Commission
- awarded the Best Solution to a Workplace Health and Safety Issue at the 2012 WorkSafe Awards
- improved our rostering arrangements to enhance transparency and flexibility
- improved HR systems and processes for workforce planning and reporting

Working with our partners

- aligned our vision and goals to the Fire Services Reform Action Plan and improved interoperability with other agencies
- implemented the One Source One Message (OSOM) warning and advice tool
- commenced construction of the Craigieburn training facility
- Fireboat 1 started operations in the Port of Melbourne to enhance marine firefighting capacity

Delivering value for money

- introduced a Project Management Framework and Asset Management Strategy to enhance project delivery and capital investment
- supported the introduction of a new property-based levy to fund MFB and CFA, in line with recommendations of the Victorian Bushfires Royal Commission
- strengthened MFB's corporate governance framework
- continued the GreenFire Energy Challenge Program
- strengthened workforce planning

PRESIDENT'S FOREWORD

Neil Comrie AO, APM
President

> **By working in partnership with our sector colleagues and the community, we will continue to deliver critical, world class emergency services.**

DURING THE YEAR, MFB ACTIVELY CONTRIBUTED TO SECTOR-WIDE REFORM WHILE CONTINUING TO DELIVER WORLD CLASS EMERGENCY RESPONSE SERVICES TO THE COMMUNITY.

The emergency management sector is undergoing a major transition to more integrated service delivery to the broader community, underpinned by the Victorian Emergency Management Reform White Paper released during the year. The White Paper outlines proposed sector reforms for the next 10 years and expands on work done under the Fire Services Reform Action Plan and recommendations made by the Victorian Bushfires Royal Commission, including the new property-based levy for fire services.

This transition will require not only systemic change but also cultural reform. It will also expand MFB's role in working with the other emergency service organisations, the community, business and government to reduce risk and mitigate damage through improved interoperability and integration across the sector. Therefore, all MFB employees will need to continue to be proactive in taking a sectoral rather than an organisational view in all matters.

In particular, as recommended in the White Paper, a new overarching emergency management body, Emergency Management Victoria (EMV), will be created. EMV will be established to oversee response and management for natural disasters and emergencies from preparation through to community recovery.

MFB will continue to support a broad range of strategies to provide a more flexible and capable emergency management sector with greater interoperability and improved capacity and capability to manage major emergency events.

At the core of these outcomes is a focus on interoperability, the building of resilience and a shared responsibility between community, business and government. In this context, MFB defines resilience as the ability to prepare and plan for, absorb, recover from and more successfully adapt to adverse events.

To achieve MFB's vision to build a safer and more resilient community, it must work collaboratively with other agencies and stakeholders on consistent, long-term awareness campaigns built around clearly defined and well-resourced strategies.

The sector's reform agenda, a tight fiscal environment, and ongoing socio-demographic change mean that MFB will need to be agile and resourceful in the way it delivers products and services to the community.

MFB's mission is to protect life, property and the environment. Sector reforms provide new challenges and new ways of working to achieve this aim. The community can be confident that MFB will seize this opportunity to deliver more integrated, efficient and effective services to make Victoria a safer place.

MFB has an obligation to provide safety outcomes not only for Victorians but also for MFB staff. The Board has strengthened its commitment to workplace health and safety, including adding safety as one of MFB's core values.

I would like to thank my Board colleagues, Chief Executive Officer Nick Easy and his team and all our employees for their dedicated contributions during this period of change and transition. By working in partnership with our sector colleagues and the community, we will continue to deliver critical, world class emergency services across Melbourne and in support of the state.

Neil Comrie AO, APM
President

CHIEF EXECUTIVE OFFICER'S REPORT

Nick Easy
Chief Executive Officer

> **MFB continues to work with Victorian emergency service providers to increase interoperability between agencies.**

THIS YEAR MFB CONTINUED TO DELIVER HIGH QUALITY EMERGENCY SERVICES TO THE COMMUNITY. THE ORGANISATION AND THE COMMUNITY CAN RIGHTLY BE PROUD OF OUR OPERATIONAL PERFORMANCE.

MFB is a specialised urban fire and emergency service organisation that provides firefighting, rescue, hazmat, and medical emergency services to protect life, property and the environment in the metropolitan district. Our core strength is a service delivery model that ensures we share responsibility with Melbourne's communities to minimise the likelihood and consequences of emergencies.

However, the pace of change in our environment, both internal and external, is increasing significantly, presenting MFB with both challenges and opportunities. These changes will impact on our communities and will challenge the traditional way we have delivered programs, products and services. To be relevant and valuable to Victoria's communities, MFB will need to provide leadership to, with and across the sector to establish accountability for emergency management outcomes.

During the year, MFB continued to play a greater role with our emergency service partners and delivered more services in regional Victoria and interstate when required. MFB has expanded its work with the State Control Centre, incident control centres and regional control centres, providing assistance for emergencies outside the metropolitan Melbourne area.

MFB continues to work with Victorian emergency service providers to increase interoperability between agencies and to provide support during major events. In the past year MFB proactively partnered with other emergency service providers on a number of discrete projects including the development of a common project management and governance framework for the Fire Service Reform Action Plan.

MFB jointly purchased with CFA thermal imaging cameras and deployed them across our fleet. MFB also worked with its partners to lead a joint sector response to the government's urban planning discussion paper, *Melbourne: let's talk about the future*.

In March 2013 the Victorian Auditor General's Office released its report on unplanned leave in three of Victoria's emergency service organisations. The report identified high levels of absenteeism and increased overtime costs associated with unplanned leave and made a series of recommendations. MFB has accepted these recommendations and will work towards improvement of our performance.

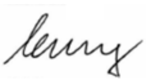
While continuing to improve capacity and capability, MFB maintains a particular focus on the health and safety of its employees and ensuring they are able to support each other in the field.

MFB began construction of the state-of-the-art emergency services training facility at Craigieburn in late 2012. The facility is on track to finish on time and to be commissioned in 2014. When completed, it will be MFB's primary training facility and part of a network of emergency service training facilities across the state.

During the year, MFB also increased its capacity to deliver services within the metropolitan district through the purchase of a fireboat. The new Fireboat 1 was put into service and operates from the Port of Melbourne. MFB also commissioned the construction of a further purpose built fireboat that will be put into service in 2014.

During 2012–13, MFB has been working with industrial bodies on corporate, technical and operational employment agreements. These agreements are critical as they set out the conditions under which our employees work. The new agreements must allow the organisation to unlock the capability and capacity of the organisation to better serve and protect Victorians.

I would like to thank the Board for its leadership and all staff for their hard work during the year as MFB strives to deliver even better emergency services for the Victorian community.



Nick Easy
Chief Executive Officer

ABOUT US

What MFB does

MFB'S 2,190 EMPLOYEES PROVIDE SERVICES TO ALMOST FOUR MILLION MELBOURNE RESIDENTS, WORKERS AND VISITORS, AND SAFEGUARD ASSETS AND INFRASTRUCTURE WORTH BILLIONS OF DOLLARS. OUR SERVICES COVER THE METROPOLITAN DISTRICT, AN AREA OF OVER 1,000 SQUARE KILOMETRES.

MFB delivers fire and emergency management services; drives systemic change to the built environment through reforms to building design, regulations and legislation; invests in research and develops prevention programs that improve community safety and build resilience. MFB also provides specialist operational support across Australia and the Asia Pacific region as required.

Our values

MFB aims for continuing, measurable improvement in its workplace culture. To do this MFB:

> works in a highly **professional** manner

> strives for a workplace culture of **safety**, identifying and remedying the causes of workplace injuries

> is **responsive** to the needs of its people and community

> demonstrates **initiative**, innovation and agility as MFB continuously improves its service.

MFB also upholds the Victorian Public Sector Values:

> responsiveness

> respect

> integrity

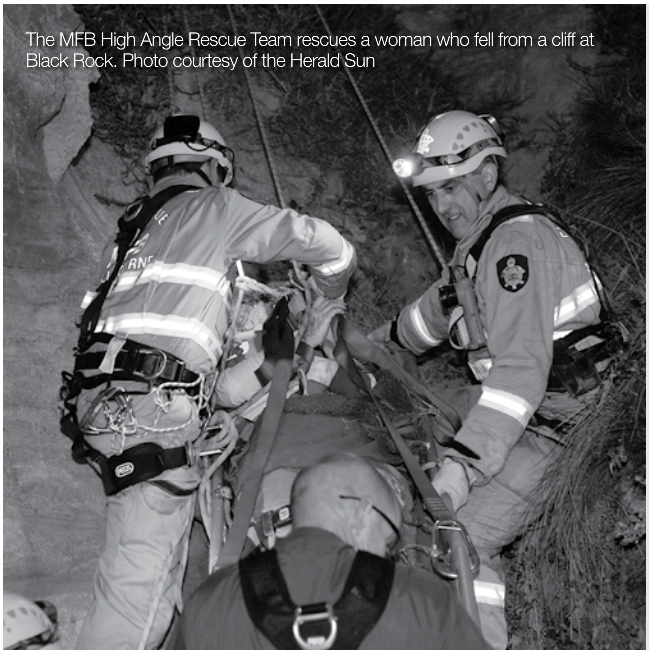
> leadership

> impartiality

> human rights

> accountability.

The MFB High Angle Rescue Team rescues a woman who fell from a cliff at Black Rock. Photo courtesy of the Herald Sun



MFB's 2,190 employees provide services to almost four million Melbourne residents, workers and visitors, and safeguard assets and infrastructure worth billions of dollars.

Our operations

MFB'S OPERATIONS COVER PREVENTION, PREPAREDNESS, RESPONSE AND RECOVERY.

Prevention

MFB aims to eliminate or reduce the incidence or severity of emergencies. MFB works with the community, partner emergency management agencies, government agencies, peak bodies, and the private sector to create the knowledge, behaviours, and regulatory frameworks that will protect life and minimise injury and damage to assets.

Preparedness

MFB works to ensure that individuals, communities and services are able to prevent and personally respond effectively to emergencies. This includes: putting response plans and arrangements in place, conducting assessments of risks (likelihood and severity), planning for the continued availability of essential services and identifying ways to mitigate the potential impacts of an emergency.

Response

When MFB is dispatched to incidents it works to minimise their impact and provide affected individuals and communities with immediate relief and support. MFB responds to around 36,000 calls a year about fires, hazardous incidents, automatic alarm response, road accident rescue, emergency medical response, urban search and rescue and marine response. See Figures 1 and 2.

Recovery

MFB supports emergency-affected individuals and communities and aims to restore emotional, social, economic and physical wellbeing. MFB works with its partners to ensure that the community and key resources are protected and maintained following an incident.

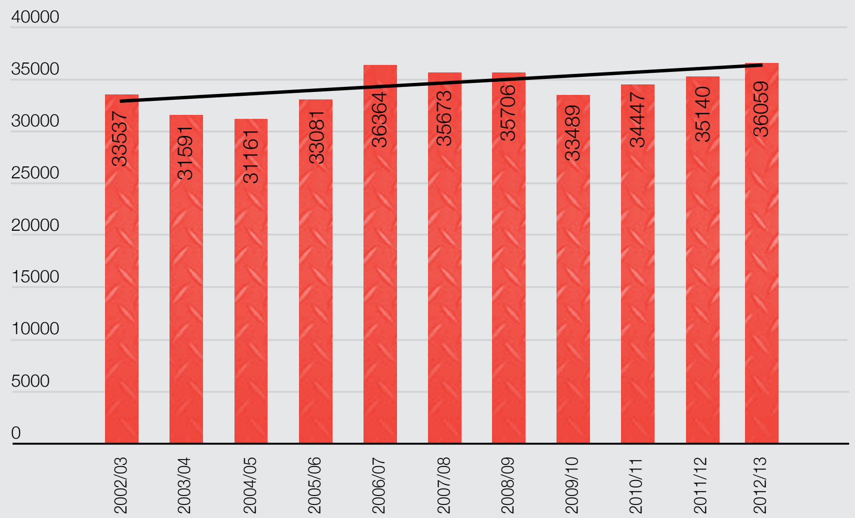


Figure 1: Number of MFB calls attended

2002–03 to 2012–13

- Number of calls
- Trend line

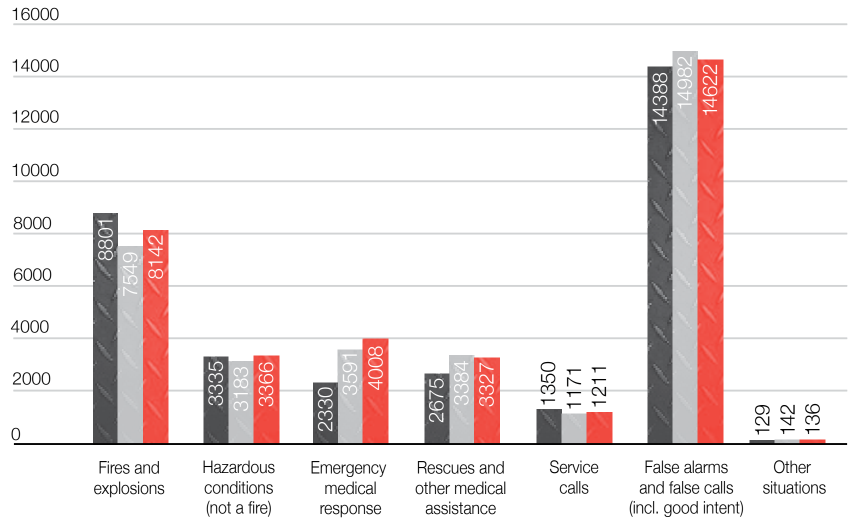


Figure 2: Breakdown of calls attended by incident type metropolitan district

2002–03 to 2012–13

- Average 2002–03 to 2011–12
- 2011–12
- 2012–13

AIRS data was affected by industrial bans during the periods: Sep 05, Jan–Mar 06, Oct 02 (this does not affect the total number of incidents reported but disaggregation is not possible).

Where MFB works

THE MAJORITY OF MFB SERVICES OCCUR IN THE METROPOLITAN DISTRICT (SEE FIGURE 3) – A TWO-REGION, FIVE-DISTRICT AREA, OPERATING 47 STATIONS ACROSS 26 LOCAL GOVERNMENT AREAS (LGA). FIGURE 4 SHOWS THE NUMBER OF CALLS MFB RESPONDS TO BY LGA AND MFB REGION.

MFB's structural arrangements are aligned to state government regional boundaries. This enables MFB to work cohesively with local, municipal, regional and state partners on planning, command, control and coordination of incidents under the state emergency management arrangements. It is also the platform for integrated emergency management planning at the local, municipal, regional and state level.

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

Figure 3: The metropolitan district

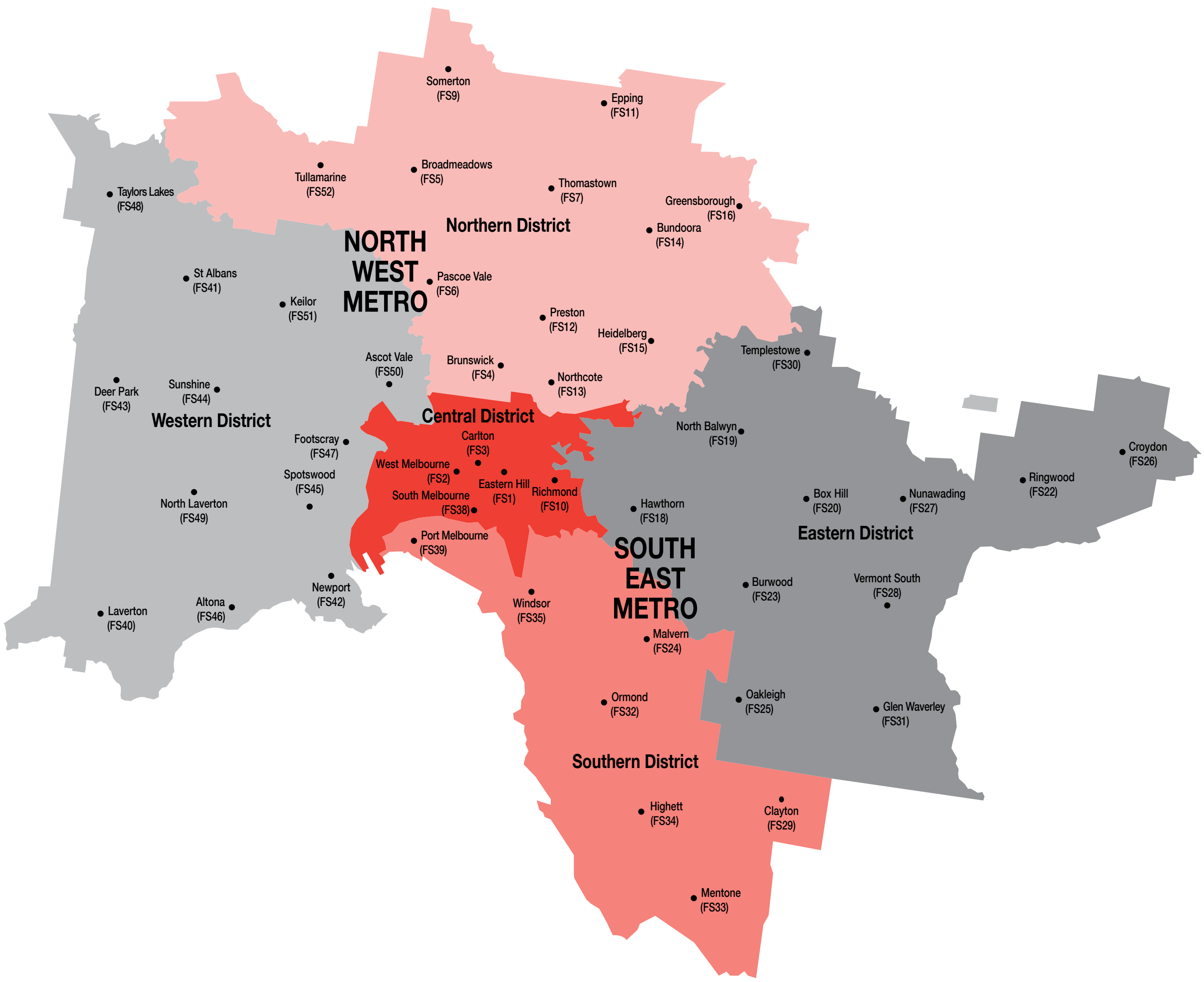
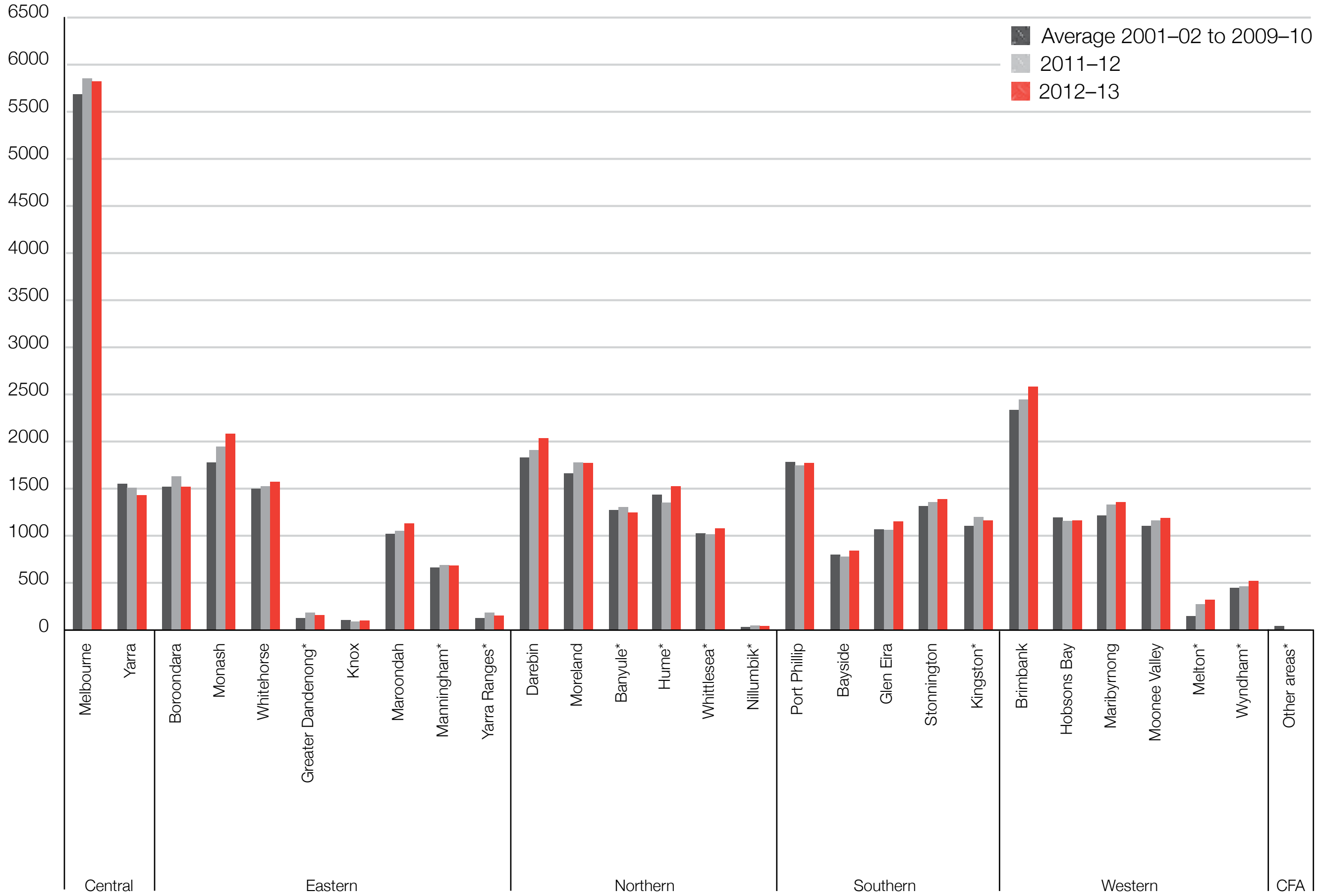


Figure 4: Number of calls by LGA (MFB and CFA areas)

2002–03 to 2012–13



Note: This chart shows all calls attended by MFB. LGAs jointly serviced by MFB and CFA are denoted by a star (*). The distribution of calls by LGA reported in this year's report will differ from previous years' publications due to data improvements. Data improvements have also been applied to the historic trends.

THE BOARD

President

Neil Comrie AO, APM

Neil was appointed President on 30 June 2010. A career police officer, Neil joined Victoria Police in 1967. He served in uniformed and specialist roles and in 1990 was appointed Assistant Commissioner, Queensland Police Service. In 1993 Neil was appointed the eighteenth Chief Commissioner of Victoria Police. He retired from this position in 2001.

Neil is currently the Independent Monitor for the implementation of the recommendations of the Victorian Bushfires Royal Commission. He was also Chair, Review of the 2010–2011 Flood Warning and Response – Victoria Floods Review.

Neil has undertaken various sensitive and major inquiries and projects on behalf of the Commonwealth and Victorian Governments and internationally and brings to MFB significant emergency management experience.

Deputy President

Ken King

Ken was appointed to the Board in July 2008 and as Deputy President on 1 July 2011. Ken served as a member of the CFA Board from 2003 to 2012. He recently retired from a long and very successful career in the Department of Sustainability and Environment (now Department of Environment and Primary Industries) and its predecessor departments.

Ken has held senior positions in land management, forestry and bushfire management, including as the DSE's Regional Manager for the northwest of Victoria, South Gippsland and Port Phillip, which covers metropolitan Melbourne. Ken serves on the boards of the Natural Resources Conservation League, the Bjarne K Dahl Trust and the Habitat Melbourne Trust.

Ken brings to the Board extensive experience gained from working in government and with statutory authorities.

Board member

Jay Bonnington

Jay was appointed to the Board in July 2006. Jay started her career as a chartered accountant, working overseas and then with the Transfield Group in Australia. Jay was then appointed as CFO/Finance Director of Yallourn Energy Ltd and NEMMCO, before moving into financial services and becoming CEO of a not for profit.

Jay now serves as a professional non-executive company director on a number of boards, including St. John of God Healthcare Group, HESTA Superannuation, Utilities Trust of Australia and Port of Melbourne Corporation. She also serves on several community boards, including Deakin University Council, the Lord Mayor's Charitable Foundation and the Audit Committee of the Salvation Army's Southern Territory.

Board member

John Lord AM

John was appointed to the Board on 23 July 2011. John had a high profile career in the Australian Navy, the Commonwealth and state public sectors and private enterprise.

In recent years he has provided strategic planning and corporate governance advice to the commercial sector, specialising in international relations, government business and the maritime industries.

He served with the Royal Australian Navy for over 36 years and retired with the rank of Rear Admiral. He is a former Chief Executive and Director of the Marine Board of Victoria, where he initiated several state and national maritime programs. He was also a member of the Australian Maritime Group and the National Plan Committee for maritime emergency responses around Australia.

John is presently Chairman of DMS Maritime Services Pty Ltd and Huawei Technologies Australia. He is a member of the Victorian Government's Defence Council and the Minister for Corrections' Ministerial Community Advisory Committee.

Board member

Alfred Long

Alf was appointed to the Board on 14 September 2010. Throughout an impressive 44-year career with the Commonwealth Bank of Australia, Alf worked in four states. Following a cadetship in his early years he worked in branch management then undertook positions in the corporate banking arena where he was later appointed General Manager.

He was appointed State Manager, Queensland and four years later returned to Victoria as General Manager to implement the merger of CBA and The State Bank of Victoria. In 1997 he became head of the Customer Service Division, managing the CBA's extensive distribution network and its 28,000 employees across Australia.

Alf retired from the CBA in July 2000. His capacity to draw people together and to resolve complex organisational issues complements the skills on the MFB Board.

Board member

David Purchase OAM

David was appointed to the Board on 23 July 2011. After graduating with a law degree from Melbourne University in 1972, he spent 15 years at the Victorian Employers Federation and was appointed Deputy Executive Director.

In 1986 David was appointed Executive Director of the Life Insurance Federation of Australia, the representative body for life insurance companies. In 1994 he joined Norwich Union Financial Services Limited as Group Company Secretary and in 1995 became General Manager of Lifescreen Australia Pty Ltd (a subsidiary company of the Norwich Group). David joined the Victorian Automobile Chamber of Commerce as Executive Director in 1997.

David also sits on the boards of MotorTradeCard Pty Ltd, Motor Industry Holdings Limited, Motor Industry House Pty Limited and is a Panel Member of the Winston Churchill Memorial Trust Committee.

EXECUTIVE LEADERSHIP TEAM

MFB COMPRISES SEVEN DIRECTORATES AND AN OFFICE SUPPORTING THE CEO. THE EXECUTIVE DIRECTOR EMERGENCY MANAGEMENT IS ALSO CHIEF OFFICER.

Nick Easy
Chief Executive Officer

Nick commenced as CEO on 6 June 2011. He previously worked at Port of Melbourne Corporation for over 10 years, mainly in senior executive management positions. Prior to this he was employed in the local government sector for 10 years.

Shane Wright AFSM
Executive Director Emergency Management and Chief Officer

Emergency Management develops policies, standards and procedures to achieve service delivery, including occupational health and safety. It also reviews, improves, develops, and delivers programs and services across MFB activities to ensure statutory compliance.

Danielle Byrnes
Executive Director People and Culture

People and Culture leads strategy development and implementation to ensure MFB has a highly skilled, engaged and adaptable workforce. It supports the organisation in building a high-performance, accountable MFB culture.

Russell Eddington
Executive Director Corporate Services and Chief Finance Officer

Corporate Services provide advice and support in finance, asset and risk management, procurement, information and communications technology, enabling MFB to deliver key organisational objectives.

James Holyman
Executive Director Strategy and Innovation

Strategy and Innovation undertakes research and analysis of sector change and ensures contemporary business planning, project management and reporting processes that align with government requirements. This directorate also manages stakeholder and corporate relations, and ensures MFB environmental sustainability commitments are maintained.

Peter Rau
Executive Director Organisational Learning and Development

Organisational Learning and Development delivers operational training across MFB from recruit-level through to specialist operations. It is also delivering the Future of Organisational Learning and Development training facility in Craigieburn.

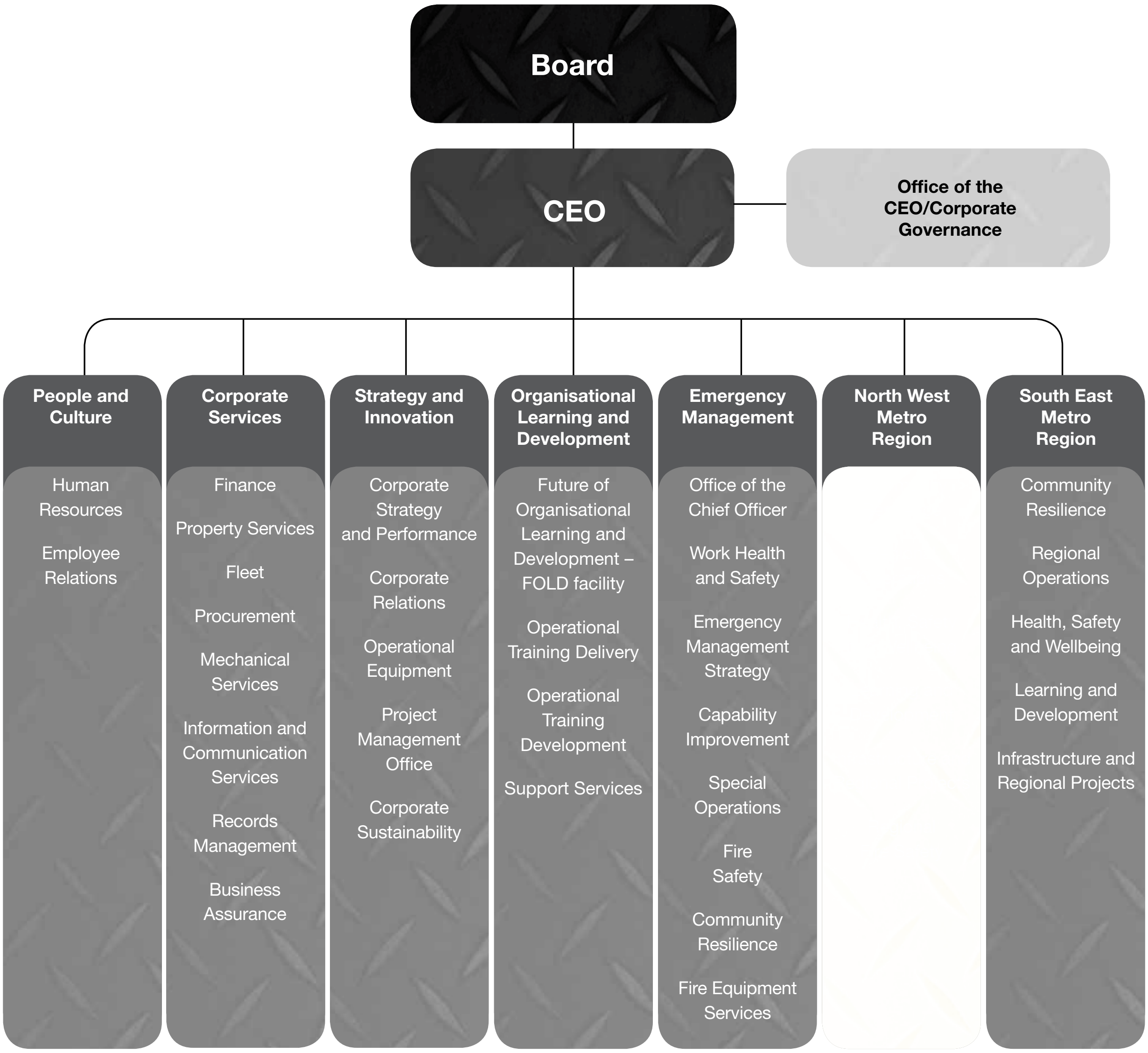
Paul Stacchino
Regional Director North West Metro Region

David Youssef
Regional Director South East Metro Region

North West and South East Metro Region work in partnership with Emergency Management to provide core MFB functions to the community. They also work closely with councils, regional emergency management forums, community groups and the private sector to assess and manage risk, plan for potential events and build community resilience.

MFB continues to forge greater interoperability with CFA, DSE and SES as the sector moves towards greater integration.

ORGANISATIONAL STRUCTURE



OUR PERFORMANCE

MFB CONTRIBUTES TO THE TARGETS SET IN THE VICTORIAN GOVERNMENT'S BUDGET PAPERS IN THE EMERGENCY MANAGEMENT CAPABILITY OUTPUT. THIS FORMS PART OF THE DEPARTMENT OF JUSTICE'S CONTRIBUTION TO THE FIRE AND EMERGENCY SERVICES OUTPUT GROUP.

Table 1 shows MFB's performance against measures reported in Budget Paper No.3. It should be noted that the counting rules for state wide measures differ from those used to report internally by MFB.

Table 1: KPIs for Victorian Government Budget Papers

Major outputs and deliverables *Performance measures*	**Unit of measure**	**2012–13 State wide Target**	**2012–13 MFB Target**	**2012–13 MFB Actual**
Quantity				
Permanent operational staff	number	2683	1820	1866
Permanent support staff	number	1634	356	324
Quality				
Road crash rescue accredited brigades/units	number	131	5	5
Level 3 Incident Controller trained staff and volunteers	number	129	76	81
Structural fires contained to room or object of origin (excluding fires in buildings confined to non-combustible containers) – Budget Paper 3	per cent	80	90	87
All structural fires contained to room or object of origin	per cent	–	90	90
Timeliness				
Emergency response times meeting benchmarks (all structural fires) – Budget Paper 3	per cent	90	90	91
Emergency response times meeting benchmarks (road accident rescues) – Budget Paper 3	per cent	90	90	86
Emergency response times meeting benchmarks (emergency medical response) – Budget Paper 3	per cent	90	90	95

The incident management team during exercise Rumpole at Maribyrnong Wharf.

MFB sets additional performance measures to those outlined in Budget Paper 3 which are outlined in our *Strategic and Business Plan 2012–13* (see Table 2). The measures are set to provide MFB metrics for areas of emergency response and corporate performance not provided by Budget Paper 3 KPIs. These additional metrics provide focus on areas where continuous improvement principles apply or in areas of sector interest.

Table 2: MFB performance measures

Major outputs and deliverables	***Performance measures***	**Unit of measure**	**Target**	**2012–13 Outcome**	**2011–12 Outcome**	**2010–11 Outcome**
KPI 1	Structure fires contained to room of origin (BP3 definition)	per cent	90	86.9	86.7	87.5
KPI 2	Emergency response times – structural fires (90th percentile)	minutes	7.7	7.6	7.5	7.6
KPI 3	Emergency response times – road accident rescue response (90th percentile)	minutes	13	13.4	14.4	13.2
KPI 4	Emergency response times – emergency medical response (90th percentile)	minutes	9.2	8.2	8.2	8.4
KPI 5	Reduce the number of structure fires per year by 5 per cent	number	<2,800	3,183	3,111	3166
KPI 6	Minimise residential structure fires per year with no smoke alarm present	per cent	<16	12.9	16.9	16.3
KPI 7	Reduce workplace injuries (WorkCover claims) by 2 per cent	per cent	290	353	293	298
KPI 8	Active Level 1 projects classified as ‘on track’ as at 30 June 2013	per cent	90	47	53	93
KPI 9	Calls for assistance (000)**	per cent	100	100 36,059 calls MD*: 34,812 CFA: 1,247	100 32,397 calls MD: 31,386 CFA: 1,011	100 34,447 calls MD: 33,481 CFA: 966
KPI 10	Preventable fire fatalities	per cent	0	4	6	4
KPI 11	On shift staff availability***	per cent	95	87.4	87	86.3

* MD – metropolitan district

** CFA calls – services provided by the MFB into CFA areas as part of our mutual aid agreement.

*** Percentage of rostered staff actually available for duty regardless of the reason for absence.

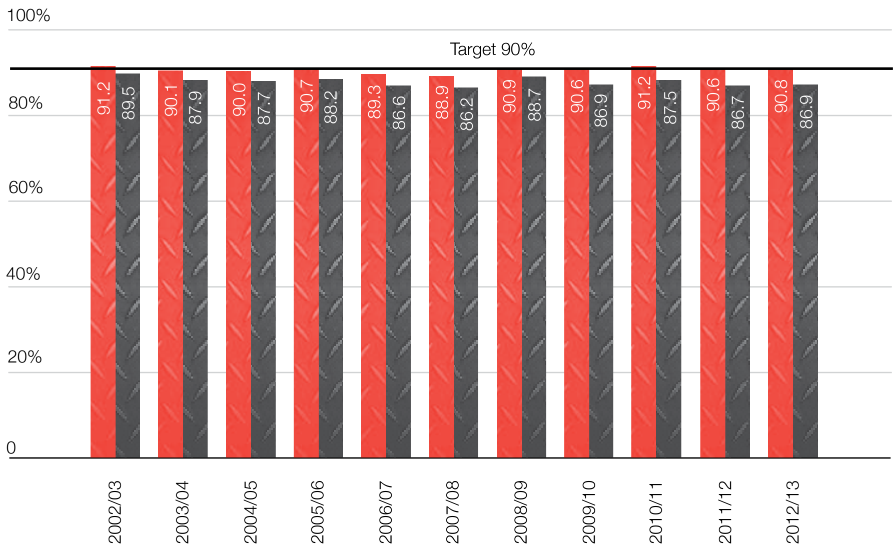


Figure 5: Containment of structure fires to room of origin

2002–03 to 2012–13

- Contained to room of origin – all building fires[1]
- Contained to room of origin – excluding fires in buildings confined to non-combustible containers[2]

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

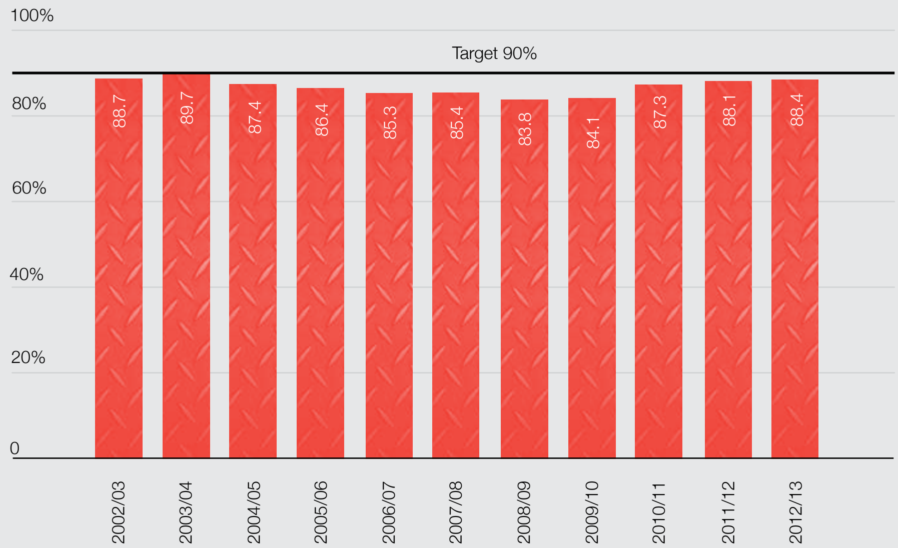


Figure 6: Emergency response times meeting benchmarks

2002–03 to 2012–13

Internal response time benchmarks apply to a broader range of responses (all emergency calls) than the Budget Paper 3 benchmarks.

WORKING WITH OUR COMMUNITY

MFB ACKNOWLEDGES THE PRIMACY OF HUMAN LIFE. MFB ACTIVELY PARTNERS WITH ITS DIVERSE COMMUNITY TO MINIMISE THE FREQUENCY AND IMPACT OF FIRES AND OTHER EMERGENCIES AND INCREASE INDIVIDUAL AND COMMUNITY CAPACITY TO RESPOND AND RECOVER.

MFB focuses on listening to communities, understanding their needs, and delivering good outcomes for at-risk communities. This work includes continuous education of MFB staff and communities in risk mitigation, collaborating and sharing community and firefighting knowledge and actively engaging with the community.

Improving services to the community

This year MFB continued to deliver the full gamut of high quality, fire prevention, incident management and response services. Reducing the number of fire-related fatalities is a major goal of MFB and an integral part of its mission. During the year there were four fire-related fatalities, a decrease compared with last year (see Figure 7). Many of MFB's community resilience strategies aim to improve this result.

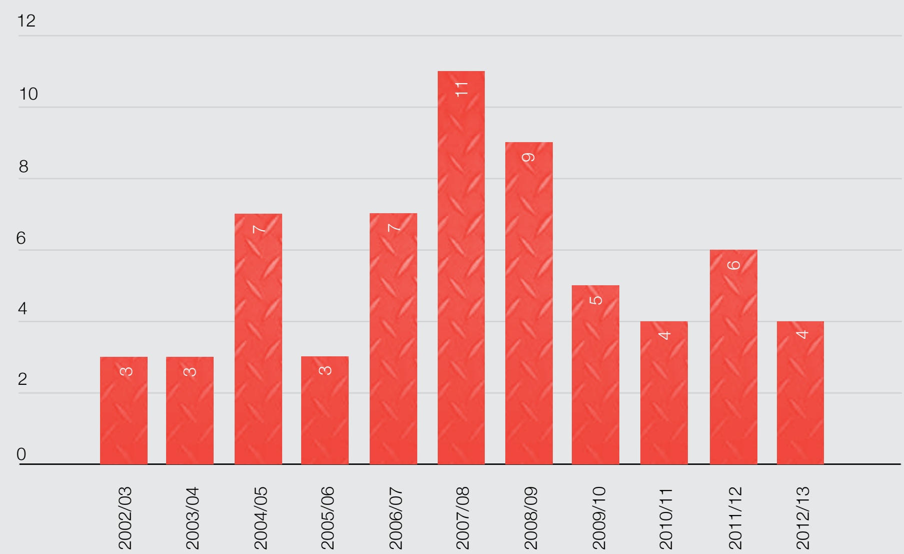


Figure 7: Preventable fire-related fatalities

2002–03 to 2012–13

*Preventable fire fatalities are defined as all fatalities, excluding murder, suicides and where the fire was not the cause of death.

Case study: CMA Recycling plant fire

On Saturday 1 December 2012 firefighters battled a blaze at the CMA Recycling plant in Ringwood. Fifty firefighters attended, including crews from CFA. The fire was fed by large quantities of oil and grease coated metal, and burnt for most of the day.

Firefighters used an unmanned aerial vehicle (UAV) to understand the extent of the fire and develop a fuel reduction strategy. At that time the UAV was not being used operationally and was still going through the consultative process, with the aim of a 12-month trial.

During the event community warnings were posted on the MFB website to alert local residents to the health issues posed by smoke from the fire and the actions they could take to minimise their exposure.

One Source One Message (OSOM) alerts were published via the MFB Twitter account, which is closely monitored by media outlets. They were able to disseminate safety messages to nearby residents.

Aerial images from the UAV helped firefighters target hot spots in the scrap metal pile.

In the last financial year MFB attended 36,059 calls within the metropolitan district. Each incident is rated according to its severity on a scale of first to fifth alarm.

A first alarm incident would normally involve two appliances while a fifth alarm would involve a range of specialist appliances and senior command.

MFB responded to a number of incidents that required a large initial response or resources. Many incidents also required ongoing allocation of resources to manage clean up and site monitoring. Below is a list of the major incidents (third alarm and above) attended by MFB in the last financial year.

Table 3: Major incidents attended by MFB

Date	Incident
13/07/2012	Hazardous materials incident in South Yarra
29/07/2012	Structure fire in Oakleigh
02/08/2012	Structure fire in Laverton North
27/08/2012	Structure fire in Campbellfield
27/08/2012	Non-structure fire in Sunshine North
14/09/2012	Structure fire in West Footscray
29/09/2012	Structure fire in Kilsyth
09/10/2012	Structure fire in Bellfield
26/10/2012	Structure fire in Brunswick
04/11/2012	Structure fire in Mentone
26/11/2012	Hazardous materials incident in Laverton North
01/12/2012	Non-structure fire in Ringwood
02/12/2012	Structure fire in Alphington
08/12/2012	Non-structure fire in Melbourne Airport
09/12/2012	Structure fire in Mordialloc
28/12/2012	Structure fire in Campbellfield
31/12/2012	Structure fire in Williamstown
03/01/2013	Hazardous materials incident in Preston
04/01/2013	Structure fire in Mill Park
09/01/2013	Hazardous materials incident in Keilor East
17/01/2013	Structure fire in Thomastown
18/01/2013	Non-structure fire in Derrimut
20/01/2013	Non-structure fire in Campbellfield
20/01/2013	Hazardous materials incident in West Melbourne
22/01/2013	Non-structure fire in Lalor
24/01/2013	Non-structure fire in Truganina
30/01/2013	Structure fire in Sunshine
07/02/2013	Structure fire in Croydon
15/02/2013	Hazardous materials incident in Laverton North
01/03/2013	Structure fire in Richmond
27/03/2013	Structure fire in Laverton North
03/04/2013	Structure fire in Campbellfield
17/05/2013	Traffic accident in North Melbourne (CityLink)
28/05/2013	High pressure water leak in a Ringwood hospital
11/06/2013	Hazardous materials incident in Tullamarine
19/06/2013	Structure fire in Thomastown
28/06/2013	Rescue incident in Black Rock

Building community resilience

COMMUNITY RESILIENCE FOCUSES ON ENSURING THE COMMUNITY IS WELL-EQUIPPED TO PREVENT, DEAL WITH, AND RECOVER FROM EMERGENCIES.

Community Resilience Strategy

This year the Community Resilience team completed major preparatory work to form the foundation of the Community Resilience Strategy that will be completed in 2013–14.

The strategy will align to and complement the national and state community resilience strategies and focus on three themes: building stronger communities, making firefighters safer and working together for the better.

Community resilience activities and programs

Each year MFB delivers programs and campaigns to improve community resilience. In 2012–13 MFB ran the Fire Ed school campaign with over 38,000 prep children. MFB delivered the Fit to Drive road safety education program to over 12,000 students across greater Melbourne.

In collaboration with CFA, MFB ran a number of broad community safety advertising and awareness campaigns. These included: 'Home Fire Safety', 'Change Your Clock Change Your Smoke Alarm Battery', Summer Fire Season campaigns and the Juvenile Fire Awareness and Intervention Program.

In addition, MFB improved emergency planning for public events through the delivery of Workplace Emergency Response Training for Public Safety Officers. This enabled high quality emergency planning for events, such as the Australian Grand Prix, Caulfield Cup and the Australian Open.

MFB also participated in various community events, including Harmony Day and Reconciliation Week activities, CALDplay Football with the Western Bulldogs, community festivals, such as the Sikh Games and the Globe to Globe Music Festival and expos with different communities across the state.

InFlame

After a pilot in 2010 the InFlame program commenced full operation in May 2013. The program delivers action-based fire safety information to communities recently affected by a significant residential fire and is the first of its type in Australia.

Under the InFlame program, neighbouring properties receive fire safety information from MFB in the mail in the days following a significant fire. The mail out alerts them to the incident that occurred and outlines steps they could take to avoid a similar occurrence at their home. The materials sent to homes provide links to the MFB website to assist households with all the fire safety information that they need.

MFB delivers a driver safety presentation to Park Orchard Football Club members at Nunawading Station.

In 2012–13 MFB ran the Fire Ed school campaign with over 38,000 prep children.

Working with culturally and linguistically diverse communities

MFB continues to target high-risk culturally and linguistically diverse (CALD) communities as part of its community resilience actions. Multicultural Liaison Officers work across the metropolitan area to link CALD communities to their local fire station and firefighters. They build relationships through local ethnic associations and groups, attendance at multicultural events and delivery of engagement and education programs for new migrants and people with limited English.

In the last financial year new programs included the development and launch of the Fire Safety Obstacle Course. It uses hands-on learning and props to teach fire safety messages like ‘get down low, call triple zero’, and ‘meet at the mail box’ to new migrants and international students.

High-risk communities

Hoarding

The Hoarding Notification System (HNS) was launched in June 2013. This system allows field notifications of potential high fire load residential properties to be identified, reported to the relevant partner authorities and included on the Hoarding Notification Register. On receipt of a fire call to an address on the register, safety information is printed on the station turnout system advising firefighters of the high fuel load at that address.

The HNS is an adjunct to an MFB intranet application that facilitates formal reporting of any fire safety concerns fire crews may have in the field. It assists the community resilience team and operations to think globally and manage risks locally.

Home care services

During a number of coronial inquiries MFB advocated for improved fire safety in the home care sector. As a result the coroner stipulated that all community home care providers must have an orientation process for their staff that includes the ‘Basic Home Fire Safety’ package. The coroner also noted home care workers must be provided with a safe place of work. This includes ensuring there is a working smoke alarm in all homes in which they work.

Home care workers are active in over 250,000 homes statewide. They carry extensive fire safety knowledge about these homes. This MFB intervention in the home care sector has helped to ensure compliance with workplace health and safety regulations, contributing to fire safety objectives.

Consistent planning across the state

MFB continued to support 26 municipalities across the metropolitan district through municipal fire management and prevention planning, and emergency management planning. MFB also supported regional recovery planning with community health, police, education and other support agencies.

In addition, MFB partners with municipalities to develop integrated fire management planning in both the south east and north west metropolitan regions and participates in a range of metropolitan and regional forums.

During the year MFB participated in a number of emergency management exercises across the region. MFB was designated incident controller for emergency management exercises Hades, Rumpole, Styx and Mazu. These exercises test operational procedures, interagency collaboration and provide a platform for skills maintenance and emergency management training.

Case study: Collingwood chemical leak

A chemical leak in Collingwood closed a busy shopping strip, causing traffic mayhem during peak hour. Emergency service crews were called to a demolition site in Johnston Street. A construction vehicle ruptured a cylinder containing an unidentified chemical. Five people were affected after breathing in fumes and three were taken to hospital with irritated throats, coughs and light headedness.

Crews attended the scene, quickly established a hazmat area, and cordoned off the zone. A One Source One Message (OSOM) warning was published and police door-knocked local residents to warn them to close windows and doors until further notice. Johnston Street was closed in both directions between Wellington and Smith streets.

Firefighters worked to contain the leak and dispose of the large unlabelled cylinder. Working in fully encapsulated suits, firefighters took photographs of the cylinder and readings which were analysed by the MFB Scientific Officer on the scene. Heavy rain and wind helped dissipate the fumes.

Media were particularly interested in the story, with news crews from all major television networks and photographers on the scene.

MFB breathing apparatus and hazmat crews at the Johnston Street chemical spill.

WORKING WITH OUR PEOPLE

MFB STRIVES FOR A HIGHLY CAPABLE, INVOLVED AND ACCOUNTABLE WORKFORCE, WITH AN ORGANISATIONAL CULTURE THAT ENCOURAGES COLLABORATION, TRUST AND INNOVATION.

MFB's talented and committed employees are crucial to our success, and MFB continued to engage with our staff during the year across a number of projects and initiatives.

Training

The MFB training plan is based on an assessment of risks within the metropolitan district and the state. It is flexible, enabling MFB to adapt to state training priorities emerging in the sector. Recruitment of around 100 employees per year is envisaged to sustain the current operational workforce, however this will be determined on a periodic basis.

The plan focuses on ensuring MFB's operational capability, particularly in the context of the number of new recruits entering the organisation. It will also maximise MFB's leadership capacity in an environment which demands continuous improvement, increased accountability and value for money services that are responsive to growing community expectations. Specialist training will also be provided to meet existing and new emergency response needs.

In 2014 MFB's world class training facility at Craigieburn will become the primary site for training. The construction of the Craigieburn training facility commenced in October 2012 and is on track to be completed by early 2014. This $109 million facility is state of the art and will provide a key part of the training framework for Victoria's emergency services, improving interoperability.

The facility will provide live fire training simulations for a number of scenarios. These include: compartment fire behaviour, high rise buildings, urban search and rescue, retail environments, residential neighbourhoods, road and rail tunnels, road intersections, industrial environments such as a petrochemical plant, ship and marine environments.

The Burnley training facility will be retained for some operational skills maintenance and corporate and support services.

MFB is a registered training organisation. It designs and develops training courses in line with national standards and is able to issue nationally recognised qualifications. The development of these courses has enabled MFB to offer course content to other agencies on a shared cost or cost recovery model.

MFB's Training and Development team has taken a lead role in the sector developing course content for a number of nationally accredited specialist training courses. These include: Safe working from heights, Hazardous materials technician, Fire service communications controller and Emergency medical response.

Organisational development

MFB continued to progress significant work in workplace behaviour, performance development, change management, leadership development, mentoring and succession planning. Specific improvements were made to these programs based on data analysis and evaluation, including the 2012 People Matter Survey results.

During the year 20 MFB employees were trained in people change management to form a community of practice to support the organisation's many projects and change initiatives.

MFB's workforce is encouraged to consider career paths and professional development opportunities that help grow organisational and individual capabilities. This year MFB supported employee participation in professional development, including AFAC leadership and management programs, the Victoria Police Senior Leadership Management Development Program and Emergency Services Foundation Scholarships.

As part of sector reforms, the pilot 12-month secondment program between MFB and CFA involved an exchange of six MFB with six CFA operational employees. This was a positive experience for the participants in enhancing sector relationships and improving interoperability.

Promotions, appointments, awards

Promotions	
Assistant Chief Fire Officer	3
Commander	10
Senior Station Officer	17
Station Officer	39
Leading Firefighter	58
Fire Service Communications Controllers	4
Appointments	
Director	3
Corporate (admin, clerical, technical)	33
Recruit Firefighter	96
Service Awards – Long Service and Good Conduct	
50 years	1
45 years	3
40 years	1
35 years	32
30 years	31
25 years	89
20 years	4
15 years	5

HR systems

Significant work was carried out during the year on process and system improvement to support line managers and equipment decision makers. Sound workforce reporting and planning is now in place with a number of technology projects ready for commencement including payroll system enhancements and e-learning.

Enterprise Agreements

MFB continues to bargain an outcome with the relevant bargaining representatives for the Mechanical Engineering Workshops Agreement and Corporate and Technical Employees Agreement in accordance with government workplace relations policy.

Improved rostering arrangements

In 2012 MFB introduced eRoster, a user-friendly electronic rostering system that allows the roster to be developed up to two months in advance. A number of other improvements to rostering were introduced during the year. These include a streamlined rostering issues resolution process and increased hours of operation to provide access to both day and night shifts.

Victorian Auditor-General's audit of unplanned leave

On 6 March 2013 the Auditor-General's Office released its report on unplanned leave in three of Victoria's emergency service organisations. The audit found that MFB's levels of unplanned leave were higher than Ambulance Victoria and Victoria Police. Unplanned leave at MFB is significantly higher on weekends than weekdays and there is a direct correlation between high levels of absenteeism and increased overtime costs. Table 4 provides a breakdown of leave by type. Around 50 per cent of overtime is attributable to unplanned leave resulting in recalls, standbys and excess travel to maintain station strength. Table 5 provides a breakdown of overtime costs by type.

MFB's enterprise agreement constrains management approaches to this issue and our systems and processes also contribute to the costs of unplanned leave. The MFB Board has agreed to all the audit recommendations and the Strategy Planning and Resources Committee of the Board is monitoring their implementation.

Table 4: Unplanned absences

Year	Sick leave %	Family leave %	Sick and family leave %	WorkCover %	Total unplanned absences %
2012–13	4.4	3.1	7.5	1.1	8.6
2011–12	4.4	3.2	7.6	1.2	8.8
2010–11	5.3	2.8	8.1	1.9	10.0

Table 5: Dollar cost of overtime

Actual ($)	Total overtime	Recall overtime	Maintain strength overtime	Fire call	Muster and dismissed	Standby and dismissed	Excess travel	Other
2012–13	13,115,000	5,343,000	3,878,000	770,000	661,000	356,000	1,148,000	959,000
2011–12	17,661,000	8,887,000	4,651,000	728,000	648,000	307,000	1,189,000	1,251,000
2010–11	16,584,000	8,711,000	4,691,000	598,000	370,000	316,000	929,000	969,000

Enhanced safety strategy, systems and culture

Research shows that health and fitness is pivotal to the resilience of an ageing workforce. The Health and Fitness unit is providing a functional stability program at all MFB fire stations and platoons. The program focuses on maintaining core stability during movement. Participation in voluntary programs for medical health monitoring and fitness assessments increased during the year.

In 2012–13 MFB continued to provide awareness training about the signs and symptoms of various mental health problems. Participants receive guidance on the different assistance that is available. MFB also increased the number of peers to provide better access to support for its employees.

There was an eight per cent increase in lost time injuries and a 14 per cent increase in WorkCover claims. Days lost increased by 1,226 (29.3 per cent) and the severity rate has increased by 4.4 days (19.6 per cent) when compared with 2011–12.

Manual handling injuries resulting from lifting, carrying and dragging hoses continue to form a significant component of the MFB injury profile. The ageing of the MFB workforce also influenced the number of injuries experienced this financial year. The average age of employees is 47.

MFB is committed to reducing manual handling risks by retrofitting existing fire appliances to design out these risks. During the year MFB reviewed the manual handling risks for the existing fleet and scheduled upgrades. This extensive work is expected to be completed in 2017.

MFB has also improved its approach to return to work for injured employees. This has delivered good results in specific injury support programs. In particular, the Kieser program – a rehabilitation and conditioning program for musculoskeletal problems – is assisting our employees to return to work faster.

During the year the work, health and safety function was transferred to the Emergency Management Directorate under the leadership of the Chief Officer. Work has significantly progressed on the development of a new strategy to drive workplace safety improvements in the future.

Table 6: WorkCover data

Year	Claims	Days lost	Number of lost time injuries	Severity rate
2012–13*	353	5416	202	26.8
2011–12	310	4190	187	22.4
2010–11	298	4768	204	23.4

* MFB is migrating to a different system for deriving these data. As a result, the statistics for 2012–13 are provisional. Slight variances may be observed once the migration is completed.

Workforce data

During 2012–13 the number of MFB firefighters increased by 61. Consistent with the recommendations of the Victorian Bushfires Royal Commission, MFB has recruited an additional 100 firefighters over the past 30 months – the last 25 graduated as firefighters in July 2013. The number of corporate staff has not changed from the previous year.

MFB employed 25 temporary agency staff and seven apprentices in 2012–13, compared with 25 agency staff and eight apprentices in 2011–12.

MFB staff breakdown

Table 7: Employee numbers

2013		Total	Total permanent	Perm full time	Perm part time	Total temporary	Temp full time	Temp part time
Total	Headcount	2,190	2,181	2,155	26	9	9	0
	FTE	2,178.20	2,169.20	2,154.53	14.67	9.00	9	0.00
Corporate staff	Headcount	324	315	290	25	9	9	0
	FTE	313.14	304.14	290.00	14.14	9.00	9.00	0.00
Operations staff	Headcount	1,866	1,866	1,865	1	0	0	0
	FTE	1,865.06	1,865.06	1,864.53	0.53	0.00	0.00	0.00

2012		Total	Total permanent	Perm full time	Perm part time	Total temporary	Temp full time	Temp part time
Total	Headcount	2,129	2,117	2,094	23	12	10	2
	FTE	2,119.36	2,107.97	2,094.00	13.97	11.39	10.00	1.39
Corporate staff	Headcount	324	312	289	23	12	10	2
	FTE	314.83	303.44	290.00	13.44	11.39	10.00	1.39
Operations staff	Headcount	1805	1,805	1805	1	0	0	0
	FTE	1,804.53	1,804.53	1,804.00	0.53	0.00	0.00	0.00

This table does not contain agency staff or apprentices.

Table 8: MFB staff gender and age breakdown

	2013			2012		
	Total	Ongoing	Temp	Total	Ongoing	Temp
Gender						
Total	2,190	2,181	9	2,129	2,117	12
Female	205	199	6	208	198	10
Male	1,985	1,982	3	1,921	1,919	2
Age						
Total	2,190	2,181	9	2,129	2,117	12
Under 25	19	19	0	24	23	1
25–34	346	341	5	314	310	4
34–44	460	457	3	441	438	3
45–54	914	913	1	958	955	3
55–64	427	427	0	369	369	0
Over 64	24	24	1	23	22	1

Workplace diversity

MFB is committed to nurturing a workplace that embraces diversity and constantly looks for ways to reinforce the diversity message in the community. Our diversity and inclusion efforts are set out in a Diversity and Inclusion Plan which adopts a business as usual approach in the organisation's existing resourcing profile. The plan sets out diversity and inclusion initiatives under key themes. These focus on maintaining a fair and inclusive workplace culture, engaging with communities to improve diversity knowledge and awareness, attracting and retaining people with the right capabilities from diverse backgrounds and building organisational wide diversity leadership and commitment. MFB's diversity and inclusion goals and initiatives have been embedded into business plans to improve diversity and inclusion performance and accountability.

This year MFB continued to:

- foster new and strengthen existing relationships and engagement with CALD, aged and disability communities and at risk groups
- engage with people with disabilities and the agencies which support them to develop disability specific safety information and ensure equity of access to this information
- build diversity and inclusion awareness and understanding through the development and delivery of targeted learning and development initiatives
- enhance the organisation's capability to appropriately respond to and provide localised support services for staff that are experiencing difficulties in the workplace including the recruitment and training of Equal Employment Contact Officers
- examine the organisation's property portfolio and ensure that adequate access for people with disabilities is provided by including contemporary approaches to building design briefs and compliance with legislation with respect to refurbishments and new builds.

Women comprise 3.4 per cent of our operational staff, a decrease of 0.3 per cent since last year. This is consistent with other similar agencies within Australia.

WORKING WITH OUR PARTNERS

MFB WILL PROVIDE LEADERSHIP TO ENSURE REFORMS AIMED AT PROVIDING MORE COORDINATED AND COMPATIBLE SERVICES ACROSS THE EMERGENCY SERVICES CONTINUUM ARE DELIVERED.

In order to build a safer community MFB must collaborate and create strong partnerships with other agencies and stakeholders. This was particularly important during the year as MFB implemented reforms in its sector to improve interoperability between agencies.

Highlights include:

- helping local government partners deliver emergency management plans for local communities through the Municipal Emergency Management Committee
- working with government departments and the coroner's office on fire safety recommendations leading to legislative change and safety programs
- finalising the Department of Human Service's Capital management series 7 guidelines – fire risk management strategy
- developing memoranda of understanding with Places Victoria
- developing a fire safety strategy for Melbourne's underground rail network
- leading the development of the Built Environment Risk Assessment process through the Integrated Fire Management Planning network, including the State Fire Management Planning Committee.

Improving interoperability

This year MFB worked on a number of projects to improve interoperability within Victoria's emergency service agencies. The Information Interoperability Blueprint was finalised. It outlines the strategy for the future provision of information and warnings for all emergencies in Victoria.

The Common Doctrine Project also continued this year. It aims to develop common doctrines, approaches and language that will be adopted by MFB and other Victorian emergency services.

MFB also developed Incidents of Interest which alert operational staff to potential issues that do not fit into Safety Alerts and Advisory Notices. A review of the Emergency Response Guidebook, the reference book that assists firefighters on the fire ground, is also underway and due to be completed in 2014.

In addition, MFB has been helping to develop and implement the Emergency Incident Action Plan. The aim is to create a single interface information management system for Victorian emergency services. The project, which is being led by the Department of Environment and Primary Industries (DEPI), has developed an interim integrated information management system that will be in place for the 2014 summer fire season.

MFB has been providing technical and operational input for the interim solution. In the longer term MFB will streamline variations between incident management systems in agencies and develop a single information interface that will work across all systems.

Operational Audit Framework

The draft MFB Operational Audit Framework has been created to review operational risks in departments. The framework will help to identify accountabilities, processes and the frequency of auditing that is required to manage the development, review and replacement of operational doctrines. These include Safety Alerts, Advisory Notices, and Operational Work Instructions used by operational staff.

Fire Services Reform Action Plan

MFB helped to implement the Fire Services Reform Action Plan during the year and aligned its vision and goals more closely to those of the sector. MFB developed a shared services and governance framework for the action plan and led a joint sector response to the government's urban planning discussion paper, *Melbourne: let's talk about the future*.

The organisation also provided incident leadership and support across Victoria through command participation in the State Control Centre and regional control centres during emergencies, strike team and taskforce deployments in Gippsland and backfilling CFA stations during wildfire incidents. Command support was provided to Tasmania to assist during their summer bushfires. MFB also worked with Victoria's other emergency services with integrated investments in safety equipment, such as the joint agency procurement of thermal imaging cameras.

One Source One Message

One Source One Message (OSOM), a warning and advice tool, commenced in July 2012, replacing MFB's web warning system. OSOM is a web-based system used by MFB, CFA and DEPI (formerly DSE). When sent, messages are simultaneously published on MFB, CFA and DEPI websites, Twitter, and sent to selected media and predetermined distribution lists.

Warnings and messages are created using standard templates which include: 'Advice,' 'Watch and act,' 'Emergency warning,' 'All clear,' and 'Recommend to evacuate' for bushfire, structure fire and hazmat events.

On-call scientific advisor roster

MFB and CFA have developed a joint on-call scientific advisor roster arrangement to support emergency operations involving hazmat and chemical, biological and radiological (CBR) hazards across Victoria. It aims to provide continuous and consistent access to scientific support to ensure enhanced hazmat/CBR incident management. Pooling scientific resources from both agencies boosts OHS safeguards and helps to manage work-life balance for scientific advisors.

This collective scientific and intellectual capital complements statewide emergency response and fosters greater interoperability and relationship building across MFB and CFA. This model also creates a more consistent and integrated approach to hazardous incident and risk management. Scientific advisors gain greater experience and exposure, contributing to their professional development.

The Marine Response Project

MFB's capacity to respond to marine emergencies has increased through the acquisition of a firefighting vessel and staff training in shipboard firefighting and swift water rescue. This work is supported by the Marine Concept of Operations developed to provide the foundation for MFB's role in the management of emergencies in the marine environment.

In January 2013 Fireboat 1 commenced operations in the Port of Melbourne from the West Melbourne Fire Station. A second fireboat will be commissioned in 2014. Extensive training of 110 specialist shipboard firefighters occurred during 2012–13. These firefighters will receive further training over the next two years to allow boarding of vessels underway and attending vessels at anchorage.

In addition, 40 firefighters have been trained in swift water rescue for operations at sea and in swift water, greatly increasing MFB's capacity to assist State Emergency Services during flood events.

Fireboat 1 commenced operations in January 2013.

Case study: CityLink incident

On Friday 17 May 2013 MFB was the lead agency responding to a major truck accident on CityLink near the Racecourse Road onramp. Crews were called to reports of a truck and trailer hanging over the edge of the bridge railing at the elevated section of the freeway at 6.35 am. Other vehicles were also affected by the incident.

The recovery of the truck was a major operation and MFB used the specialist skills of firefighters in the High Angle Rescue Team, Urban Search and Rescue Unit and Heavy Rescue Team. A ladder platform was a crucial part of early procedures. The unmanned aerial vehicle (UAV) was used to capture live, up close images of the incident to inform operational decisions.

MFB's Rapid Impact Assessment Team was dispatched to help assess structural damage. MFB was able to keep the community and media well informed with timely social media updates.

Interoperability was crucial to the success of the management of the incident. Victoria Police coordinated an evacuation of the areas directly below the incident and remained on scene to manage traffic and bystanders. Ambulance Victoria was on the scene throughout the day, along with the State Emergency Service, City of Melbourne, VicRoads, and CityLink. Metro trains halted all services on the Upfield line, which runs directly below where the incident occurred.

Once the truck was successfully removed, firefighters quickly laid out absorption sand to stop the spread of diesel and used heavy vehicle equipment to cut the truck into smaller pieces to allow it to be towed.

Crews work to remove the overhanging truck from the CityLink onramp.

DELIVERING VALUE FOR MONEY

MFB WILL WORK TO PROVIDE VALUE FOR MONEY BY CONTINUOUSLY IMPROVING THE EFFECTIVENESS AND EFFICIENCY OF THE SERVICES MFB DELIVERS.

MFB continued to adapt to the tighter fiscal environment this year. MFB enhanced internal processes and innovated, ensuring our programs are strategic, smart and provide the best outcomes for the community in the most efficient way.

Financial sustainability and workforce planning

Major work occurred to ensure a strong organisational structure is in place and to enhance financial and operational reporting. Improved forecasting in relation to staff levels and demographics has led to more effective workforce planning both in the short and long term, informing MFB's approach to staff and funding models. A Strategic Workforce Plan is currently being developed based on this work.

Innovative equipment

MFB-commissioned emergency vehicles were awarded the Best Solution to a Workplace Health and Safety Issue at the 2012 WorkSafe Awards. The breathing apparatus and decontamination (hazmat) units are designed to eliminate the inherent risks of hazardous manual handling tasks. They use storage space more effectively and improve the way equipment is manoeuvred. The units are quick and easy to set up with accessible scene lighting and shade, creating a safer working environment for firefighters.

These units redefine what is achievable for safe design and set a benchmark for new appliances in the emergency services. Contemporary workplace safety consultative processes were adopted during the design and implementation of the units.

MFB and CFA assisted the Victorian Government with the Fire Services Property Levy advertising campaign shot in Bendigo.

Planning and investment framework

Over the last three years MFB has changed its capital investment strategy and introduced a Project Management Framework and Asset Management Strategy. The Project Management Framework drives the process of capital investment and is closely aligned with the State Government Gateway review process which is used to evaluate agency asset investment.

The project management framework involves six gateways: (1) Strategic assessment (2) Business case (3) Readiness for market (4) Tender decision (5) Readiness for service and (6) Benefits realisation. These gateways form the basis for decision making for each investment under the framework.

A long-term, 10-year view of asset investment funding requirements for future asset replacements, as defined in asset management plans and new asset initiatives, is taken by the organisation.

OESC benchmarking

MFB has been working with the Office of the Emergency Services Commissioner (OESC) on a pilot self-assessment tool which will be used across the emergency management sector as part of the OESC benchmarking and performance monitoring process.

New Fire Services Levy

A new property-based levy to fund MFB and CFA was introduced from 1 July 2013. The levy replaced the existing insurance-based funding model as recommended by the Victorian Bushfires Royal Commission.

Councils collect the new levy through property rate notices. The levy consists of a fixed component and a variable component calculated as a percentage of capital improved property values. A Fire Services Levy Monitor has been appointed to oversee the transition to the new funding arrangement. This role is to ensure that insurance policy holders, property owners, and those eligible for concessions are informed about the reforms, and to monitor the implementation of the levy.

Environmental Strategy

MFB recognises it has a social responsibility to reduce the impact of its operations on the environment and MFB is committed to providing services in a sustainable manner. MFB's Environmental Strategy comprises six themes with related actions. MFB successfully implemented a number of actions during the year.

Improve environmental management systems

MFB revised its Environmental Policy and Strategy and developed new priorities, targets and measures. These documents articulate MFB's commitment and direction, as well as accountabilities, enabling MFB to continue to improve its environmental performance.

Increase employee environmental awareness and training

MFB ran a second GreenFire Energy Challenge during the year. Four stations – Ormond, Burwood, Clayton and Vermont South – competed in the challenge and reduced their electricity use by an average of 15 per cent over a three-month period. MFB continued environmental inductions for new corporate staff, began targeted training through the commanders course and raised staff environmental awareness through internal communications.

Minimise waste

This year MFB improved recycling rates from 27 to 34 per cent. MFB developed a comprehensive waste management plan and was awarded bronze Waste Wise certification by the Metropolitan Waste Management Group.

Reduce water use and impact on waterways

MFB aims to reduce its water use by 20 per cent and increase water recycling by 25 per cent between 2006 and 2014. MFB aims to minimise its impact on waterways and stormwater as a result of firefighting.

During the year MFB's water use increased by 28 per cent. This was due in part to recruit training returning to MFB's Burnley facility and the subsequent significant increase in training activity. Water leaks found to be contributing to increased water use were identified and repaired. The new training facility being built at Craigieburn will incorporate water recycling through dedicated wastewater treatment units, helping MFB to reduce its water use in the future. MFB recycled about 76 megalitres of water during skills development and maintenance through MFB's custom-designed mobile water recycling modules. The phase out of MFB's use of firefighting foams that contain persistent and bioaccumulative chemicals is continuing and expected to be completed in 2013–14.

Increase energy efficiency and reduce carbon emissions

MFB aims to improve building energy efficiency by five per cent between 2006 and 2014, and by a further 10 per cent by 2017. MFB aims to reduce transport emissions and increase fleet fuel efficiency by five per cent between 2006 and 2014.

To meet these goals in the future, MFB is investigating potential funding through the Greener Government Buildings program. MFB participated in the FleetWise program, increasing the proportion of hybrid vehicles and vehicles with four rather than six cylinders, in its fleet. MFB now provides a public transport travel option between corporate offices with the introduction of corporate Myki cards. MFB fire trucks continue to be built to the highest European Union emission control standard. Figure 8 shows MFB's greenhouse gas emissions.

Sustainable built environments

MFB aims for all new fire stations to be designed to a five-star green star equivalent fire station standard. MFB aims to benchmark and improve the environmental sustainability of existing fire stations, offices and training facilities.

The new training facility at Craigieburn will incorporate energy and water conservation features in its operation.

Table 9 contains MFB's environmental indicators with notes against the measures.

Table 9: Environmental indicator report (FRD 24c)[1]

Environmental indicator	Unit of measure	2005–06 baseline	2007–08	2008–09	2009–10	2010–11	2011–12	2012–13
Water[2]								
Consumption per FTE[3]	kL per FTE	15.7	13.7	14.1	11.9	11	11.5	14.6
Total consumption	kL	29,171	26,732	28,047	24,620	22,504	24,323	31,176
Energy (electricity and gas)[4]								
Green Power purchased	per cent	15	15	15	15	15	25	25
Energy consumption per FTE	GJ per FTE	24.1	23.7	25.7	24.0	25	24.9	24.2
Energy consumption	GJ	44,788	46,420	51,330	49,892	50,440	52,487	51,634
Greenhouse emissions[5] (tCO_2-e)								
Waste disposal[6]		2,407	2,303	2,375	2,198	2,575	2,582	2,365
Electricity and gas use		9,397	9,876	10,596	10,604	10,662	9,782	9,844
Light fleet		1,140	1,193	1,271	1,233	1,187	1,417	1,304
Operational fleet		1,838	2,039	1,950	1,952	1,980	1,810	1,888
Air travel (flights)[7]		n/a	n/a	68	140	197	145	166
Total MFB greenhouse emissions		14,782	15,411	16,260	16,127	16,601	15,736	15,566
Paper[8]								
Use per FTE	reams per FTE	4.9	4.5	4.6	4.1	3.8	3.7	3.6
Total use	reams	9,028	8,825	9,024	8,543	7,813	7,721	7,647
Average recycled content	per cent	n/a	46	49	49	49	95	93
Waste and recycling[9]								
Waste generated per FTE	m^3 per FTE	3.8	3.2	3.4	3.3	3.5	2.7	3.7
Total waste	m^3	7,060	6,299	6,643	6,792	7,198	5,712	7,902
Total recycled	per cent	25	19	21	21	21	24	34
Transportation (light fleet)[10]								
Fuel consumption per FTE	GJ per FTE	9.2	9.2	8.9	8.3	8	9	8.2
Total fuel consumption	GJ	17,079	17,995	17,742	17,123	16,545	19,097	17,525
Travel (light fleet) per FTE	kilometres per FTE	2,186	2,145	2,126	2,035	2,163	2,278	2,260
Total travel (light fleet)	kilometres	4,059,721	4,191,738	4,239,766	4,221,467	4,445,069	4,808,055	4,821,575
Employees regularly using public transport, cycling or walking to and from work[11]	per cent	36	n/a	45	n/a	n/a	n/a	n/a

1 MFB facilities do not undertake office based activities in isolation of operational activities (i.e. vehicle maintenance, firefighting and skills maintenance occur at sites undertaking administration and office based activity). Paper, waste, water and energy data is reported for all MFB facilities (fire stations, offices and training facilities) for the reportable period of April 2012 to March 2013 (quarterly invoice periods prevent 30 June data from being available until September 2013). Reported data excludes all usage and waste associated with direct firefighting activity.

2 Water use data is metered potable water for all MFB sites inclusive of offices, training centres and fire stations. Usage does not include fire water used in operations.

3 FTE – Full time equivalent staff for the reportable period (April 2012 to March 2013) of 2,133.

4 Energy use includes electricity and natural gas consumed at MFB offices, training centres and fire stations.

5 Greenhouse gas emissions are reported using scope 1, 2 and 3 emission factor calculations from the Australian Government's Department of Climate Change and Energy Efficiency's National Greenhouse Accounts Factors each year. Greenhouse emissions from electricity use are calculated including the credit from 25 per cent Green Power purchase. Greenhouse emissions from the operational fleet include emissions from use of fire trucks and appliances.

6 Waste greenhouse gas emissions have been calculated using collected bin volumes and assuming the landfill waste composition of 40 per cent food: 40 per cent paper: 20 per cent textiles.

7 Flight greenhouse gas emissions have been calculated in accordance with the Greenhouse Gas Protocol 2006.

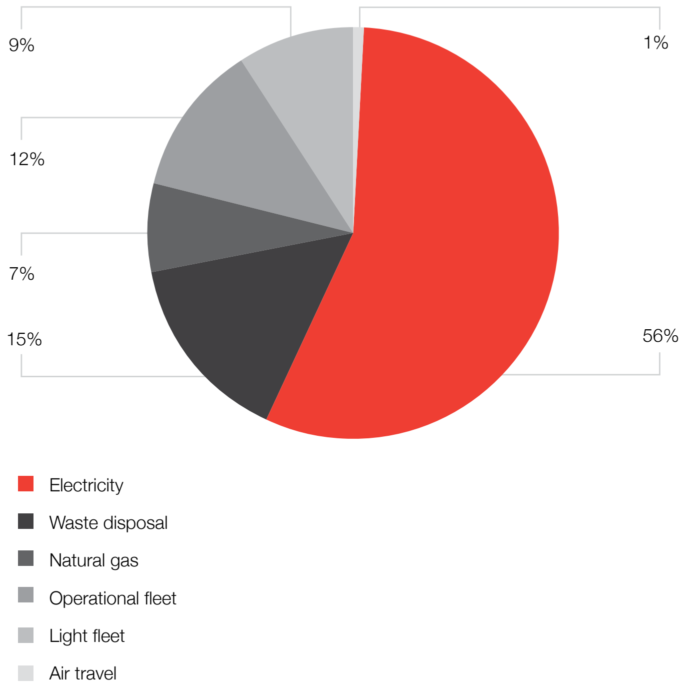
8 One ream is equivalent to 500 sheets of A4 paper. Recycled content is calculated as the average percentage of recycled content of paper purchased.

9 Waste and recycling measurements are based on total volume of bins collected from MFB sites (m^3).

10 Transportation light fleet includes all corporate administration vehicles (hybrids, LPG and unleaded petrol cars). It excludes all operational vehicles.

11 Data on employee modes of transport are obtained from the 2005 and 2008 TravelSmart Survey. Sites surveyed include offices at Eastern Hill, Thornbury, Burnley (2008) and Smith Street (2005) only.

Figure 8: Greenhouse gas emissions (CO_2-e tonnes 2012–13)



CORPORATE GOVERNANCE STATEMENT

THIS STATEMENT OUTLINES MFB'S CORPORATE GOVERNANCE PRACTICES.

Responsible Minister

The responsible Minister is the Minister for Police and Emergency Services.

Functions and powers

MFB is a statutory body established in Victoria pursuant to the *Metropolitan Fire Brigades Act 1958* (Vic) (the Act). MFB derives its operational powers from this Act, the Metropolitan Fire Brigades (General) Regulations 2005 (Regulations), the Metropolitan Fire Brigades (Contributions) Regulations 2009, *Country Fire Authorities Act 1958, Electricity Safety Act 1998, Emergency Management Act 1986, Gas Safety Act 1997, Building Act 1993*, Building Regulations 2006, Residential Tenancies (Caravan Parks and Movable Dwellings Registration and Standards) Regulations 2010 and other legislation.

MFB's principal decision-making powers affecting members of the public are contained within the Act and the Regulations and they should be referred to when detailed information is sought.

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

Changes to governing legislation

The *Fire Services Property Levy Act 2012* was assented to during the year under review. This Act changed the basis on which the fire services property levy is determined, imposed and collected in Victoria, with effect from 1 July 2013. Consequential amendments were made to reflect these changes.

MFB corporate governance framework

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

- the Board of Management Charter, which sets out the composition, roles, and accountabilities of the Board of Management, Board Committees and their members
- a policy framework and hierarchy of documents, which provides for the development, approval, implementation, publication and review of organisational policies and procedures
- a range of individual policies addressing key governance, financial and strategic issues (such as risk management, fraud control, financial code of practice and health, safety and welfare) which the Board approves periodically
- a range of individual policies addressing operational matters which management approves periodically.

The Board of Management Charter, policy framework and hierarchy of documents have been reviewed and updated in 2012–13 to strengthen MFB's corporate governance framework.

The Board of Management (Board)

The Board is responsible for the overall governance of the organisation including its strategic direction, establishing goals for management and monitoring the achievement of these goals.

Composition of the Board

The composition of the Board (determined in accordance with the Act) allows for up to seven members to be appointed by the Governor in Council, one of whom is to be appointed President and another Deputy President.

Board members in office for the year were:

- Neil Comrie (President)
- Ken King (Deputy President)
- Jay Bonnington
- Alf Long
- John Lord
- David Purchase.

The Board met on 12 occasions in 2012–13. Executives, operational staff and representatives of other organisations are invited to Board meetings when required for discussions on relevant items.

Code of Conduct

The Board has developed a Code of Conduct having regard to the Directors' Code of Conduct developed by the State Services Authority.

The Board complies with the provisions of section 21 of the Act which ensures that members of the Board do not place themselves in a position where there is conflict, actual or potential, between their private interests and the duty owed to MFB. The Corporate Secretary maintains a register of members' interests. A schedule of Board members' interests is provided to each Board meeting for Board members' information.

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

Board professional development

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

Evaluation of Board's performance

As part of its approach to corporate governance, the Board regularly conducts evaluations of its own performance and that of its sub-committees and continues to implement the recommendations of the externally facilitated 2010–11 Board Performance Review.

Board committees

The Board's committee structure is as follows.

Risk and Audit Committee

This committee assists the Board to fulfil its corporate governance and oversight responsibilities in relation to risk management and internal control systems, accounting policy and practices, internal and external audit functions and financial reporting of MFB. The committee does not relieve any Board members of their responsibilities for these matters.

Membership

> Jay Bonnington (Chair)
> Alf Long (Deputy)
> David Purchase
> Neil Comrie (ex officio)
> Stuart Alford (independent advisor).

Strategy, Planning and Resources Committee

This committee assists the Board to ensure the efficient and effective allocation of MFB's resources to support the delivery of the Board's direction as articulated through the strategy and business plans.

Membership

> Ken King (Chair)
> Alf Long (Deputy)
> Jay Bonnington
> John Lord
> Neil Comrie (ex officio).

Health and Safety Committee

This committee assists the Board to fulfil its responsibilities in relation to health and safety matters arising out of the activities of MFB, as they affect employees, contractors and the community.

Membership

> John Lord (Chair)
> Ken King (Deputy)
> David Purchase
> Neil Comrie (ex officio)
> Volker Maier (independent advisor).

Executive Remuneration Committee

The Board acts as the Executive Remuneration Committee when required.

Ad hoc committees

Ad hoc committees may be formed to address specific important issues arising from time to time, especially those which pose a high level of risk.

Attendance by Board members

(expressed as number of meetings attended/meetings eligible to attend)

	Board	Risk and Audit Committee	Strategy, Planning and Resources Committee	Health and Safety Committee	Executive Remuneration Committee
Number of meetings to 30 June 2013	12	5	4	3	1
N. Comrie	12/12	3/5	4/4	3/3	1/1
K. King	12/12		4/4	3/3	1/1
J. Bonnington	11/12	5/5	4/4		1/1
A. Long	11/12	5/5	4/4		1/1
D. Purchase	11/12	2/5		3/3	1/1
J. Lord	10/12		3/4	3/3	0/1

Internal control

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

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

Risk management

MFB's risk management framework and policy were reviewed for effectiveness, adequacy, suitability and improvement during 2012–13, further confirming MFB's commitment to risk management.

Processes such as business and strategic planning for the 2013–14 cycle, the integration of risk management, and MFB's risk appetite, have been enhanced and are designed to enable MFB to receive better risk and assurance insights. This also ensures that directorate risks are recognised and articulated, enabling a comprehensive risk profile to be developed for the coming year.

Attestation of compliance with the Victorian Government Risk Management Framework

- Under the Victorian Government Risk Management Framework there is a requirement for all government agencies and departments to enter a statement in their Annual Report attesting to the effectiveness of three key elements of the organisational risk framework.
- Direction 4.5.5 'Risk Management Compliance' of the Standing Direction of the Minister for Finance (the Standing Direction) requires the application of the Victorian Risk Management Framework by departments and agencies meeting the public bodies definition (section 3 of the *Financial Management Act*) and reports in the Annual Financial Report for the State of Victoria.
- The following standard Risk Attestation Statement was presented to the Risk and Audit Committee at the meeting on 16 May 2012. This statement is consistent with the template detailed in the Victorian Government Risk Management Framework.

Attestation of compliance with the Victorian Government Risk Management Framework

I, Neil Comrie, President of the Board, certify that the Metropolitan Fire and Emergency Services Board has risk management processes in place consistent with AS/NZS ISO 31000:2009 and an internal control system is in place that enables the executive to understand, manage and satisfactorily control risk exposures. The Metropolitan Fire and Emergency Services Board verifies this assurance and that the risk profile of the Metropolitan Fire and Emergency Services Board has been critically reviewed within the last 12 months.

Insurance

In accordance with legislative requirements and the Insurance Management Policy for General Government Sector issued by the Victorian Government, the VMIA manages 10 insurance policies on behalf of the Board. These policies are reviewed annually by both MFB and the VMIA for their adequacy when measured against MFB service delivery activities and residual risk profile.

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

I, Nick Easy, Accountable Officer, certify that the Metropolitan Fire and Emergency Services Board has complied with Ministerial Direction 4.5.5.1 – Insurance.

Details of consultancies over $10,000

Consultant	Purpose of consultancy	Start date	End date	Total approved project fee (excld. GST)	Expenditure 2012–13 (excld. GST)	Future expenditure (excld. GST)
IKD Pty Ltd	Review of external purchasing	8 May 2013	12 July 2013	$22,500	$9,000	$13,500
UXC Consulting Pty Ltd	ICT Strategy	4 September 2012	Closed	$134,171	$134,171	–
Deloitte Touche Tohmatsu	Work Health and Safety: Pre-injury Average Weekly Earnings Project	24 May 2013	1 August 2013	$86,000	$63,375	$22,625
Trisigma	Work Health and Safety: Review	1 May 2013	2 August 2013	$64,000	$30,550	$33,450
Zeal Group	OHS Strategy	1 November 2012	28 February 2013	$66,500	$66,500	–

Details of consultancies under $10,000

In 2012–13 there were four consultants engaged where the fees for each consultant were less than $10,000. The aggregate amount for these four consultancies was $22,494. All figures are excluding GST.

Disclosure of major contract compliance

During 2012–13 there were no contracts with a value greater than $10 million entered into by MFB. All other contracts with a value of $100,000 and above however are placed on www.tenders.vic.gov.au in accordance with Victorian Government Purchasing Policy.

Victorian Industry Participation Policy Act 2003

The Victorian Industry Participation Policy (VIPP) applies when contracts greater than $3 million in the metropolitan area are entered into. During 2012–13, no contracts were entered into by MFB that exceeded $3 million.

Compliance with the Building Act

The MFB property portfolio meets the compliance requirements of the Building Act.

National Competition Policy

The relevant part of the policy contained in Part IV (Restrictive Trade Practices) of the *Trade Practices Act 1974* has been implemented. MFB activities affected by the Victorian Government's Competitive Neutrality Policy have been reviewed and found to be compliant.

Freedom of Information Act 1982

The Chief Executive Officer, Mr Nick Easy, is the Principal Officer for the purpose of administering the requirements of the Freedom of Information Act. The authorised officer is Ms Jan Smith, Freedom of Information Officer.

Access

Requests to MFB for access to documents under the Freedom of Information Act must be made in writing and addressed to:

Freedom of Information Officer
Metropolitan Fire and Emergency Services Board
456 Albert Street
EAST MELBOURNE VIC 3002

Each application must clearly identify the documents sought and be accompanied by a $25.70 (as at 1 July 2013) application fee. General enquiries relating to Freedom of Information can be made by contacting the Freedom of Information Officer on telephone 9662 2311 between 8.30 am and 5.00 pm, Monday to Friday.

Enquiries in relation to the information required to be published and made available to members of the public in accordance with sections 7, 8 and 11 of the Freedom of Information Act should be directed to the Freedom of Information Officer.

FOI statistics

During the year MFB received 400 requests for access to documents under the Freedom of Information Act.

Requests received	400
Access granted	10
Part access	386
Denied	4
Documents did not exist	0
Applicant did not proceed	0
Not finalised as at 30 June 2013	0
Appeal Avenues	
Internal Review	3
FOI Commissioner	3
VCAT Hearing	0

Whistleblowers Protection Act 2001 and Protected Disclosure Act 2012

The Corporate Secretary, Mr Blair Trask, is the Protected Disclosure Coordinator for the purpose of administering the requirements of the Protected Disclosure Act, and previously the Whistleblowers Protection Act. Ms Jan Smith is the Protected Disclosure Officer.

Disclosure under section 104 of the Whistleblowers Protection Act and Protected Disclosure Act

In accordance with the requirements of Part 6 of the Whistleblowers Protection Act MFB established a policy and guidelines for responding to disclosures lodged. These are available on the MFB website www.mfb.vic.gov.au

Disclosure statistics

	2012–13	2011–12
Protected disclosures lodged	0	1
Referred by MFB to the Ombudsman or IBAC for determination as to whether they were public interest disclosures	0	0
Disclosed matters referred to MFB by the Ombudsman or IBAC	0	0
Disclosed matters referred by MFB to the Ombudsman or IBAC for investigation	0	0
Investigations of disclosed matters taken over by the Ombudsman or IBAC from MFB	0	0
Requests made under section 74 (requests to Ombudsman by person making disclosure) to the Ombudsman to investigate disclosed matters	0	0
Disclosed matters that MFB declined to investigate	0	0
Disclosed matters substantiated on investigation	0	4
Recommendations of the Ombudsman under the Act	8	0
Recommendations regarding procurement and contractual arrangements for the acquisition of IT	0	8

Additional information available on request

In compliance with the requirements of the Standing Directions of the Minister for Finance, details in respect of the information items below have been retained by MFB and are available on request (subject to the freedom of information requirements, if applicable):

> a statement that declarations of pecuniary interests have been duly completed by all relevant officers of the agency

> details of shares held by senior officers as nominee or held beneficially in a subsidiary

> details of publications produced by the agency about the activities of the agency and where they can be obtained

> details of changes in prices, fees, charges, rates and levies charged by the agency for its services, including services that are administered

> details of any major external reviews carried out in respect of the operation of the agency

> details of any other research and development activities undertaken by the agency that are not otherwise covered either in the report of operations or in a document which contains the financial statement and report of operations

> details of overseas visits undertaken including a summary of the objectives and outcomes of each visit

> details of major promotional, public relations and marketing activities undertaken by the agency to develop community awareness of the services provided by the agency

> details of assessments and measures undertaken to improve the occupational health and safety of employees, not otherwise detailed in the report of operations

> a general statement on industrial relations within the agency and details of time lost through industrial accidents and disputes, which are not otherwise detailed in the report of operations

> a list of major committees sponsored by the agency, the purposes of each committee and the extent to which the purposes have been achieved.

The information is available on request from:

MFB Headquarters
456 Albert Street
East Melbourne VIC 3002
(03) 9662 2311

FINANCIAL REPORT
2012–13

Discussion and analysis

Comprehensive operating statement

The net result for 2012–13 was a surplus of $1 million which is a significant reduction on the prior year net result surplus of $10.4 million and surpluses reported in earlier years. This is due to reduced contributions and services income primarily, as well as, increased price pressures in salaries and other expenditure.

The comprehensive result for the 2012–13 financial year was a $20.8 million surplus as compared to a surplus of $10.4 million for 2011–12, an increase of $10.4 million. Total operating income decreased from $366.2 million (2011–12) to $352.7 million (2012–13), a decrease of $13.5 million (3.7 per cent) due to decreased contributions ($4.6 million), decreased sales of goods and services ($1.7 million) and decreased other income ($7.3 million).

Total transactional expenses for the financial year increased from $342.4 million (2011–12) to $352.7 million (2012–13), an increase of $10.3 million (3.0 per cent) which reflects increased employee expenses of $8.4 million relating primarily to increases provided in the Operational staff Enterprise Agreement and a provision in relation to the Corporate and Technical staff agreement under negotiation and increase in operational staff; offset by a decrease in overtime expense of $4.8 million and other operating expenses increased by $1.5 million.

Included in the comprehensive surplus were net gains pertaining to other economic flows of $0.9 million representing a revaluation loss on financial instruments of ($1.0 million), a loss on disposal of physical assets of ($0.6 million); offset by a revaluation gain of $2.6 million in employee leave provisions caused by changes in long term discount rates that discount future payable leave provisions to net present day value.

Income

Transactional income for the 2012–13 financial year was $352.7 million, a decrease of $13.5 million (3.7 per cent) compared to $366.2 million for the previous financial year. The primary source of income is contributions which decreased by $4.6 million (1.4 per cent) to $309.2 million.

Contributions

The major income source is the total contribution determined by the Minister for Police and Emergency Services under Section 36 of the *Metropolitan Fire Brigades Act* 1958 and subsequently approved by the Governor in Council. Total contributions originate per Section 37 of the *Metropolitan Fire Brigades Act* 1958: one-eighth from the Consolidated Fund; one-eighth from the municipal councils whose districts are within or partly within the metropolitan district; and three-quarters from the insurance companies insuring fire risk against property situated within the metropolitan district.

The statutory contributions for 2012–13 were $302.7 million, a decrease of $2.1 million (2011–12: $304.8 million).

The Net Annual Value of rateable property returned by 25 municipalities in the metropolitan district as at 1 July 2011 was $38.45 billion, an increase of $750 million, or 2 per cent on the prior year.

The contribution by municipalities decreased by 0.93 per cent (2011–12: 6.7 per cent increase). Coupled with the movement in the net annual value of rateable property the resulting payment by municipalities was 9.84 cents for every $100.00 of net annual value, a decrease of 2.86 per cent on the prior year.

The contribution by insurers decreased by 0.93 per cent (2011–12: 6.7 per cent increase). Gross premiums returned by 84 contributing insurance companies for the year ended on 30 June 2012 and on which the provisional contributions for the 2012–13 financial year were assessed, totalled $610.0 million (2011–12: $552.0 million), an increase of $58.0 million (10.5 per cent) on the prior year. The provisional contribution rate for 2012–13 was an average of $37.22 (2011–12: $37.51 – actual rate) for every $100.00 of declared premium, a decrease of 0.8 per cent on the prior year.

Contributions by brokers and owners for 2012–13, which relates to property insured against fire by an insurance company not required to contribute towards the total contributions outlined above (typically an overseas insurance company) under Section 44A of the *Metropolitan Fire Brigades Act* 1958, was $5.40 million as compared to $6.70 million for 2011–12. Income from this source decreased by 19.4 per cent on the prior year as a result of a decrease in contribution rates and policies being placed back into the local insurance market and subsequently covered under insurance companies contributions.

Sales of goods and services

The MFB generates income through a range of fire safety and emergency response related activities including the provision of road accident rescue services, the sale of fire safety services and equipment, commercial training, inspection fees, consultancy fees, uninsured fire fees, hazardous chemical incident fees and avoidable false alarm fees. Sales of goods and services totalled $29.7 million for 2012–13 as compared to $31.3 million in 2011–12 (5.1 per cent decrease) due to reduced false alarm charges and reduced other sales income.

Interest income increased $1.5 million relating to the VFMC Investment Portfolio which is significantly invested in interest related securities. Dividend income decreased from $8.7 million for 2011–12 to $1.7 million due to the changed VFMC investment to a more conservative portfolio with minimal exposure to equities investments. Sundry income decreased by $1.7 million to $5.0 million for 2012–13, the prior year included a fringe benefit tax refund relating to a private ruling of $1.0 million.

Expenses

Transactional expenses for the financial year ended totalled $352.7 million, an increase of $10.3 million (0.3 per cent) on the previous year. The increment reflects increased salaries expense $12.2 million primarily related to the operational staff award and accrued provision in relation to the corporate and technical staff agreement currently under negotiation and an increase in operational staff; decreased overtime costs of $4.8 million and increased defined benefit fund superannuation expense of $1.0 million.

Other operating expenses increased by $1.5 million to $80.5 million due to transfer payments to other state entities for services including emergency communications. These contract services increased by $3.6 million to $18.3 million. After excluding these transfer payments, operating expenditure decreased by $2.1 million.

Balance sheet

Total assets as at 30 June 2013 were $703.1 million as compared to $672.0 million as at 30 June 2012. The prime cause of this movement was the $19.8 million increase in buildings caused by the building revaluations as at 30 June 2013 and increased capital investment in property, plant and equipment of $27.1 million. Additionally, held to maturity deposits at Treasury Corporation Victoria reduced $20 million as funds were utilised for capital projects. The VFMC investment increased by $4.7 million to $109.3 million reflecting interest and dividend reinvestment and fair market revaluation of the portfolio.

Total liabilities as at 30 June 2013 were $126.4 million, an increase of $10.3 million from $116.1 million as at 30 June 2012. Employee benefit provisions increased as a result of award salary increases, a marginal increase in leave entitlement hours and an accrued provision relating to the corporate and technical award under negotiation.

Net assets as at 30 June 2013 were $576.7 million as compared to $555.9 million as at 30 June 2012, an increase of $20.8 million, reflecting the 2012–13 positive comprehensive result of $20.8 million.

Statement of balance sheet ratios

- Proprietary ratio (total equity to total assets). As at 30 June 2013 this ratio was 82 per cent (83 per cent as at 30 June 2012).

- Debt ratio (total liabilities to total assets). As at 30 June 2013 this ratio was 18 per cent (17 per cent as at 30 June 2012).

Introduction of the Fire Services Property Levy

From 1 July 2013, the Fire Services Levy will be removed from insurance premiums and will instead be collected through council rates. The Victorian Government will continue to make a statutory contribution of 12.5 per cent of the MFB budget.

The metropolitan council contributions to the MFB that existed until 1 July 2013 will be abolished and local councils will now be treated like other property owners and contribute to the Fire Services Property Levy, though municipal recreational land has special treatment.

The Victorian Government has announced total output appropriation contributions to the MFB for 2013–14 year of $315.9 million, which includes the State Government contribution of 12.5 per cent.

Schedule of municipalities

For the year ended 30 June 2013

Annual value of rateable property returned by the undermentioned municipalities, which are wholly or partly within the metropolitan district.

Municipalities	Rateable property as at 1 July 2011* $	Contributions for year ended 30 June 2013 $
City of Banyule	1,238,290,175	1,218,450.44
City of Bayside	2,075,757,175	2,042,499.60
City of Boroondara	3,564,505,220	3,507,395.12
City of Brimbank	1,576,196,609	1,550,942.96
City of Darebin	1,718,990,961	1,691,449.48
City of Glen Eira	2,127,498,725	2,093,412.16
City of Greater Dandenong	10,863,850	10,689.80
City of Hobsons Bay	1,150,495,135	1,132,062.04
City of Hume	704,921,150	693,627.00
City of Kingston	1,285,608,000	1,265,010.12
City of Manningham	1,056,444,247	1,039,518.00
City of Maribyrnong	973,610,650	958,011.56
City of Maroondah	905,173,490	890,670.88
City of Melbourne	3,970,131,323	3,906,522.32
City of Monash	2,401,464,540	2,362,988.52
City of Moonee Valley	1,567,615,625	1,542,499.44
City of Moreland	1,876,796,835	1,846,727.00
Shire of Nillumbik	8,586,900	8,449.32
City of Port Phillip	2,286,815,984	2,250,176.88
City of Stonnington	2,760,191,311	2,715,967.84
City of Whitehorse	2,370,750,550	2,332,766.64
City of Whittlesea	809,174,476	796,209.96
City of Wyndham	250,010,280	246,004.64
City of Yarra	1,706,389,812	1,679,050.20
Shire of Yarra Ranges	58,637,577	57,698.08
Totals	**38,454,920,600**	**37,838,800.00**

* For the 2012–13 financial year contributions paid by municipalities were based on rateable property as at 1 July 2011, as these were the latest assessments available in accordance with Section 38 of the *Metropolitan Fire Brigades Act* 1958.

Schedule of insurance companies

Contributing to the Metropolitan Fire and Emergency Services Board (MFB) under Section 40 of the *Metropolitan Fire Brigades Act 1958* for the year ended 30 June 2013.

A.I.S. Insurance Brokers Pty Ltd
ACE Insurance Limited
Aioi Nissay Dowa Insurance Co Limited
AIG Australia Limited
Allianz Australia Insurance Limited
Ansvar Insurance Limited
Aon Risk Services Australia Limited
Arch Underwriting at Lloyd's (Australia)
Arthur J Gallagher (Aust) Pty Ltd
ASR Underwriting Agencies Pty Ltd
AssetInsure Pty Ltd
ATC Insurance Solutions Pty Ltd
Austbrokers Sydney Pty Ltd
Australian Alliance Insurance Company Limited
Australian Associated Motor Insurers Limited
Auto & General Insurance Company Ltd
Axa Corporate Solutions Assurance
Axis Speciality Europe Ltd
Axis Underwriting Services Pty Limited
Berkley Insurance Company
Calliden Agency Services Limited
Calliden Insurance Limited
Catholic Church Insurances Limited
Catlin Australia Pty Ltd
CGU Insurance Limited
Chubb Insurance Company of Australia Limited
Commonwealth Insurance Limited
Cumis Insurance Society, Inc
Defence Service Homes Insurance
Dolphin Insurance Pty Ltd
Elders Insurance Limited
FM Insurance Company Limited
GIO General Limited
Gow-Gates Insurance Brokers Pty Ltd
Great Lakes Australia
Guardian Underwriting Services Pty Ltd
Guild Insurance Limited
H W Wood Australia Pty Ltd
HDI-Gerling Industrie Verischerung AG
Honan Insurance Group
Insurance Australia Limited
Insurance Manufacturers of Australia Pty Limited
International Insurance Company of Hannover Ltd
Jardine Lloyd Thompson Pty Ltd
JMD Ross Insurance Brokers Pty Ltd
JUA Underwriting Agency Pty Limited
Liberty Mutual Insurance Company
Lundie Insurance Brokers Pty Ltd
Manufactured Homes Insurance Agency Ltd
Marsh Pty Ltd
Millenium Underwriting Agencies Pty Ltd
Miramar Underwriting Agency Pty Ltd
Mitsui Sumitomo Insurance Company Ltd
Mutual Community General Insurance Proprietary Limited
Nautilus Marine Insurance Agency Ltd
NIPPONKOA Insurance Company Pty Ltd (The)
OAMPS Insurance Brokers Ltd
OnePath General Insurance Pty Limited
Pacific Underwriting Corporation Pty Ltd
Professional Risk Underwriting Pty Ltd
QBE Insurance (Australia) Limited
QBE Insurance (International) Limited
Savannah Insurance Agency Pty Ltd
Sirius International Insurance Corporation
SLE Worldwide Australia Pty Ltd
Sompo Japan Insurance Inc
Sportscover Australia Pty Ltd
SRS Insurance Group Pty Ltd
Suncorp Metway Insurance Limited
Swiss Re International
Territory Insurance Office
The Hollard Insurance Company Pty Ltd
Tokio Marine & Fire Insurance Company Limited
Trinity Pacific Underwriting Agencies Pty Ltd
TT Club Mutual Insurance Ltd
Vero Insurance Limited
Victorian Managed Insurance Authority
W R Berkley Insurance Australia
Wesfarmers General Insurance Ltd
Westpac General Insurance Limited
Willis Australia Limited
XL Insurance Company Limited
Youi Pty Ltd
Zurich Australian Insurance Limited

Schedule of insurance intermediaries or property owners

Contributing to the MFB under Section 44A of the *Metropolitan Fire Brigades Act 1958* for the year ended 30 June 2013.

Insurance intermediaries who arranged insurance(s) on behalf of property owners

Altiora Insurance Solutions Pty Ltd
Aon Risk Services Australia Ltd
Arthur J Gallagher Australia Pty Ltd
Austbrokers Sydney Pty Ltd
Bovill Risk & Insurance Consultants Pty Ltd
Brokerweb Risk Services (Auckland) Ltd
Consolidated Insurance Agencies Pty Ltd
Crombie Lockwood (NZ) Ltd
Genesis Insurance Brokers Australia
Guardian Underwriting Services Pty Ltd
Industrial & Commercial Insurance Brokers Ltd
Jardine Lloyd Thompson Pty Ltd
K J Risk Group Pty Ltd
MA Risk Solutions Pty Ltd
Marsh Pty Ltd
Midas Insurance Brokers Ltd
Strathearn Insurance Brokers
Tartakover General Insurance Brokers
Terrace Insurance Brokers Pty Ltd
Willis Australia Limited

Property owners who directly lodged returns

Attachmate Australasia Pty Ltd
BMW Australia Finance Ltd
David Cryer Ltd
Overland Group Australia
Ricegrowers Limited
Rosemaur Properties
Shell Company of Australia Ltd (The)
Worth & Douglas Ltd

Summary of municipalities contributions

Financial year of contribution	Determined contribution $	Declared net annual value $	Increase/(decrease) in annual value over prior year $	Contribution per $100 net annual value ¢
2001/2002	18,287,900	13,941,180,073	4,142,191,020	13.1
2002/2003	19,936,325	14,217,881,193	276,701,120	14.0
2003/2004	24,415,753	18,348,861,709	4,130,980,597	13.3
2004/2005	27,115,053	18,744,312,994	395,451,285	14.5
2005/2006	29,383,280	22,991,793,474	4,247,480,480	12.8
2006/2007	30,723,900	23,350,030,146	358,236,672	13.1
2007/2008	31,799,250	24,697,796,344	1,347,766,198	12.9
2008/2009	32,939,510	25,201,985,477	504,189,133	13.1
2009/2010	34,355,910	32,849,889,062	7,647,903,585	10.4
2010/2011	35,797,000	33,490,638,166	640,749,104	10.7
2011/2012	38,195,400	37,698,345,996	4,207,707,830	10.1
2012/2013	37,838,800	38,454,920,600	756,574,604	9.8

Summary of insurance companies contributions

Financial year of contribution	Determined contribution $	Declared premiums $	Increase/(decrease) in declared premiums over prior year $	Average final contribution per $100 premium $
2001/2002	109,727,400	384,591,698	78,924,974	28.531
2002/2003	119,617,950	458,389,640	73,797,942	26.095
2003/2004	146,494,518	471,549,701	13,160,061	31.066
2004/2005	162,690,318	455,468,715	(16,080,986)	35.587
2005/2006	176,299,680	472,153,948	16,685,233	37.339
2006/2007	184,343,400	483,632,143	11,478,195	38.116
2007/2008	190,795,500	468,001,179	(15,630,964)	40.768
2008/2009	197,637,060	501,380,106	33,378,927	39.418
2009/2010	206,135,460	536,653,810	35,273,704	38.411
2010/2011	214,782,000	553,811,317	17,157,507	38.782
2011/2012	229,172,400	610,909,029	57,097,712	37.513
2012/2013	227,032,800	Not Yet Available		

Note: The annual value of rateable property and declared premiums may vary from prior annual reports as the amounts shown may include supplementary adjustments to the declared amounts, allowed by the Metropolitan Fire and Emergency Services Board under S.45 of the Metropolitan Fire Brigades Act 1958.

The final declared premium amount for the financial year ended 30 June 2013 will not be available until October 2013 as a result only provisional contributions have been collected for that financial year.

Pages 38–43 inclusive are not part of the financial statements considered in the Audit opinion issued by the Auditor-General's Office.

COMPREHENSIVE OPERATING STATEMENT
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

	Notes	2013 $000	2012 $000
Income from transactions			
Contributions	2	309,248	313,827
Sales of goods and services	2	29,722	31,386
Other income	2	13,765	21,052
Total income from transactions		**352,735**	**366,265**
Expenses from transactions			
Employee expenses	3, 5	251,185	242,745
Depreciation and amortisation	3, 10, 11	21,005	20,588
Other operating expenses	3	80,526	79,050
Total expenses from transactions		**352,716**	**342,383**
Net result from transactions (net operating balance)		**19**	**23,882**
Other economic flows included in net result			
Net gain/(loss) on non-financial assets	4	(606)	(141)
Net gain/(loss) on financial instruments	4	(1,030)	(4,488)
Net gain/(loss) from revaluation of employee leave liabilities	4	2,620	(8,815)
Total other economic flows included in net result		**984**	**(13,444)**
Net result	5, 20	**1,003**	**10,438**
Other economic flows – other comprehensive income			
Items that will not be reclassified to net result			
Changes in physical asset revaluation surplus	19	19,826	–
Total other economic flows – other comprehensive income			
Comprehensive result		**20,829**	**10,438**

The comprehensive operating statement should be read in conjunction with the notes to the financial statements included on pages 48 to 91.

BALANCE SHEET AS AT 30 JUNE 2013

	Notes	2013 $000	2012 $000
ASSETS			
Financial assets			
Cash and deposits	12, 22	9,431	16,966
Receivables	6, 12	9,785	7,065
Investment financial assets	12	159,275	174,624
Total financial assets		**178,491**	**198,655**
Non-financial assets			
Inventories	7	1,007	966
Physical assets classified as held for sale	8	3,180	–
Other non-financial assets	9	1,709	1,844
Property, plant and equipment	10	507,576	460,569
Intangible assets	11	11,150	9,978
Total non-financial assets		**524,622**	**473,357**
Total assets		**703,113**	**672,012**
LIABILITIES			
Financial liabilities			
Payables	12, 13	20,254	15,567
Total financial liabilities		**20,254**	**15,567**
Non-financial liabilities			
Provisions	5, 14, 14a	104,020	98,142
Other liabilities	15	2,140	2,433
Total non-financial liabilities		**106,160**	**100,575**
Total liabilities		**126,414**	**116,142**
Net assets		**576,699**	**555,870**
EQUITY			
Accumulated surplus/(deficit)	5, 20	232,234	231,231
Physical asset revaluation surplus	19	222,688	202,862
Contributed capital	21	121,777	121,777
Net worth		**576,699**	**555,870**
Commitments for expenditure	17		
Contingent assets and contingent liabilities	18		

The balance sheet should be read in conjunction with the accompanying notes included on pages 48 to 91.

STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

	Notes	Physical Asset Revauation Surplus $000	Accumulated Surplus $000	Contributions by Owner $000	Total $000
Balance at 1 July 2011	5	**202,862**	**220,793**	**121,059**	**544,714**
Net result for the year		–	10,438	–	10,438
Other comprehensive income for the year		–	–	–	–
Capital appropriation		–	–	718	718
Balance at 30 June 2012		**202,862**	**231,231**	**121,777**	**555,870**
Net result for the year		–	1,003	–	1,003
Other comprehensive income for the year		19,826	–	–	19,826
Capital appropriation		–	–	–	–
Balance at 30 June 2013		**222,688**	**232,234**	**121,777**	**576,699**

The statement of changes in equity should be read in conjunction with the notes to the financial statements included on pages 48 to 91.

CASH FLOW STATEMENT
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

	Notes	2013 $000	2012 $000
Cash flows from operating activities			
Receipts			
Receipts from Government		37,839	37,478
Receipts from other entities		305,622	317,213
Interest received		7,611	5,288
Dividends received		1,662	8,758
Goods and services tax recovered from the ATO (i)		10,092	9,041
Total receipts		**362,826**	**377,778**
Payments			
Payments to suppliers and employees including legislative and tax		(340,349)	(324,204)
Total payments		**(340,349)**	**(324,204)**
Net cash flows from/(used in) operating activities	22	**22,477**	**53,574**
Cash flows from investing activities			
Payments for investments		(38,054)	(96,095)
Proceeds from sale of investments		52,789	66,692
Purchases of non-financial assets		(45,575)	(24,196)
Sales of non-financial assets		828	918
Net cash flows from/(used in) investing activities		**(30,012)**	**(52,681)**
Cash flows from financing activities			
Owner contributions by State Government		–	718
Net cash flows from/(used in) financing activities		**–**	**718**
Net (decrease)/increase in cash and cash equivalents		(7,535)	1,610
Cash and cash equivalents at beginning of financial year		16,966	15,356
Cash and cash equivalents at end of financial year	22	**9,431**	**16,966**

(i) Goods and Services Tax received from the ATO is presented on a net basis.

The cash flow statement should be read in conjunction with the notes to the financial statements included on pages 48 to 91.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

Notes to the financial statements

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

1. Summary of significant accounting policies

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

(A) Statement of compliance

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

Where appropriate, those AAS paragraphs applicable to not-for-profit entities have been applied.

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

To gain a better understanding of the terminology used in this report, a glossary of terms can be found in Note 29.

These annual financial statements were authorised for issue by the Board on 13 August 2013.

(B) Basis of accounting preparation and measurement

The accrual basis of accounting has been applied in the preparation of these financial statements whereby assets, liabilities, equity, income and expenses are recognised in the reporting period to which they relate, regardless of when cash is received or paid.

Judgements, estimates and assumptions are required to be made about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on professional judgements derived from historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

Revisions to accounting estimates are recognised in the period in which the estimate is revised and also in future periods that are affected by the revision. Judgements and assumptions made by management in the application of AASs that have significant effects on the financial statements and estimates which relate to:

- the fair value of land, buildings, infrastructure, plant and equipment (refer to Note 1(J));
- superannuation expense (refer to Note 1(F)); and
- assumptions for employee benefit provisions based on likely tenure of existing staff, patterns of leave claims, future salary movements and future discount rates (refer to Note 1(K)).

These financial statements are presented in Australian dollars, and prepared in accordance with the historical cost convention except for:

- non-financial physical assets which, subsequent to acquisition, are measured at a revalued amount being their fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent impairment losses. Revaluations are made with sufficient regularity to ensure that the carrying amounts do not materially differ from their fair value;
- the fair value of an asset other than land is generally based on its depreciated replacement value;
- derivative financial instruments, managed investment schemes, certain debt securities and investment properties after initial recognition, which are measured at fair value with changes reflected in the comprehensive operating statement (fair value through profit and loss); and
- certain liabilities that are calculated with regard to actuarial assessments.

(C) Reporting entity

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

Its principal address is:
456 Albert Street
East Melbourne VIC 3002

The financial statements include all the controlled activities of the MFB.

Objectives and funding

The organisation provides comprehensive fire, rescue and emergency response services to almost four million residents within the metropolitan district with the key objective to reduce the incidence and impact of fire and other emergencies on the community.

Prior to 1 July 2013, the MFB was significantly funded through contributions from insurance companies, municipal councils and the State Government. From 1 July 2013, the Fire Services Levy will be removed from insurance premiums and will instead be collected through council rates.

The Victorian Government will continue to make a statutory contribution of 12.5 per cent of the MFB budget. Additionally, metropolitan council contributions to the MFB that existed until 1 July 2013 will be abolished and local councils will now be treated like other property owners and contribute to the Fire Services Property Levy.

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

(D) Scope and presentation of financial statements

Comprehensive operating statement

Income and expenses in the comprehensive operating statement are classified according to whether or not they arise from 'transactions' or other economic flows. This classification is consistent with the whole of government reporting format and is allowed under AASB 101 *Presentation of Financial Statements*.

'Transactions' and other economic flows are defined by the *Australian System of Government Finance Statistics: Concepts, Sources and Methods 2005* (ABS Catalogue No. 5514.0) (the GFS Manual) (refer to Note 29).

'Transactions' are those economic flows that are considered to arise as a result of policy decisions, usually interactions between two entities by mutual agreement. Transactions also include flows in an entity, such as depreciation where the owner is simultaneously acting as the owner of the depreciating asset and as the consumer of the service provided by the asset. 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.

Other economic flows are changes in the volume or changes arising from market re-measurements. They include:

- gains and losses from disposals, revaluations and impairments of non-financial physical and intangible assets;
- actuarial gains and losses arising from defined benefit superannuation plans; and
- fair value changes of financial instruments.

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

Balance sheet

Assets and liabilities are presented in liquidity order with assets aggregated into financial assets and non-financial assets.

Current and non-current assets and liabilities (non-current being those assets or liabilities expected to be recovered or settled more than 12 months after the reporting period) are disclosed in the notes, where relevant.

Cash flow statement

Cash flows are classified according to whether or not they arise from operating, investing or financing activities. This classification is consistent with requirements under AASB 107 *Statement of Cash Flows*.

Statement of changes in equity

The statement of changes in equity presents reconciliations of each non-owner and owner equity opening balance at the beginning of the reporting period to the closing balance at the end of the reporting period. It also shows separately changes due to amounts recognised in the 'Comprehensive result' and amounts recognised in 'Other economic flows – other movements in equity' related to 'Transactions with owner in its capacity as owner'.

Rounding

Amounts in the financial statements (including the notes) have been rounded to the nearest thousand dollars, unless otherwise stated. Figures in the financial statements may not equate due to rounding.

(E) Income from transactions

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

Income recognition

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

Contributions

(i) Contributions

Statutory contributions are determined for each financial year under Section 37 of the *Metropolitan Fire Brigades Act 1958* and comprise one-eighth from the State Government, one-eighth from the municipal councils whose districts are within, or partly within, the metropolitan district and three-quarters from insurance companies insuring fire risk against property situated within the metropolitan district. Contributions income is recognised in the financial year to which the determination under Section 37 applies.

Effective 1 July 2013, the Fire Services Levy is removed from insurance premiums and is instead collected through council rates, also metropolitan councils will now be treated like other property owners and contribute to the Fire Services Property Levy like other property owners; the State government will continue to make a statutory contribution (refer to Note 28).

Sale of goods and services

(ii) Income from the supply of services

Income from the supply of services is recognised by reference to the stage of completion of the services being performed. The income is recognised when:

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

Under the stage of completion method, income is recognised by reference to labour hours supplied or to labour hours supplied as a percentage of total services to be performed in each annual reporting period.

Income from sale of goods

Income from the sale of goods is recognised when:

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

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

Other income

(iii) Dividend income

Dividend income is recognised when the right to receive payment is established.

(iv) Interest income

Interest includes interest received on deposits and other investments and the unwinding over time of the discount on financial assets. Interest income is recognised using the effective interest method which allocates the interest over the relevant period.

Net realised and unrealised gains and losses on the revaluation of investments do not form part of income from transactions, but are reported either as part of income from other economic flows in the net result or as unrealised gains or losses taken directly to equity, forming part of the total change in net worth in the comprehensive result.

(v) Sale of real property – land and buildings

The gross proceeds from the sale of real property are classified as income at the date control of the asset passes to the buyer, usually when an unconditional contract of sale is signed. The depreciated cost of the asset is classified as an expense.

(vi) Sale of plant and equipment

The gross proceeds of plant and equipment sales are included as income at the date control of the asset passes to the buyer, usually when an unconditional contract of sale is signed.

The gain or loss on disposal is calculated as the difference between the carrying amount of the asset at the time of disposal and net proceeds on disposal.

(F) Expenses from transactions

Expenses are recognised as they are incurred, and reported in the financial year to which they relate.

Employee expenses

Employee benefits expenses include all costs related to employment including wages and salaries, leave entitlements, redundancy payments, WorkCover premiums and superannuation contributions.

Employee expenses include superannuation expenses which are reported differently depending upon whether employees are members of defined benefit or defined contribution plans. In relation to defined contribution (i.e. accumulation) superannuation plans, the associated expense is simply the employer contributions that are paid or payable in respect of employees who are members of these plans during the reporting period. Employer superannuation expenses in relation to employees who are members of defined benefit superannuation plans are described below.

Superannuation – Emergency Services and State Superannuation defined benefit plans

The amount recognised in the comprehensive operating statement in relation to employer contributions for members of the defined benefit superannuation plans is simply the employer contributions that are paid or payable to these plans during the reporting period.

The Department of Treasury and Finance (DTF) in their annual financial statements disclose on behalf of the state as the sponsoring employer, the net defined benefit cost related to the members of these plans as an administered liability. Refer to DTF's annual financial statements for more detailed disclosures in relation to these plans.

Depreciation and amortisation

All buildings, plant and equipment and other non-financial physical assets (excluding items under operating leases, assets held for sale, land and investment properties) that have finite useful lives are depreciated. Depreciation is generally calculated on a straight-line basis, at rates that allocate the asset's value, less any estimated residual value, over its estimated useful life.

Leasehold improvements are depreciated over the period of the lease or estimated useful life, whichever is the shorter, using the straight line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period and adjustments made where appropriate.

The following estimated useful lives are used in the calculation of depreciation for the current and prior year:

	2013
Buildings	40 years
Plant and equipment	3 – 15 years

Land has an indefinite life and is not depreciated. Depreciation is not recognised in respect of this asset as its service potential has not, in any material sense, been consumed during the reporting period.

Intangible produced assets with finite useful lives are amortised as an expense from transactions on a straight-line basis over the asset's useful life. Amortisation begins when the asset is available for use, that is, when it is in the location and condition necessary for it to be capable of operating in the manner intended by management.

The average lives and remaining lives on intangible assets are:

		2013	2012
	Average life	Remaining life	Remaining life
Optic fibre licence agreements:	15 years	7 years	8 years
Software:	5–7 years	1–6 years	1–7 years

On the other hand, the consumption of intangible non-produced assets with finite useful lives is not classified as a transaction, but as amortisation. Consequently, the amortisation is included as an other economic flow in the net result. The intangible assets held at period close are classified as produced assets, accordingly the amortisation is classified as a transaction.

Intangible assets with indefinite useful lives are not amortised, but are tested annually for impairment.

Other operating expenses

Other operating expenses generally represent the day to day running costs incurred in normal operations and include:

(i) Supplies and services

Supplies and services costs which are recognised as an expense in the reporting period in which they are incurred. The carrying amounts of any inventories held for distribution are expensed when distributed.

(ii) Bad and doubtful debts

Refer to Note 1(l) *Impairment of financial assets.*

(iii) Maintenance and repairs

Major plant and equipment is required to be serviced on a regular basis. This is managed as part of an ongoing major cyclical maintenance program. Maintenance costs are charged as expenses as incurred, except where they relate to the replacement of a major component of an asset, in which case the costs are capitalised and depreciated. Other routine operating maintenance, repair costs and minor plant renewals are also charged as expenses as incurred.

(G) Other economic flows included in the net result

Other economic flows measure the change in volume or value of assets or liabilities that do not result from transactions.

Net gain/(loss) on non-financial assets

Net gain/(loss) on non-financial assets and liabilities includes realised and unrealised gains and losses as follows:

Revaluation gains/(losses) of non-financial physical assets

Refer to Note 1(J) *Revaluations of non-financial physical assets*.

Disposal of non-financial assets

Any gain or loss on the disposal of non-financial assets is recognised at the date of disposal and is determined after deducting from the proceeds the carrying value of the asset at that time.

Impairment of non-financial assets

Intangible assets with indefinite useful lives (and intangible assets not yet available for use) are tested annually for impairment (as described below) and whenever there is an indication that the asset may be impaired.

All other assets are assessed annually for indications of impairment, except for:

- inventories (refer Note 1(J));
- non-financial physical assets held for sale (refer Note 1(J)); and
- financial assets (refer Note 1(I)).

If there is an indication of impairment, the assets concerned are tested as to whether their carrying value exceeds their recoverable amount. Where an asset's carrying value exceeds its recoverable amount, the difference is written off as an other economic flow, except to the extent that the write-down can be debited to an asset revaluation surplus amount applicable to that class of asset.

If there is an indication that there has been a change in the estimate of an asset's recoverable amount since the last impairment loss was recognised, the carrying amount shall be increased to its recoverable amount. This reversal of the impairment loss occurs only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised in prior years.

It is deemed that, in the event of the loss or destruction of an asset, the future economic benefits arising from the use of the asset will be replaced unless a specific decision to the contrary has been made. The recoverable amount for most assets is measured at the higher of depreciated replacement cost and fair value less costs to sell. Recoverable amount for assets held primarily to generate net cash inflows is measured at the higher of the present value of future cash flows expected to be obtained from the asset and fair value less costs to sell.

Net gain/(loss) on financial instruments

Net gain/(loss) on financial instruments includes:

- realised and unrealised gains and losses from revaluations of financial instruments at fair value;
- impairment and reversal of impairment for financial instruments at amortised cost; (refer Note 1(H)); and
- disposal of financial assets and derecognition of financial liabilities.

Revaluations of financial instruments at fair value

Refer to Note 1(H) *Financial Instruments*.

Other gains/(losses) from other economic flows

Other gains/(losses) from other economic flows include the gains or losses from:

- the revaluation of the present value of the leave liability due to changes in the bond interest rates; and
- transfer of amounts from the reserves to accumulated surplus or net result due to disposal or de-recognition or reclassification.

(H) Financial Instruments

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

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

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

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

The following refers to financial instruments unless otherwise stated.

Loans and receivables

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

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

Held-to-maturity financial assets

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

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

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

Financial assets and liabilities at fair value through profit or loss

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

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

The MFB uses Victorian Funds Management Corporation (VFMC) as the finance manager of its investment portfolio. VFMC adopts a centralised asset management approach to develop individual investment strategies to maximise the probability of meeting the MFB's individual risk profile and investment objectives.

Financial liabilities at amortised cost

Financial instrument liabilities are initially recognised on the date they are originated. They are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial instruments are measured at amortised cost with any difference between the initial recognised amount and the redemption value being recognised in profit and loss over the period of the interest-bearing liability using the effective interest rate method (refer to Note 29).

Financial instrument liabilities measured at amortised cost include all of the MFB contractual payables, deposits held and advances received and interest-bearing arrangements other than those designated at fair value through profit or loss.

Offsetting financial instruments

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

ASSETS

(I) Financial assets

Cash and deposits

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

Receivables

Receivables consist of:

- contractual receivables, such as debtors in relation to goods and services and accrued investment income; and
- statutory receivables, such as amounts owing from the Victorian Government and Goods and Services Tax (GST) input tax credits recoverable.

Contractual receivables are classified as financial instruments and categorised as loans and receivables (refer to Note 1(H) *Financial Instruments* for recognition and measurement). Statutory receivables are recognised and measured similarly to contractual receivables (except for impairment), but are not classified as financial instruments because they do not arise from a contract.

Receivables are recognised initially at fair value and subsequently measured at amortised cost, using the effective interest method, less an allowance for impairment.

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

Investment financial assets

Investments are classified in the following categories:

- financial assets at fair value through profit or loss,
- loans and receivables, and
- held-to-maturity.

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

Any dividend or interest earned on the financial asset is recognised in the comprehensive operating statement as a transaction.

Impairment of financial assets

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

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

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

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

(J) Non-Financial Assets

Inventories

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

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

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

Non-financial physical assets classified as held for sale

Non-financial physical assets are treated as current and classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use.

This condition is regarded as met only when:

- the asset is available for immediate use in the current condition; and
- the sale is highly probable and the asset's sale is expected to be completed in 12 months from the date of classification.

These non-financial physical assets, related liabilities and financial assets are measured at the lower of carrying amount and fair value less costs to sell, and are not subject to depreciation or amortisation.

Property, plant and equipment

All non-financial physical assets are measured initially at cost and subsequently revalued at fair value less accumulated depreciation and impairment.

Where an asset is received for no or nominal cost, the cost is its fair value at the date of acquisition.

The fair value of 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.

For the accounting policy on impairment of non-financial physical assets, refer to impairment of non-financial assets under Note 1(G) *Impairment of non-financial assets*.

Leasehold improvements

The cost of leasehold improvements is capitalised as an asset and depreciated over the shorter of the remaining term of the lease or the estimated useful life of the improvements.

Revaluations of non-financial physical assets

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

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

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

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

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

Intangible assets

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

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

Other non-financial assets

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

(K) Liabilities

Payables

Payables consist of:

- contractual payables, such as accounts payable. Accounts payable represent liabilities for goods and services provided to the MFB prior to the end of the financial year that are unpaid and arise when the MFB becomes obliged to make future payments in respect of the purchase of those goods and services; and
- statutory payables, such as goods and services tax and fringe benefits tax payables.

Contractual payables are classified as financial instruments and categorised as financial liabilities at amortised cost (refer Note 1(H)). Statutory payables are recognised and measured similarly to contractual payables, but are not classified as financial instruments and not included in the category of financial liabilities at amortised cost, because they do not arise from a contract.

Other liabilities

At reporting date, other liabilities pertain to income received in advance for prepaid future access by the Country Fire Authority (CFA) to the MFB's optical fibre communications network.

Provisions

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

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

Employee benefits

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

(i) Wages and salaries and annual leave

Liabilities for wages and salaries and annual leave are recognised in the provision for employee benefits, classified as current liabilities. Those liabilities which are expected to be settled within 12 months of the reporting period are measured at their nominal values.

Those liabilities that are not expected to be settled within 12 months are also recognised in the provision for employee benefits as current liabilities, but are measured at present value of the amounts expected to be paid when the liabilities are settled using the remuneration rate expected to apply at the time of settlement.

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

(ii) Long service leave

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

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

The components of the current LSL liability are measured at:

- nominal value – component that the MFB expects to settle within 12 months; and
- present value – component that the MFB does not expect to settle within 12 months.

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

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

(iii) Termination benefits

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

(iv) Bonus plans

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

- there are formal terms for determining the amount of the benefit;
- the amounts to be paid are determined before the time of completion of the financial statements; or
- past practice provides clear evidence of the amount of the obligation.

Liabilities for bonus plans are expected to be settled within 12 months and are measured at the amount expected to be paid when they are settled.

Employee benefits on-costs

Employee benefits on-costs such as payroll tax, workers compensation and superannuation are recognised separately from the provision for employee benefits.

Employee benefit provisions

Employee benefit provisions expected to be settled beyond 12 months have been apportioned on the basis of expected settlement periods in the future and adjusted to account for wage increases and discounted to present value. The average wage inflation factor applied on annual leave is 4.5 per cent (2012: 4.3 per cent) and 4.5 per cent on long service leave which also covers seniority, promotion and other relevant factors (2012: 4.3 per cent). The average end of year discount rate applied was 3.79 per cent (2012: 3.058 per cent). Discount rates are supplied by the Department of Treasury and Finance. Long service leave has been applied over 13 years when calculating the present value, as this reflects the current circumstances of 9.00 per cent of leave taken per annum.

(L) Leases

Operating leases

Operating lease payments, including any contingent rentals, are recognised as an expense in the comprehensive operating statement on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern of the benefits derived from the use of the leased asset. The leased asset is not recognised in the balance sheet.

All incentives for the agreement of a new or renewed operating lease are recognised as an integral part of the net consideration agreed for the use of the leased asset, irrespective of the incentive's nature or form or the timing of payments.

In the event that lease incentives are received to enter into operating leases, the aggregate cost of incentives are recognised as a reduction of rental expense over the lease term on a straight-line basis, unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

(M) Equity

Contributions by owner

Additions to net assets which have been designated as contributions by owners are recognised as contributed capital. Other transfers that are in the nature of contributions or distributions have also been designated as contributions by owners.

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

(N) Commitments

Commitments for future expenditure include operating and capital commitments arising from contracts. These commitments are disclosed by way of a note (refer to Note 17 *Commitments for expenditure*) at their nominal value and inclusive of the GST payable. These future expenditures cease to be disclosed as commitments once the related liabilities are recognised in the balance sheet.

(O) Contingent assets and contingent liabilities

Contingent assets and contingent liabilities are not recognised in the balance sheet, but are disclosed by way of a note (refer to Note 18 *Contingent assets and contingent liabilities*) and, if quantifiable, are measured at nominal value. Contingent assets and liabilities are presented inclusive of GST receivable or payable respectively.

(P) Accounting for the goods and services tax (GST)

Income, expenses and assets are recognised net of the amount of associated GST, except where GST incurred is not recoverable from the taxation authority. In this case, the GST payable is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the balance sheet.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flow.

Commitments and contingent assets and liabilities are also stated inclusive of GST (refer to Note 1(N) and Note 1(O)).

(Q) Events after reporting date

Assets, liabilities, income or expenses arise from past transactions or other past events. Where the transactions result from an agreement between the MFB and other parties, the transactions are only recognised when the agreement is irrevocable at or before the end of the reporting period. Adjustments are made to amounts recognised in the financial statements for events which occur after the reporting period and before the date the financial statements are authorised for issue, where those events provide information about conditions which existed in the reporting period. Note disclosure is made about events between the reporting period and the date the financial statements are authorised for issue where the events relate conditions which arose after the end of the reporting period and which may have a material impact on the results of subsequent years.

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

Certain new AASs have been published that are not mandatory for the 30 June 2013 reporting period. The Department of Treasury and Finance assesses the impact of these new standards and advises the MFB of their applicability and early adoption where applicable.

As at 30 June 2013, the following standards and interpretations that are applicable to the MFB had been issued but are not mandatory for the financial year ending 30 June 2013. Standards and Interpretations that are not applicable to the MFB have been omitted. The MFB has not early adopted these standards:

Standard / Interpretation	Summary	Applicable for annual reporting periods	Impact on MFB financial statements
AASB 9 *Financial instruments*	This Standard simplifies requirements for the classification and measurement of financial assets resulting from Phase 1 of the IASB's project to replace IAS 39 *Financial Instruments: Recognition and Measurement (AASB 139 Financial Instruments: Recognition and Measurement).*	1 Jan 2015	Subject to AASB's further modifications to AASB 9, together with the anticipated changes resulting from the staged projects on impairments and hedge accounting, details of impacts will be assessed. Impact will be minimal.
AASB 10 *Consolidated Financial Statements*	This Standard forms the basis for determining which entities should be consolidated into an entity's financial statements. AASB 10 defines 'control' as requiring exposure or rights to variable returns and the ability to affect those returns through power over an investee, which may broaden the concept of control for public sector entities. The AASB has issued an exposure draft ED 238 *Consolidated Financial Statements – Australian Implementation Guidance for Not-for-Profit Entities* that explains and illustrates how the principles in the Standard apply from the perspective of not-for-profit entities in the private and public sectors.	1 Jan 2014	Not-for-profit entities are not permitted to apply this Standard prior to the mandatory application date. Subject to AASB's final deliberations on ED 238 and any modifications made to AASB 10 for not-for-profit entities, the MFB will consider the nature of its relationships with its entities A review undertaken deemed this will have no impact on MFB.

Standard / Interpretation	Summary	Applicable for annual reporting periods	Impact on MFB financial statements
AASB 11 *Joint Arrangements*	This Standard deals with the concept of joint control, and sets out a new principles-based approach for determining the type of joint arrangement that exists and the corresponding accounting treatment. The new categories of joint arrangements under AASB 11 are more aligned to the actual rights and obligations of the parties to the arrangement.	1 Jan 2014	Not-for-profit entities are not permitted to apply this Standard prior to the mandatory application date. Subject to AASB's final deliberations and any modifications made to AASB 11 for not-for-profit entities, the MFB will need to assess the nature of any arrangements with other entities in determining whether a joint arrangement exists in light of AASB 11. This will have little or no impact on the MFB.
AASB 12 *Disclosure of Interests in Other Entities*	This Standard requires disclosure of information that enables users of financial statements to evaluate the nature of, and risks associated with, interests in other entities and the effects of those interests on the financial statements. This Standard replaces the disclosure requirements of AASB 127 *Separate Financial Statements and* AASB 131 *Interests in Joint Ventures*. The exposure draft ED 238 proposes to add some implementation guidance to AASB 12, explaining and illustrating the definition of a 'structured entity' from a not-for-profit perspective.	1 Jan 2014	Not-for-profit entities are not permitted to apply this Standard prior to the mandatory application date. Impacts on the volume and nature of the disclosures will be assessed based on the eventual implications arising from AASB 10, AASB 11 and AASB 128 Investments in Associates and Joint Ventures. This will have little or no impact on the MFB.
AASB 13 *Fair Value Measurement*	This Standard outlines the requirements for measuring the fair value of assets and liabilities and replaces the existing fair value definition and guidance in other Australian accounting standards. AASB 13 includes a 'fair value hierarchy' which ranks the valuation technique inputs into three levels using unadjusted quoted prices in active markets for identical assets or liabilities; other observable inputs; and unobservable inputs.	1 Jan 2013	Disclosure for fair value measurements using unobservable inputs are relatively onerous compared to disclosure for fair value measurements using observable inputs. Consequently, the Standard may increase the disclosures for the MFB which has assets measured using depreciated replacement cost.

Standard / Interpretation	Summary	Applicable for annual reporting periods	Impact on MFB financial statements
AASB 119 *Employee Benefits*	In this revised Standard for defined benefit superannuation plans, there is a change to the methodology in the calculation of superannuation expenses, in particular there is now a change in the split between superannuation interest expense (classified as transactions) and actuarial gains and losses (classified as 'Other economic flows – other movements in equity') reported on the comprehensive operating statement.	1 Jan 2013	Not-for-profit entities are not permitted to apply this Standard prior to the mandatory application date. Pending further review, this will have minimal impact on the MFB as the defined benefit plan, including interest and actuarial movements are administered items and contractual obligations of the Department of Treasury and Finance and are recorded in their financial statements.
AASB 127 *Separate Financial Statements*	This revised Standard prescribes the accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements.	1 Jan 2014	Not-for-profit entities are not permitted to apply this Standard prior to the mandatory application date. The AASB is assessing the applicability of principles in AASB 127 in a not-for-profit context. As such, the impact will be assessed after the AASB's deliberation.
AASB 128 *Investments in Associates and Joint Ventures*	This revised Standard sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures.	1 Jan 2014	Not-for-profit entities are not permitted to apply this Standard prior to the mandatory application date. The AASB is assessing the applicability of principles in AASB 128 in a not-for-profit context. As such, the impact will be assessed after the AASB's deliberation. This will have little or no impact on the MFB.
AASB 1053 *Application of Tiers of Australian Accounting Standards*	This Standard establishes a differential financial reporting framework consisting of two tiers of reporting requirements for preparing general purpose financial statements.	1 July 2013	The Victorian Government is currently considering the impacts of Reduced Disclosure Requirements (RDRs) for certain public sector entities and has not decided if RDRs will be implemented in the Victorian public sector.

2. Income from transactions

	2013 $000	2012 $000
(a) Contributions		
Insurance companies	227,033	229,172
Municipalities	37,839	38,195
Department of Justice	37,839	37,477
Brokers and owners	5,399	6,703
Commonwealth Government	1,138	2,280
Total contributions	**309,248**	**313,827**
(b) Sales of goods and services		
False alarm charges	5,669	6,695
Fire suppression equipment sales and servicing	16,869	16,646
Other sales	7,184	8,045
Total sales of goods and services	**29,722**	**31,386**
Other Income		
(c) Interest		
Interest – bank deposits	571	861
Interest – held to maturity investments	2,952	4,115
Interest – held for trading investments	3,603	646
Total interest	**7,126**	**5,622**
(d) Dividends		
Dividends – held for trading investments	1,662	8,759
Total dividends	**1,662**	**8,759**
(e) Income – sundry		
Workers' compensation recovered	1,996	2,292
Property rental	472	701
Contribution penalties	830	820
Other	1,679	2,858
Total income – sundry	**4,977**	**6,671**
Total other income	**13,765**	**21,052**
Total income from transactions	**352,735**	**366,265**

	2013 $000	2012 $000
3. Expenses from transactions		
(a) Employee expenses		
Salaries	191,512	179,281
Overtime	15,167	19,937
Movement in employee benefit provisions (excluding impact of present value discount rate changes)	6,124	6,349
Superannuation – defined benefit fund	15,925	14,944
Superannuation – defined contribution fund	1,223	1,193
Payroll tax	10,977	10,603
Workers' compensation	9,099	9,450
Fringe benefits tax	1,158	988
Total employee expenses	**251,185**	**242,745**
(b) Depreciation and amortisation		
Buildings	7,918	8,110
Plant and equipment	11,211	10,699
Amortisation of intangible assets	1,876	1,779
Total depreciation and amortisation	**21,005**	**20,588**
(c) Other operating expenses		
Contract services – other	16,139	16,032
Contract services – government	18,304	14,655
Property utilities, rates and maintenance	7,465	8,149
Supplies and consumables	4,318	4,641
Motor vehicle maintenance and fuel	4,020	4,085
Plant and equipment maintenance	5,369	5,796
Information technology	3,811	4,488
Uniforms	3,824	3,567
Travel	2,930	3,286
Training and development	3,384	3,956
Communications	1,895	1,831
Legal	3,957	3,130
Insurance	1,054	935
Advertising and promotion	122	143
Internal audit and compliance audits	381	466
Consultants	95	107
Property lease	1,024	1,116
Cost of goods sold	536	498
Other	1,898	2,169
Total other operating expenses	**80,526**	**79,050**
Total expenses from transactions	**352,716**	**342,383**

	2013 $000	2012 $000
4. Other economic flows included in net result		
(a) Net gain/(loss) on non-financial assets		
Impairment of property	(355)	–
Net (loss) on disposal of property, plant and equipment	(251)	(141)
Total net (loss) on non-financial assets	**(606)**	**(141)**
(b) Net gain/(loss) on financial instruments		
Net (loss)/gain on disposal of financial investments	(382)	2,072
Net (loss) arising from revaluation of financial assets at fair value – market risk*	(232)	(6,445)
Net (increase)/decrease in Receivables Doubtful Debt provision	(416)	(115)
Total net (loss) on financial instruments	**(1,030)**	**(4,488)**
** for financial asset and liabilities that are held for trading or designated at fair value through profit or loss, the net gain or loss is calculated by taking the movement for the period in the fair value of the financial asset or liability.*		
(c) Other gains/(losses) from other economic flows		
Net gain/(loss) arising from revaluation of leave liabilities	2,620	(8,815)
Total other gains/(losses) from other economic flows	**2,620**	**(8,815)**
Total other economic flows included in net result	**984**	**(13,444)**

5. Correction of error

In previous annual financial statements, the MFB accounted for a portion of accumulated sick leave balances at period end as an employee benefit provision and the movements in the provision were expensed in the comprehensive operating statement to employee expenses. This provision reflected the amount the MFB estimated to pay in future periods relating to accumulated unused sick leave at period end.

Our review of AASB 119 *Employee Benefits* has determined this approach was incorrect; subsequently this prior period error has been adjusted back. The adjustments reflected in these accounts are:

- reduction to employee expenses in June 2012 period and subsequent increase in Net Result of $790,000;
- restatement of June 2011 opening balance of non-financial provisions (decrease) and Equity: Accumulated Surplus (increase) of $4,528,000 to reflect derecognition of the balance of sick leave provision as at 30 June 2011; and
- restatement of June 2012 opening balances of non-financial provisions (decrease) and Equity: Accumulated Surplus (increase) of $5,318,000 to reflect derecognition of the sick leave provision.

Tabular representation of the correction:

Account	2012 Published accounts $000	Correction amount $000	Restated 2012 balance $000
Employee expenses	242,353	(790)	241,563
Net result	9,648	790	10,438
Comprehensive result	9,648	790	10,438
Non-financial provisions	103,460	(5,318)	98,142
Accumulated surplus	225,913	5,318	231,231

	2013 $000	2012 $000

6. Receivables

Current receivables

	2013 $000	2012 $000
Contractual:		
Sales of goods and services	3,786	4,897
Other receivables	414	882
	4,200	**5,779**
Statutory:		
Sales of goods and services	4,490	1,321
GST Input tax credit recoverable	1,856	409
Provision for doubtful statutory receivables	(761)	(444)
	5,585	**1,286**
Total	**9,785**	**7,065**

The MFB allows 14 day credit terms on contribution receivables and 30 day credit terms on other receivables and actively pursues accounts that fall past due. Interest is charged on overdue contribution receivables in accordance with the *Metropolitan Fire Brigades Act 1958* and interest is not charged on overdue other receivables.

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

Ageing analysis of contractual financial assets

	Carrying amount $000	Not past due and not impaired $000	Past due but not impaired Less than 1 month $000	1 – 3 months $000	3 months – 1 year $000
2013					
Receivables (i)	4,200	2,476	600	603	521
Total	**4,200**	**2,476**	**600**	**603**	**521**
2012					
Receivables (i)	5,779	4,148	1,378	189	64
Total	**5,779**	**4,148**	**1,378**	**189**	**64**

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

	2013 $000	2012 $000
6. Receivables (continued)		
Movement in the provision for doubtful statutory financial assets:		
Balance at beginning of the year	**444**	**414**
Amounts written off during the year	(99)	(101)
Amounts recovered during the year	–	16
Increase in allowance recognised in the net result	416	115
Balance at the end of the year	**761**	**444**

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

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

During the financial year, receivables deemed uncollectable and written-off totalled $99,000 (2012: $101,000).

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

	2013 $000	2012 $000
7. Inventories		
Current – inventories		
Supplies, spare parts and security spares	1,314	1,324
Less: allowance for obsolescence	(307)	(358)
Total	**1,007**	**966**
8. Physical assets classified as held for sale		
Non-current assets:		
Freehold land and buildings held for sale (i)	3,180	–
Total physical assets classified as held for sale	**3,180**	**–**
(i) The MFB intends to dispose of freehold land and buildings and has a definite plan to dispose in the next financial year. The land and buildings were previously vacant.		
9. Other non-financial assets		
Current other assets		
Prepayments	**1,709**	**1,844**

	2013 $000	2012 $000
10. Property, plant and equipment – non-current		
Freehold land		
At independent valuation	154,596	157,776
At fair value	39,156	37,606
Total land	**193,752**	**195,382**
Buildings		
At independent valuation	–	176,418
At management valuation	194,936	–
At fair value	–	9,215
Less: accumulated depreciation	–	(8,110)
Total buildings	**194,936**	**177,523**
Total land and buildings	**388,688**	**372,905**
Plant and equipment		
At management valuation	55,584	56,796
At fair value	57,858	49,153
Less: accumulated depreciation	(47,903)	(37,802)
Total plant and equipment	**65,539**	**68,147**
Construction work in progress		
Buildings	43,375	6,283
Plant and equipment	9,974	13,234
Total construction work in progress	**53,349**	**19,517**
Total property, plant and equipment	**507,576**	**460,569**

Public safety and environment purpose group

Property, plant and equipment are classified primarily by the purpose for which the assets are used according to one of six purpose groups based upon government purpose classifications. All assets within a purpose group are further sub-categorised according to the asset's nature (freehold land, buildings, plant and equipment) with each sub-category being classified as a separate class of asset for financial reporting purposes.

The Department of Treasury and Finance has determined a five-year revaluation cycle whereby assets in a Purpose Group are revalued within the relevant year over the life of the cycle, with the Public Safety and Environment Purpose Group revaluation performed as at 30 June 2011. The revaluations of land and buildings were undertaken by Valuer-General Victoria who appointed M Cleary, Certified Practising Valuer, Australian Property Institute, Member No 62839, of Urbis Valuations Pty Ltd to perform the independent valuation with an effective date of 30 June 2011.

Fair value assessments of property, plant and equipment were performed by management as at 30 June 2013. Building valuations determined by management using the depreciated replacement cost method recorded a material difference subsequently a managerial valuation for buildings was performed and recorded in these accounts as at 30 June 2013.

There was no material difference in land or plant and equipment fair values, subsequently these asset classes were not revalued as at 30 June 2013.

Management performed fair value assessment of property, plant and equipment as at 30 June 2012, which determined no material difference in fair values to financial statement values, accordingly no revaluations were performed as at 30 June 2012.

10. Property, plant and equipment – non-current (continued)

Reconciliations

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

	Freehold land $000	Buildings $000	Plant and equipment $000	Construction work in progress $000	Total $000
2013					
Opening balance	**195,382**	**177,523**	**68,147**	**19,517**	**460,569**
Additions	1,805	4,473	6,836	37,810	50,924
Disposals	–	–	(1,079)	–	(1,079)
Net revaluations increment	–	19,826	–	–	19,826
Impairment	(255)	(100)	–	–	(355)
Transfers to construction work in progress		1,132	2,846	(3,978)	–
Transfers to physical assets held for sale	(3,180)	–	–	–	(3,180)
Depreciation expense	–	(7,918)	(11,211)	–	(19,129)
Closing balance	**193,752**	**194,936**	**65,539**	**53,349**	**507,576**

	Freehold land $000	Buildings $000	Plant and equipment $000	Construction work in progress $000	Total $000
2012					
Opening balance	**194,410**	**176,418**	**71,594**	**14,056**	**456,478**
Additions	972	3,289	4,829	14,868	23,958
Disposals	–	–	(1,058)	–	(1,058)
Net revaluations increment/(decrement)	–	–	–	–	–
Transfers to construction work in progress	–	5,926	3,481	(9,407)	–
Depreciation expense	–	(8,110)	(10,699)	–	(18,809)
Closing balance	**195,382**	**177,523**	**68,147**	**19,517**	**460,569**

In accordance with AASB 1049 *Whole of Government and General Government Sector Financial Reporting*, all non-current physical assets are valued using the revaluation model.

	2013 $000	2012 $000

11. Intangible assets

Intangible assets – non-current	2013 $000	2012 $000
Licence agreements at cost	12,940	12,192
Intellectual property – system research	560	–
Less: accumulated amortisation	(5,848)	(4,970)
Total licence agreements	**7,652**	**7,222**
Software at cost	16,333	14,610
Less: accumulated amortisation	(12,835)	(11,854)
Total software	**3,498**	**2,756**
Total intangible assets	**11,150**	**9,978**

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

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

Reconciliations

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

	Licence Agreements $000	Intellectual Property $000	Software $000	Total $000
2013				
Carrying amount at start of year	7,222	–	2,756	9,978
Additions	748	560	1,740	3,048
Disposals	–	–	–	–
Amortisation expense	(816)	(62)	(998)	(1,876)
Carrying amount at end of year	**7,154**	**498**	**3,498**	**11,150**
2012				
Carrying amount at start of year	7,860	–	3,659	11,519
Additions	156	–	82	238
Disposals	–	–	–	–
Amortisation expense	(794)	–	(985)	(1,779)
Carrying amount at end of year	**7,222**	**–**	**2,756**	**9,978**

12. Financial instruments

Financial risk management objectives and policies

The MFB's principal financial instruments comprise:
- cash assets;
- term deposits;
- receivables (excluding statutory receivables);
- investments in equities and managed investment schemes;
- debt securities; and
- payables (excluding statutory payables).

The MFB has appropriate policies and processes to manage financial risks associated with financial instruments and the policies are in accordance with the *Borrowing and Investment Powers Act 1987* and within government policy parameters and guidelines in relation to financial asset investment and management. Financial investment strategies are regularly reviewed by the Board in conjunction with VFMC to minimise financial risks and ensure appropriate diversification of investment products across various entities and to ensure earnings and capital growth are maximised, balanced with consideration of associated risks.

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

The Board established the fair value through profit and loss – held for trading investments to primarily fund its employee benefit provisions liability and future capital works programs.

Debt security investments in the held for trading asset present a risk of capital loss. In consideration of this, the VFMC and the investment manager moderate this risk through careful selection of securities within specified limits approved by the Board. The maximum capital loss is the fair value of the financial instruments. The held for trading investments are primarily in equity and security instruments issued by ASX200 (Australian Stock Exchange) listed companies, as well as investments in equity instruments issued by international listed companies. The investments are in unlisted unit trusts managed by or through VFMC. A significant portion of this investment class is term and fixed interest deposits with TCV.

The VFMC held for trading investment fair value has increased from $104,624,000 as at 30 June 2012 to $109,275,000 as at 30 June 2013, this increase reflects the reinvestment of dividends and interest earnings during the reporting period and the net gain or (loss) on financial instruments reported as other economic flows.

At the 26 June 2012 Board meeting, the Board considered the VFMC investment in view of the investment duration, financial markets volatility and risk and determined to alter the investment from balanced to a defensive portfolio.

The portfolio consists substantially of interest bearing deposits, fixed and floating interest securities and a smaller balanced investment with VFMC.

The Proper Instruction to establish the revised portfolio was issued to VFMC on 27 June 2012 and VFMC promptly instructed fund managers to redeem the investments to facilitate reinvestment. As at 30 June 2012, a substantial portion of the investments had been redeemed but settlement and security transfer had not occurred, these subsequently settled in the current period.

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

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

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

		2013 $000		2012 $000

12. Financial instruments (continued)

Categorisation of financial instruments

(The carrying amounts below also reflect fair values)

		2013 $000		2012 $000
Contractual financial assets:				
Cash and deposits		9,431		16,966
Receivables (excluding statutory receivables)		4,200		5,779
Investments and other contractual financial assets:				
Held to maturity term deposit investments (TCV)		50,000		70,000
Held for trading investments				
Short term money market (TCV)	93,588		12,763	
Australian fixed interest – unlisted trust	–		28,695	
Australian equities – unlisted trust	–		13,300	
International equities – unlisted trust	–		18,667	
Indexed bonds – unlisted trust	–		9,421	
Infrastructure – unlisted trust	2,063		3,184	
Property – unlisted trust	1,534		14,120	
Absolute return funds	–		4,474	
Balanced fund	12,090	109,275	–	104,624
Total contractual financial assets		**172,906**		**197,369**
Contractual financial liabilities:				
Payables – amortised cost (excluding statutory payables)		19,182		14,560
Total contractual financial liabilities		**19,182**		**14,560**

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

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

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

Cash reserves, term investments and held for trading investments are held to fund employee benefit provisions liability and specific capital projects and initiatives for future years, including the FOLD training facility at Craigieburn and Marine Response project.

12. Financial instruments (continued)

The following table presents the MFB's financial assets and liabilities at fair value as at 30 June 2013:

	Carrying amount $000	Fair value measurement at end of reporting period using: $000	 $000	 $000
Financial assets measured at fair value		**Level 1**	**Level 2**	**Level 3**
2013				
Fair value through profit/loss investments	109,275	93,588	14,153	1,534
Held to maturity term deposit investments	50,000	50,000	–	–
Total	**159,275**	**143,588**	**14,153**	**1,534**
2012				
Fair value through profit/loss investments	104,624	74,693	26,182	3,749
Held to maturity term deposit investments	70,000	70,000	–	–
Total	**174,624**	**144,693**	**26,182**	**3,749**

	Financial assets at fair value through profit/loss Managed investment schemes $000 2013	 $000 2012	Total $000 2013	Total $000 2012
Reconciliation of Level 3 fair value movements				
Opening balance	**3,749**	**3,962**	**3,749**	**3,962**
Total gains or losses recognised in:				
Net result	(2,215)	(213)	(2,215)	(213)
Closing balance	**1,534**	**3,749**	**1,534**	**3,749**
Total gains or losses for the period included in profit or loss for assets held at the end of the period.	–	–	–	–

	Net holding gain/(loss) $000	Total interest income/ (expense) $000	Fee income/ (expense) $000	Impairment loss $000	Total $000
12.1 Net holding gain/(loss) on financial instruments by category					
2013					
Contractual financial assets					
Financial assets designated at fair value through profit/loss	4,652	3,603	(120)	–	8,135
Financial assets – loans and receivables	–	2,952	–	–	2,952
Total contractual financial assets	**4,652**	**6,555**	**(120)**	**–**	**11,087**

	Net holding gain/(loss) $000	Total interest income/ (expense) $000	Fee income/ (expense) $000	Impairment loss $000	Total $000
12.1 Net holding gain/(loss) on financial instruments by category (continued)					
2012					
Contractual financial assets					
Financial assets designated at fair value through profit/loss	5,031	646	(66)	–	5,611
Financial assets – loans and receivables	–	4,115	–	–	4,115
Total contractual financial assets	**5,031**	**4,761**	**(66)**	**–**	**9,726**

The net holding gain/(loss) on financial instruments is calculated by comparing the book value of financial assets held to the fair market value of assets held at the end of the period.

12.2 Interest rate risk

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

12.2 (i) Held for trading financial investment assets

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

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

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

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

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

12.2 (iii) Interest rate sensitivity

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

At reporting date if interest rates increased by 50 basis points and all other variables were constant, the impact would be increased interest income of $765,000 (2012: $499,000) and an increase by the same amount to equity. Conversely if interest rates decreased by 50 basis points interest income would reduce by ($765,000) (2012: ($499,000) and equity would reduce by the same amount.

The Board determination in June 2012 to alter the VFMC investment to a more conservative portfolio has significantly reduced investment risk of price volatility and capital risk, though interest rate risk increased as a significant portion of the investment is in interest rate related securities including term deposits and fixed interest securities.

12.2 Interest rate risk (continued)

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

Interest rate exposure of financial instruments	Weighted average interest rate %	Carrying amount $000	Fixed interest rate $000	Variable interest rate $000	Non-interest bearing $000
2013					
Financial assets					
Cash and deposits	3.16	9,431	–	9,431	–
Term deposit investments	3.37	50,000	50,000	–	–
Receivables		4,200	–	–	4,200
Investment financial assets	3.37	109,275	93,588	–	15,687
Total		**172,906**	**143,588**	**9,431**	**19,887**
Financial liabilities					
Payables		19,182	–	–	19,182
Total		**19,182**	**–**	**–**	**19,182**
2012					
Financial assets					
Cash and deposits	4.22	16,966	–	16,966	–
Term deposit investments	4.53	70,000	70,000	–	–
Receivables		5,779	–	–	5,779
Investment financial assets	4.53	104,624	12,763	–	*91,861
Total		**197,369**	**82,763**	**16,966**	**97,640**
Financial liabilities					
Payables		14,560	–	–	14,560
Total		**14,560**	**–**	**–**	**14,560**

* *These investments are capital growth investments and non-interest bearing. In June 2012, a substantial portion of the investment financial assets were under instruction to redeem to cash for reinvestment in the new conservative portfolio, but at balance date the settlements had not occurred.*

12.3 Foreign exchange risk

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

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

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

Due to the decision in June 2012 to invest in a conservative VFMC portfolio, the current investments have minimal foreign exchange risk exposure.

The MFB's overall foreign exchange risk management strategy remains substantially unchanged from 2012.

12.4 Credit risk

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

12.4(i) Held for trading financial investment assets

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

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

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

12.4(iii) Receivables and other financial assets

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

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

The Board's overall credit risk management strategy remains substantially unchanged from 2012.

Further information is shown in Note 6 Receivables.

Credit quality of contractual financial assets that are neither past due or impaired	Financial Institutions (not rated) $000	Financial Institutions (AA credit rating) $000	State Government agencies (AAA credit rating) $000	Total $000
2013				
Cash and cash deposits	–	9,431	–	9,431
Term deposit investments	–	–	50,000	50,000
Investment financial assets	*15,687	–	93,588	109,275
Total contractual financial assets	**15,687**	**9,431**	**143,588**	**168,706**
2012				
Cash and cash deposits	–	16,966	–	16,966
Term deposit investments	–	–	70,000	70,000
Investment financial assets	*91,861	–	12,763	104,624
Total contractual financial assets	**91,861**	**16,966**	**82,763**	**191,590**

* *Financial investment assets are investments in primarily unlisted managed funds which are not credit rated. The fund managers are reputable well established institutions which are reviewed and approved by VFMC.*

Receivables are general invoicing primarily to individuals and organisations which do not generally have recognised credit ratings.

12.5 Liquidity risk

Liquidity risk is the risk that the MFB would be unable to meet its financial obligations as and when they fall due, the maximum exposure to liquidity risk is the carrying amounts of financial liabilities as disclosed in the face of the balance sheet. The MFB operates under the Government fair payments policy of settling financial obligations within 30 days and in the event of a dispute, making payments within 30 days from the date of resolution.

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

The Board's overall liquidity risk management strategy remains substantially unchanged from 2012.

Maturity analysis of contractual financial liabilities			Maturity dates				
	Carrying amount $000	Nominal amount $000	< 1 month $000	1 – 3 months $000	3 months – 1 year $000	1 – 5 years $000	5 + years $000
2013							
Financial liabilities							
Payables							
Supplies and services	11,590	11,590	10,189	1,401	–	–	–
Other payables	7,592	7,592	7,231	361	–	–	–
Total	**19,182**	**19,182**	**17,420**	**1,762**	**–**	**–**	**–**
2012							
Financial liabilities							
Payables							
Supplies and services	10,358	10,358	4,606	5,752	–	–	–
Other payables	4,202	4,202	4,202	–	–	–	–
Total	**14,560**	**14,560**	**8,808**	**5,752**	**–**	**–**	**–**

12.6 Price risk

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

The MFB's market price risk is managed by a significant portion of the VFMC portfolio invested in deposits that are not price sensitive, such as TCV investments. The overall market exposures as at 30 June 2013 are listed in the table below.

The Board determination in June 2012 to alter the VFMC investment to a more conservative portfolio has significantly reduced investment risk of price volatility and capital risk, though interest rate risk increased as a significant portion of the investment is in interest rate related securities including term deposits and fixed interest securities.

Price risk sensitivity

At 30 June 2013, the MFB's market price risk is affected by three main components: changes in actual market prices, interest rate and foreign currency movements. The following price risk sensitivity analysis has been based upon the investment classes exposed to price risk at the reporting date and the change occurring at that time. A 10 per cent change represents management's assessment of a reasonably possible change based upon assessment of commonly quoted ASX indices changes over the past five years and forecasts by financial institutions.

12.6 Price risk (continued)

2013

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

		+ 10% Increase in unit price		-10% Decrease in unit price	
	Effective Exposure $000	Income impact $000	Equity impact $000	Income impact $000	Equity impact $000
Infrastructure	2,063	206	206	(206)	(206)
Property	1,534	153	153	(153)	(153)
Balanced fund	12,090	1,209	1,209	(1,209)	(1,209)
Total	**15,687**	**1,568**	**1,568**	**(1,568)**	**(1,568)**

The effective exposure amounts above reflect the carrying amounts.

2012

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

		+ 10% Increase in unit price		-10% Decrease in unit price	
	Effective Exposure $000	Income impact $000	Equity impact $000	Income impact $000	Equity impact $000
Australian fixed interest	28,695	2,870	2,870	(2,870)	(2,870)
Australian equities	13,300	1,330	1,330	(1,330)	(1,330)
International equities	18,667	1,867	1,867	(1,867)	(1,867)
Indexed bonds	9,421	942	942	(942)	(942)
Infrastructure	3,184	318	318	(318)	(318)
Property	14,120	1,412	1,412	(1,412)	(1,412)
Absolute return funds	4,474	447	447	(447)	(447)
Total	**91,861**	**9,186**	**9,186**	**(9,186)**	**(9,186)**

The effective exposure amounts above reflect the carrying amounts.

12.7 Capital risk

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

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

12.8 Financial Instruments – fair value measurement

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

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

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

13. Payables

	2013 $000	2012 $000
Current payables		
Contractual:		
Supplies and services	11,590	10,358
Other payables and accrued expenses	7,592	4,202
	19,182	**14,560**
Statutory:		
Amounts payable to government and agencies	**1,072**	**1,007**
Total	**20,254**	**15,567**

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

Under the Fair Payment Policy the MFB may be liable for penalty interest payments on overdue accounts. No interest penalties were incurred during the period under review (2012: Nil).

Payables commitment analysis			Maturity dates	
	Carrying amount $000	Nominal amount $000	1 – 3 months $000	3 months – 1 year $000
2013	**20,254**	20,254	19,893	361
2012	**15,567**	15,567	15,567	–

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

	2013 $000	2012 $000
14. Provisions		
Employee benefits		
Current provisions		
Conditional and expected to be settled within 12 months (a)	2,373	–
Unconditional and expected to be settled within 12 months (a)	21,724	15,612
Unconditional and expected to be settled after 12 months (b)	67,880	71,681
Provisions related to employee benefit on-costs		
Unconditional and expected to be settled within 12 months (a)	1,954	1,394
Unconditional and expected to be settled after 12 months (b)	5,864	6,182
Total current provisions	**99,795**	**94,869**
Non-current provisions		
Employee benefits (b)	3,894	3,016
Employee benefit on-costs (b)	331	257
Total non-current provisions	**4,225**	**3,273**
Total provisions	**104,020**	**98,142**
(a) Employee benefits and related on-costs		
Current employee benefits		
Enterprise agreement determinations	2,373	–
Annual leave entitlements	29,831	26,975
Long service leave entitlements	59,773	60,318
Non-current employee benefits		
Long service leave entitlements	3,894	3,016
Total employee benefits	**95,871**	**90,309**
Current on-costs	7,818	7,578
Non-current on-costs	331	255
Total on-costs	**8,149**	**7,833**
Total employee benefits and related on-costs	**104,020**	**98,142**
(b) Movement in provisions – Employee benefits on-costs		
Opening balance	7,833	6,838
Additional provisions recognised	9,323	10,037
Reductions arising from payments/other sacrifices of future economic benefits	(8,525)	(8,350)
Unwind of discount and effect of changes in the discount rate	(482)	(692)
Closing balance	**8,149**	**7,833**

Note:
(a) The amounts disclosed are nominal amounts.
(b) The amounts disclosed are discounted to present values.

	2013 $000	2012 $000
15. Other liabilities		
Current balance	490	467
Non-current balance	1,650	1,966
Total	**2,140**	**2,433**

The carrying amounts reflect income received in advance from the CFA for prepaid future access to the optical fibre communications network.

16. Superannuation

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

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

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

During the year, the MFB made superannuation payments of $17.1 million (2012: $16.1 million) primarily to ESSS. In the current year there were no additional payments to superannuation above the contribution rate designated by ESSS for defined benefit members and the super guarantee contribution rate of 9.0 per cent for non-defined benefit plan members.

There were no superannuation contributions outstanding at 30 June 2013. (2012: Nil).

Employer contribution rates were:

Accumulation Scheme

9.0 per cent of salary for non-operational staff employed after 31 December 1993.

Effective 1 July 2013, the Super Guarantee rate increases to 9.25 per cent and applies to the Accumulation Scheme members.

Defined Benefits Scheme

The average employer contribution rate for the financial year was 11.0 per cent (2012: 11.0 per cent) of salary for all operational staff as well as for non-operational staff employed prior to 1 January 1994.

	2013 $000	2012 $000
17. Commitments for expenditure		
The following commitments have not been recognised as liabilities in the financial statements:		
Commitments		
Capital expenditure commitments payable		
Commitments for the acquisition of property, plant and equipment contracted at reporting date but not recognised as liabilities:		
Payable:		
Within one year	44,827	12,079
Total	**44,827**	**12,079**
Operating lease commitments		
Commitments for minimum lease payments in relation to non-cancellable operating leases at the reporting date but not recognised as liabilities:		
Payable:		
Within one year	635	706
Longer than one year but not longer than five years	324	768
Total	**959**	**1,474**
Recurrent service commitments		
Commitments for the acquisition of recurrent goods and services not recognised as liabilities:		
Payable:		
Within one year	17,710	14,428
Longer than one year but not longer than five years	44,960	57,132
Total	**62,670**	**71,560**

A significant proportion of the above recurrent service commitments relate to the MFB's obligations under the Statewide Integrated Public Safety and Communications Strategy (SIPSaCS) which covers call taking and dispatch services. There is an ongoing Service Agreement with the Emergency Services Telecommunications Authority (ESTA) for the provision of call taking and dispatch services for the Metropolitan District. The ESTA service fees for the year to 30 June 2013 were $11.8 million (2012: $12.0 million).

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

18. Contingent assets and contingent liabilities

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

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

Additionally, a number of General Protections claims are under consideration, any potential settlements will be immaterial; further details are unable to be disclosed due to legal reasons.

	2013 $000	2012 $000
19. Reserves		
Physical asset revaluation surplus		
Land		
Balance at beginning of financial year	103,352	103,352
Revaluation increments/(decrements)	–	–
Total	**103,352**	**103,352**
Buildings		
Balance at beginning of financial year	84,172	84,172
Revaluation increments/(decrements)	19,826	–
Total	**103,998**	**84,172**
Plant and equipment		
Balance at beginning of financial year	15,338	15,338
Revaluation increments/(decrements)	–	–
Total	**15,338**	**15,338**
Balance at end of financial year	**222,688**	**202,862**
20. Accumulated surplus		
Balance at beginning of financial year	231,231	220,793
Net result	1,003	10,438
Balance at end of financial year	**232,234**	**231,231**
21. Contributed capital		
Balance at beginning of financial year	121,777	121,059
Transactions with owners in their capacity as owners	–	718
Balance at end of financial year	**121,777**	**121,777**
Total equity at end of the financial year	**576,699**	**555,870**

22. Notes to the cash flow statement

(a) Reconciliation of cash

For the purposes of the cash flow statement, cash comprises cash on hand, cash at bank, bank overdrafts, deposits at call and highly liquid investments with short periods to maturity that are readily convertible to cash on hand and are subject to an insignificant risk of changes in value. Cash at the end of the financial year as shown in the cash flow statement is reconciled to the balance sheet as follows:

	2013 $000	2012 $000
Total cash and deposits disclosed in the balance sheet	9,431	16,966
Balance as per cash flow statement	**9,431**	**16,966**
(b) Reconciliation of net result for the reporting period		
Net result for the period	**1,003**	**10,438**
Non-cash movements		
Loss on sale or disposal of non-financial assets	251	141
Net loss/(gain) on financial instruments	382	(2,072)
Unrealised loss on held for trading investments	231	6,445
Depreciation and amortisation of non-financial assets	21,005	20,588
Impairment of non-financial assets	355	–
Increase in allowance for doubtful debts	316	30
(Decrease) in allowance for inventory obsolescence	(48)	(26)
Movements in assets and liabilities		
(Increase)/decrease in other receivables	(3,036)	2,560
Decrease in inventories	10	104
Decrease/(increase) in prepayments	(4,964)	(803)
Increase in payables	1,387	1,680
Increase in employee benefits provisions	5,878	15,164
(Decrease) in income received in advance	(293)	(675)
Net cash inflow from operating activities	**22,477**	**53,574**

23. Bank overdraft

The MFB has an overdraft facility of $100,000 which is repayable upon demand and may be cancelled at any time upon review by the bank. As at balance date this facility had not been utilised (2012: Nil).

24. Responsible persons

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

		Period of tenure
Responsible Minister	The Honorable P Ryan MLA Minister for Police and Emergency Services	01/07/12 – 13/03/13
	The Honorable K Wells MP Minister for Police and Emergency Services	13/03/13 – 30/06/13
Board Members	M N Comrie AO APM – President	01/07/12 – 30/06/13
	J A Bonnington	01/07/12 – 30/06/13
	K W King	01/07/12 – 30/06/13
	A Long	01/07/12 – 30/06/13
	D Purchase OAM	01/07/12 – 30/06/13
	J Lord AM	01/07/12 – 30/06/13
Accountable Officers	N Easy – Chief Executive Officer	01/07/12 – 30/06/13
	S K Wright – Acting Chief Executive Officer/Chief Officer	26/09/12 – 05/10/12
	R Eddington – Acting Chief Executive Officer/ Executive Director	09/01/13 – 18/01/13
	R Eddington – Acting Chief Executive Officer/ Executive Director	01/03/13 – 10/03/13

Related parties

M N Comrie AO APM is the Victorian Bushfire Royal Commission Implementation Monitor and Chair of Ministerial Community Advisory Committee on Corrections.

J A Bonnington is a Non-Executive Director of the Port of Melbourne Corporation, HESTA Superannuation and the Deakin University Council.

K W King was a Board member of the Country Fire Authority until 12 October 2012.

D Purchase OAM is Executive Director of the Victorian Automobile Chamber of Commerce.

J Lord AM is a Member of Ministerial Community Advisory Committee on Corrections.

N Easy, the Chief Executive Officer, has a voting right on the Australasian Fire and Emergency Service Authorities Council and is a Director of the Emergency Services Foundation.

All services and transactions were conducted at arms' length with the MFB Board and at normal commercial terms.

25. Remuneration of responsible persons

The number of responsible persons is shown below in their relevant income bands:

	2013 No.	2012 No.
Remuneration band		
$ 0 – $ 9,999	–	1
$10,000 – $19,999	4	4
$20,000 – $29,999	1	1
$40,000 – $49,999	–	1
$50,000 – $59,999	1	–
	6	**7**
	$000	$000
Total remuneration of responsible persons other than the responsible minister:	**159**	**154**

The remuneration of the responsible minister is reported separately in the financial statements of the Department of Premier and Cabinet.

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

	2013 No.	2012 No.
Remuneration band		
$320,000 – $329,999	–	1
$370,000 – $379,999	1	–
	1	**1**
	$000	$000
Total remuneration of accountable officers:	**374**	**328**

Accountable officer remuneration includes all remuneration including salary, salary sacrifice, fringe benefits applicable and applicable performance bonus paid during the period. The above amounts record payments made in each year, accordingly accrued remuneration pertaining to 2012 is included in 2013.

26. Remuneration of executive officers

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

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

A number of executive officers retired or resigned in the past year. This impacted on both the total number of executives included below and on total remuneration figures due to the inclusion of annual leave and long-service leave payments.

Executive officers remuneration band	Total remuneration		Base remuneration	
	2013 No.	2012 No.	2013 No.	2012 No.
\$ 0 – \$ 99,999*	6	7	9	11
\$100,000 – \$109,999	2	1	2	–
\$120,000 – \$129,999	–	3	2	4
\$130,000 – \$139,999	4	–	1	–
\$140,000 – \$149,999	–	–	–	1
\$150,000 – \$159,999	1	2	2	3
\$160,000 – \$169,999	3	3	4	6
\$170,000 – \$179,999	5	9	8	8
\$180,000 – \$189,999	7	2	4	3
\$190,000 – \$199,999	3	4	5	5
\$200,000 – \$209,999	4	3	3	1
\$210,000 – \$219,999	1	3	2	1
\$220,000 – \$229,999	4	1	–	–
\$230,000 – \$239,999	1	1	–	2
\$240,000 – \$249,999	–	3	1	–
\$250,000 – \$259,999	1	1	1	–
\$260,000 – \$269,999	–	–	1	1
\$270,000 – \$279,999	1	–	–	–
\$280,000 – \$289,999	–	1	–	–
\$290,000 – \$299,999	1	1	–	–
\$340,000 – \$349,999	1	–	–	–
\$440,000 – \$449,999	–	1	–	–
Total number of executive officers	**45**	**46**	**45**	**46**
Total annualised employee equivalent (AEE) (i)	**38**	**40**	**38**	**40**
Total remuneration (\$000)	**7,880**	**8,258**	**6,906**	**6,987**

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

* *A number of executives received base and total remuneration in the 2011–12 financial year below \$100,000 due to part year employment and short term placements in executive positions. The prior year (2012) amounts have been adjusted to include short term placement of senior staff into executive positions.The value of these payments for the period are: \$390,000 total remuneration and \$470,000 base remuneration.*

26. Remuneration of executive officers (continued)

The above remuneration amounts include leave or termination payments of:

Remuneration band	2013 $000	2012 $000
$ 0 – $ 99,999	67	–
$100,000 – $109,999	74	79
$130,000 – $139,999	121	–
$150,000 – $159,999	–	5
$160,000 – $169,999	–	14
$170,000 – $179,999	–	34
$180,000 – $189,999	–	4
$190,000 – $199,999	12	120
$200,000 – $209,999	–	22
$210,000 – $219,999	–	74
$220,000 – $229,999	116	29
$230,000 – $239,999	56	4
$240,000 – $249,999	–	253
$250,000 – $259,999	–	130
$280,000 – $289,999	–	108
$290,000 – $299,999	–	31
$340,000 – $349,999	307	–
$440,000 – $449,999	–	356
Total	**753**	**1,263**

27. Remuneration of auditors

Total remuneration payable to the Auditor-General for auditing the financial statements for the year ended 30 June 2013 was $100,350 (2012: $88,000).

28. Subsequent events

From 1 July 2013, the Fire Services Levy will be removed from insurance premiums and will instead be collected through council rates.

The Victorian Government will continue to make a statutory contribution of 12.5 per cent of the MFB budget.

The metropolitan council contributions to the MFB that existed until 1 July 2013 will be abolished and local councils will now be treated like other property owners and contribute to the Fire Services Property Levy, though municipal recreational land has special treatment.

The Victorian Government has announced total output appropriation contributions to the MFB for 2013–14 year of $315.9 million, which includes the State Government contribution of 12.5 per cent.

There are no other material subsequent events since reporting date.

29. Glossary of terms

Amortisation

Amortisation is the expense which results from the consumption, extraction or use over time of a non-produced physical or intangible asset. This expense is classified as an other economic flow.

Comprehensive result

The net result of all items of income and expense recognised for the period. It is the aggregate of net result and other non-owner changes in equity.

Commitments

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

Depreciation

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

Effective interest method

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

Employee benefits expenses

Employee benefits expenses include all costs related to employment including wages and salaries, fringe benefits tax, leave entitlements, redundancy payments, defined benefits superannuation plans and defined contribution superannuation plans.

Financial asset

A financial asset is any asset that is:

(a) cash;

(b) an equity instrument of another entity;

(c) a contractual or statutory right:

- to receive cash or another financial asset from another entity; or
- to exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity; or

(d) a contract that will or may be settled in the entity's own equity instruments and is:

- a non-derivative for which the entity is or may be obliged to receive a variable number of the entity's own equity instruments; or
- a derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments.

Financial instrument

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

29. Glossary of terms (continued)

Financial liability

A financial liability is any liability that is:

(a) A contractual or statutory obligation:

- (i) to deliver cash or another financial asset to another entity; or
- (ii) to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the entity; or

(b) A contract that will or may be settled in the entity's own equity instruments and is:

- (i) a non-derivative for which the entity is or may be obliged to deliver a variable number of the entity's own equity instruments; or
- (ii) a derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments. For this purpose the entity's own equity instruments do not include instruments that are themselves contracts for the future receipt or delivery of the entity's own equity instruments.

Financial statements

Depending on the context of the sentence where the term "financial statements" is used, it may include only the main financial statements (i.e. comprehensive operating statement, balance sheet, cash flow statements and statement of changes in equity); or it may also be used to replace the old term "financial report" under the revised AASB 101 (September 2007), which means it may include the main financial statements and the notes.

Intangible assets

Intangible assets represent identifiable non-monetary assets without physical substance.

Interest expense

Costs incurred in connection with the borrowing of funds includes interest on bank overdrafts and short-term and long-term borrowings, amortisation of discounts or premiums relating to borrowings, interest component of finance leases repayments and the increase in financial liabilities and non-employee provisions due to the unwinding of discounts to reflect the passage of time.

Interest income

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

Net acquisition of non-financial assets (from transactions)

Purchases (and other acquisitions) of non-financial assets less sales (or disposals) of non-financial assets less depreciation plus changes in inventories and other movements in non-financial assets. It includes only those increases or decreases in non-financial assets resulting from transactions and therefore excludes write-offs, impairment write-downs and revaluations.

Net result

Net result is a measure of financial performance of the operations for the period. It is the net result of items of income, gains and expenses (including losses) recognised for the period, excluding those that are classified as other "non-owner changes in equity".

Net result from transactions/net operating balance

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

Net worth

Assets less liabilities, which is an economic measure of wealth.

Non-financial assets

Non-financial assets are all assets that are not 'financial assets'. It includes inventories, land, buildings, infrastructure, road networks, land under roads, plant and equipment, investment properties, cultural and heritage assets, intangible and biological assets.

Other economic flows

Other economic flows are changes in the volume or value of an asset or liability that do not result from transactions. It includes gains and losses from disposals, revaluations and impairments of non-financial physical and intangible assets; and fair value changes of financial instruments. In simple terms, other economic flows are changes arising from market re-measurements.

Payables

Includes short and long term trade debt and accounts payable, grants and interest payable.

Receivables

Includes short and long term trade credit and accounts receivable, accrued investment income, grants, taxes and interest receivable.

Sales of goods and services

Refers to income from the direct provision of goods and services and includes fees and charges for services rendered, sales of goods and services, fees from regulatory services and work done as an agent for private enterprises. It also includes rental income under operating leases and on produced assets such as land. User charges includes sale of goods and services income.

Supplies and services

Supplies and services generally represent cost of goods sold and the day-to-day running costs, including maintenance costs, incurred in the normal operations of the MFB.

Transactions

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

RESPONSIBLE PERSONS AND CHIEF FINANCE AND ACCOUNTING OFFICER'S DECLARATION

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

We further state that in our opinion, the information set out in the comprehensive operating statement, balance sheet, statement of changes in equity, cash flow statement and notes forming part of the financial statements presents fairly the financial transactions during the year ended 30 June 2013 and financial position of the Metropolitan Fire and Emergency Services Board as at 30 June 2013.

We are not aware of any circumstance which would render any particulars included in the financial statements to be misleading or inaccurate.

We authorise the attached financial statements for issue on 13 August 2013.

Neil Comrie AO, APM
President
Melbourne
13 August 2013

Nicholas Easy
Chief Executive Officer
Melbourne
13 August 2013

Russell Eddington
Executive Director, Corporate Services
Melbourne
13 August 2013

VAGO

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INDEPENDENT AUDITOR'S REPORT

To the Board Members, Metropolitan Fire and Emergency Services Board

The Financial Report

The accompanying financial report for the year ended 30 June 2013 of the Metropolitan Fire and Emergency Services Board which comprises the comprehensive operating statement, balance sheet, statement of changes in equity, cash flow statement, notes comprising a summary of significant accounting policies and other explanatory information, and the responsible person's and chief finance and accounting officer's declaration has been audited.

The Board Members' Responsibility for the Financial Report

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

Auditor's Responsibility

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

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

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

Auditing in the Public Interest

Independent Auditor's Report (continued)

Independence

The Auditor-General's independence is established by the *Constitution Act 1975*. The Auditor-General is not subject to direction by any person about the way in which his powers and responsibilities are to be exercised. In conducting the audit, the Auditor-General, his staff and delegates complied with all applicable independence requirements of the Australian accounting profession.

Opinion

In my opinion, the financial report presents fairly, in all material respects, the financial position of the Metropolitan Fire and Emergency Services Board as at 30 June 2013 and of its financial performance and its cash flows for the year then ended in accordance with applicable Australian Accounting Standards, and the financial reporting requirements of the *Financial Management Act 1994*.

Matters Relating to the Electronic Publication of the Audited Financial Report

This auditor's report relates to the financial report of the Metropolitan Fire and Emergency Services Board for the year ended 30 June 2013 included both in the Metropolitan Fire and Emergency Services Board's annual report and on the website. The Board Members of the Metropolitan Fire and Emergency Services Board are responsible for the integrity of the Metropolitan Fire and Emergency Services Board's website. I have not been engaged to report on the integrity of the Metropolitan Fire and Emergency Services Board's website. The auditor's report refers only to the subject matter described above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of the financial report are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited financial report to confirm the information contained in the website version of the financial report.

MELBOURNE
15 August 2013

for John Doyle
Auditor-General

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Auditing in the Public Interest

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