



# Annual Report 2010/2011

More than a fire service.





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## President's Foreword

To: The Hon. Peter Ryan  
Minister for Police and Emergency Services  
State Government of Victoria  
Melbourne Vic 3001

This is my second report as President of the Metropolitan and Emergency Services Board and I have just finished my first full year fulfilling this role – a year of change and opportunities.

In that time I have gained a full understanding and appreciation of the role that MFB plays in the Melbourne community. We are known as a fire service, but we are clearly much more than that.

We are a vital part of the fabric that makes up the Melbourne community. This was evident recently when I officially opened the Nunawading Fire Station. An open day was held and about 500 people from the local community attended to learn more about fire safety and the work of MFB.

I am in the fortunate position of having been closely associated with two of Victoria's key emergency service providers – Victoria Police and now MFB. What is common with each organisation is the strong commitment to contribute to our community. This contribution also extends beyond the normal duties of MFB and so it was with great pride that I recently launched the Firefighters' Charity Fund. I am greatly impressed by the eagerness of our MFB staff to look out for the well-being of others: both our own members and the broader community. This fund will further support this commitment.

This has been a year of exciting development right across the organisation – from the top of the corporate structure to our firefighters in the field. However, this has not resulted in an introspective focus for our work as the diverse range of skills of our workforce has been in high demand. We have been involved in educating young people and the community at large about fire safety; working with other emergency service organisations across the country and overseas; engaging with diverse communities, and saving lives through the emergency medical response service.

Internally we are striving to improve, especially through the realignment project which is a critical driver in further developing MFB into an innovative, high performing organisation.

Following the departure of the former CEO, I welcome Nick Easy, our new Chief Executive Officer, on board. He heads up a new Executive Leadership Team which has the critical task of restructuring and realigning our organisation to meet the challenges of today and tomorrow.

By further enhancing MFB's corporate and operational capabilities, we will increase our capacity to meet community expectations and our statutory obligations. MFB will also have a significant role to play in the enhancement of Victoria's emergency management capacity and will be a positive contributor to the fire services reform agenda.

I am confident that as a result of initiatives implemented during the past year and those planned for 2011/2012, MFB will continue to serve the community with courage, professionalism and commitment.

A handwritten signature in dark ink, appearing to read 'Neil Comrie'. The signature is fluid and cursive, written over a horizontal line.

**Neil Comrie, AO, APM**  
**President**





## Chief Executive Officer's Report



In the short time that I have been with the Metropolitan Fire and Emergency Services Board I have been impressed by the dedication, expertise and commitment of all at MFB.

I am proud to be involved with an organisation with such a fine reputation and I am excited to be here to guide it into the future.

Our city is changing rapidly. To manage this, to maintain the standard of emergency service expected of us, our organisation needs to be nimble and to welcome change. And with this change comes exciting opportunity.

This process has already begun. In this past year, MFB realigned its boundaries. Instead of four zones, we now have two regions – North-West Metro and South-East Metro – with five districts – Central, Northern, Western, Eastern and Southern.

In an era when interoperability between agencies is paramount, this strategically positions MFB to better align with other emergency services, government agencies and local government in emergency management planning and recovery.

Coupled with these operational changes has been the appointment of the new Executive Leadership Team to give strong guidance and enhanced organisational governance. We now have six Executive Directors to help me lead the organisation.

While our traditional role of firefighting remains at the core of our business, we are continuing to increase the capacity of MFB to be involved in planning and preparation activities in line with the rest of the emergency management community. This inter-agency collaboration was one of the key recommendations to come out the Bushfire Royal Commission.

We are also increasingly recognised for the many non-traditional emergency services we provide, such as our Emergency Medical Response capabilities where we are called as first responders to some medical emergencies.

The organisation's focus on its staff members, in particular their safety, remains a top priority with new state-of-the-art fire helmets augmenting the MFB Personal Protective Clothing. It is vital that our people are the best equipped and have the best training to respond to existing and emerging challenges.

One of the challenges facing MFB and other fire agencies around the country is an ageing workforce. Significant effort has gone into boosting our workforce and addressing the impending turnover of personnel as many firefighters near retirement.

The development of a new training college in Craigieburn – the Future of Organisational Learning and Development (FOLD) project – will provide a world standard training facility. First discussed several years ago, this project is now taking shape and will form a platform for inter-agency collaboration through integrated training.

I am grateful to the Board members for their guidance and direction. I would also like to express my appreciation to all staff – in operational, technical and administrative roles – for their contributions during the year, but in particular to Chief Fire Officer Shane Wright who exceptionally filled dual roles as CO and Acting Chief Executive Officer.

I look forward to the coming year which gives us the opportunity to build on the progress made during this reporting period and to ensure that MFB maintains a contemporary and innovative approach to fulfilling its responsibilities and improving community resilience to incidents that threaten life, property and the environment.

**Nick Easy**  
**Chief Executive Officer**

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## Chief Fire Officer's Report



The challenges facing the Metropolitan Fire and Emergency Services Board increase each year. Melbourne's population is steadily growing. It is also ageing, with more people each year in the at-risk bracket. There has also

been a major increase in the infrastructure and buildings in metropolitan Melbourne.

Despite this, the past 12 months have been characterised by a continuing trend in a reduction of fires in the Metropolitan Fire District. This is testament to MFB's role in community safety and our role in promoting community resilience.

Overall the number of responses has risen, due to the increase in Emergency Medical Response and false alarms.

There has been also been a large demand for our services outside the Metropolitan Fire District in the past year.

In the space of a few months MFB members displayed their expertise in joining Victorian, interstate and international multi-agency responses to emergencies – namely the Victorian and Queensland floods, the Perth bushfires and the Christchurch earthquake.

All of these natural disasters were devastating and had their own unique challenges. In each instance MFB added real value and worked seamlessly with the existing agencies. It is this level of interoperability that MFB is keen to further develop and promote.

In late March MFB hosted the Disaster Response Capability Exhibition – an opportunity for MFB, CFA, SES, DSE and Ambulance Victoria to showcase Victoria's multi-agency response capacity.

From the Emergency Medical Response to the HAZMAT team, to coordinating Victoria's USAR capability, MFB's displays showed that our organisation is much more than a fire agency. The exhibition highlighted the depth and breadth of our services – and importantly the ability to work with other agencies in Melbourne, Victoria, nationally and even internationally.

MFB's interaction with other emergency service organisations has been further strengthened following the recommendations of the Bushfire Royal Commission. We now have stronger structures to further enhance our joint fire preparation and response capacity, and the appointment of Fire Services Commissioner Craig Lapsley assists in achieving long-term sustainable return.

These joint efforts were tested at a Dandenong factory fire on 19 May. It was one of the largest urban fires in recent memory and MFB assisted CFA in tackling the blaze which took many hours to control. It was an impressive effort, with the two services working together extremely well.

My appreciation goes to all the men and women at MFB for their professionalism. They ensured that the organisation did its best to protect Melbourne and to promote safe practices over the past year. And when called to emergency work beyond the Metropolitan Fire District, they responded with vigour and determination.

A handwritten signature in black ink that reads "Shane Wright". The signature is written in a cursive, flowing style.

**Shane Wright, AFSM**  
**Chief Fire Officer**







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## About Us

### Our Vision

To create a safer Melbourne community

### Our Mission

Protecting our community

### Our Goals

- Safer Communities
- Engaged Stakeholders
- Capable and Empowered Workforce
- Well Managed Performance
- Holistic Planning

### Values

We apply and encourage the following values:

- initiative
- response
- professionalism

We have also adopted and promote the Victorian public sector's values:

- responsiveness
- integrity
- impartiality
- accountability
- respect
- leadership
- human rights



## MFB – An Overview

MFB serves to protect almost four million Melbourne residents, workers and visitors as well as safeguard billions of dollars of key infrastructure and other assets within the Melbourne metropolitan area as defined by the Metropolitan Fire District (MFD) – a land area of more than 1,000 square kilometres.

In carrying out this role, MFB employs more than 2,000 people – comprising more than 1,700 operational firefighters and 300 corporate staff, including trainees and apprentices.

MFB delivers a range of fire and other emergency management services; it drives systemic changes to the built environment by advocating reforms to building design, regulations and supporting legislation; invests in research, and develops prevention programs and initiatives that deliver improved community safety outcomes. MFB also provides operational support to major crises across Australia and the Asia Pacific region as required.

MFB responds to around 34,000 calls a year.

## What we do

MFB operates across the Prevention, Preparedness, Response and Recovery (PPRR) continuum.

- Prevention activities – aim to eliminate or reduce the incidence or severity of emergencies. Activities can be physical actions or legal measures (such as Total Fire Ban days or requiring smoke alarms in premises). MFB works with the community and government to ensure the knowledge, behaviours and regulatory and legislative framework exist to protect life and minimise injury and damage to assets.

- Preparedness activities – ensure that, should an emergency occur, individuals, communities, resources and services are able to cope with the effects. Preparedness activities include ensuring response plans and arrangements are in place before emergencies occur, conducting assessments of risks (both the likelihood of an emergency event occurring and how severe it could be), business planning for the continued availability of essential services and disaster mitigation (reducing the potential for death and property destruction in an emergency).
- Response activities – are when MFB units are despatched to incidents in order to minimise their impact and to ensure affected individuals and communities are given immediate relief and support.
- Recovery activities – support emergency-affected individuals and communities to restore their emotional, social, economic and physical wellbeing as well as to reconstruct the physical infrastructure. MFB works with its partners and government to ensure that the community and its key resources are protected and assisted to recover following an incident.

MFB delivers a highly skilled response to a wide range of incidents, including:

- Fires (structure, non-structure and bushfire)
- Emergency medical response
- Hazardous materials incidents
- Automatic alarm response
- High angle rescue
- Urban search and rescue
- Marine response

In the past century MFB's role was mainly confined to fighting fires. In the 21st century the nature of the business of MFB is changing. Responding to fires can be less frequent than responding to emergency medical cases and traffic accidents, reflecting the changes in community risk profile.





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## **Fire stations and boundaries**

MFB is now geographically aligned to a Two Region, Five District model, operating 47 fire stations that provide services across 26 local government areas.

The realignment of MFB structural arrangements to a Regional model allows MFB to be aligned with the key partners with whom it must plan for the command, control and coordination of incidents under the State Emergency Management arrangements (including Integrated Fire Management Planning).

This realignment also provides opportunities for improvement internally, with a greater focus on clear reporting arrangements from regions through to station level, as well as the capacity to provide a greater level of management responsibility and accountability at all levels of the organisation.



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## Year in Review – Executive Summary

The past 12 months have been a time of structural change, operational challenges and new opportunities.

There has been a change in leadership at the executive level with the departure of the former CEO, the appointment of six new Executive Directors in December and a new Chief Executive Officer in June.

Nick Easy took up the position of CEO on 6 June coming from the Port of Melbourne Corporation where he was the Executive General Manager Port Capacity. Nick brings a record of leadership, innovation and achievement to MFB and his planning and project management skills will significantly enhance our capacity to deliver major projects.

Along with the new appointments, a new organisational structure to align the zones to a new Region and District model was introduced to give greater interoperability with other emergency services.

MFB worked closely with the new Fire Services Commissioner whose reform agenda is guiding the future shape of the organisation and how it operates within the sector.

Our emergency management capabilities were tested in a series of natural disasters rarely seen in a 12-month period – with widespread record floods in Queensland and Victoria, bushfires in Western Australia and the devastating earthquake in Christchurch, New Zealand. Our members displayed their expertise and versatility in contributing to Victoria's multi-agency responses.

While overall calls for MFB assistance were marginally above the 10-year average (34,447 in 2010/2011 compared to the 10-year average of 32,782) attendance to fire and explosions was down to 7,096 calls from 8,123 in 2009/2010 compared to the 10-year average of 9,263.

This result comes as Melbourne's population grows, ages and occupies a denser urban footprint. The growth in calls comes mainly from false alarms (an increase of 1,200 calls on the 10-year average), Emergency Medical Response (3,190 in 2010/2011 compared to the 10-year average of 2,025) and rescues (3,263 in 2010/2011 compared to the 10-year average of 2,445).

### **Other key achievements for the year include:**

- Delivery of successful community education programs such as 'Change Your Clock Change Your Smoke Alarm Battery Campaign', 'Industry as Your Neighbour' and 'Think Before Program'
- Delivery of regional summer season fire safety strategy in conjunction with local government
- Certification to AS/NZS 4801 for OH&S Management System
- 10-years of EMR, supporting Ambulance Victoria in providing first response to people with significant risk and cardiac arrest. Calls increased to 3,190 from a 10-year average of 2,025
- Two national safety awards in the areas of 'Safety Messages' and 'Skin Health'
- Three Australian Fire Services Medals to MFB staff for outstanding and distinguished service
- Settlement of Operational Staff and Assistant Chief Fire Officer Agreements
- Recruit Courses 101 and 102 producing 60 new firefighters
- Station Officer Courses 46 and 47 producing 45 new Station Officers and Commander training for 20 personnel
- Acquisition of 18.6 hectares of land in Craigieburn for development of new training facility
- Lead agency in Victoria's first multi-agency Disaster Response Capability exhibition at the Royal Melbourne Showgrounds
- Participants in several major multi-agency emergency management exercises
- Development of industry safety guidelines in conjunction with WorkSafe
- Implementation of new Station Design Brief
- Production of Emergency Response Guidebook

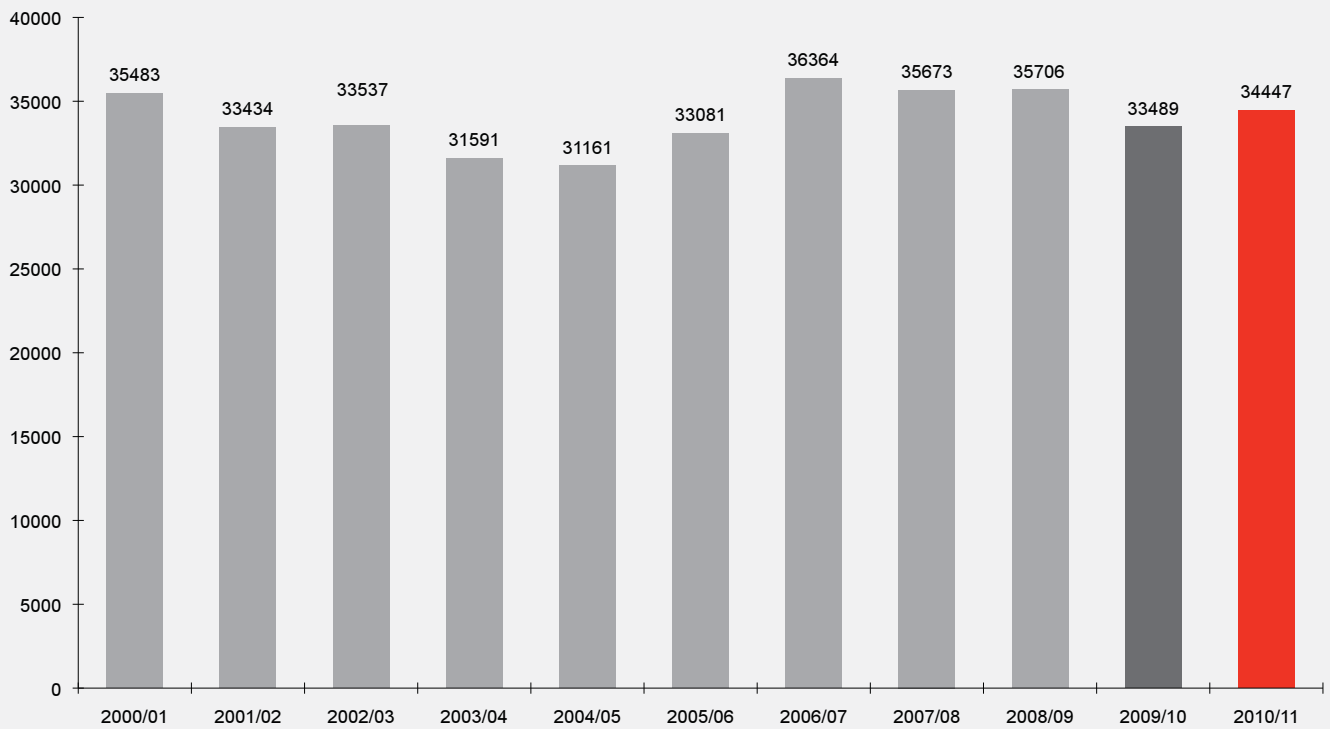




## Snapshot Statistics

### MFB Calls Attended\*

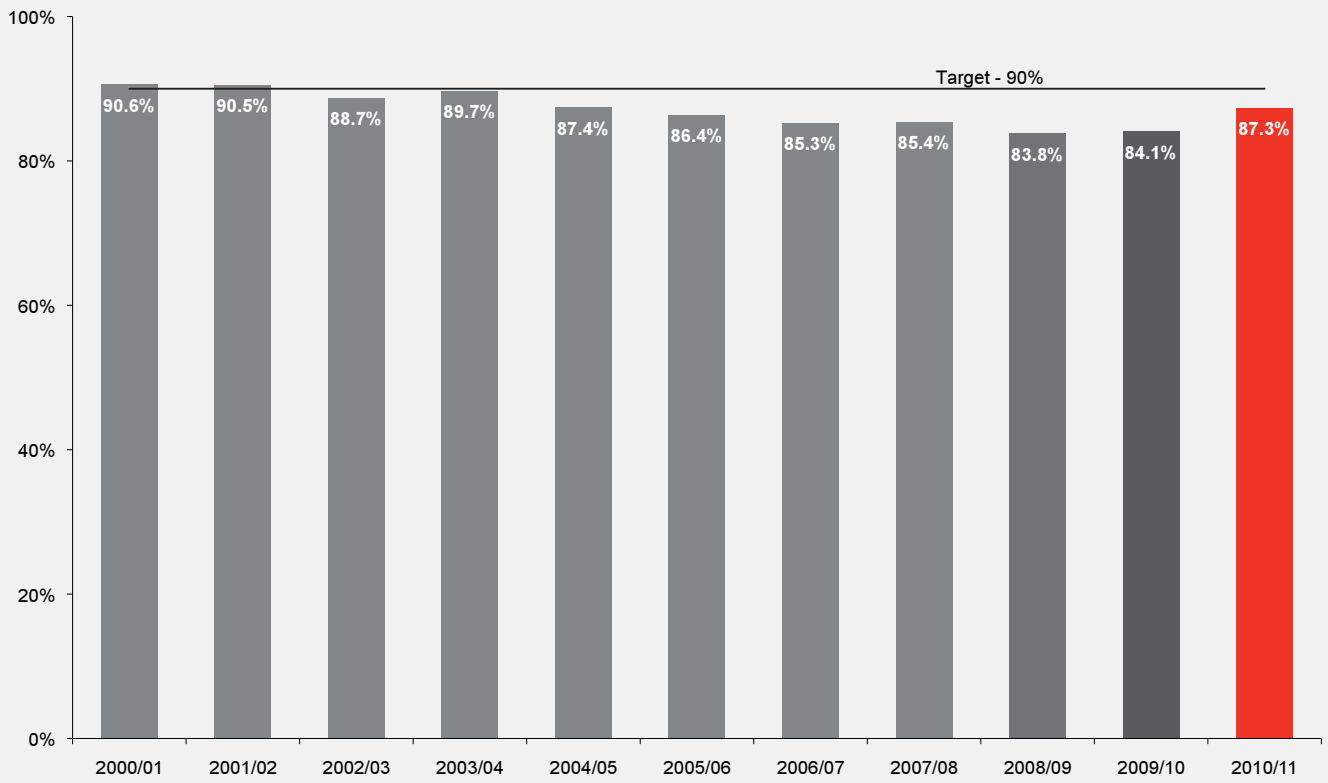
2000/2001 - 2010/2011

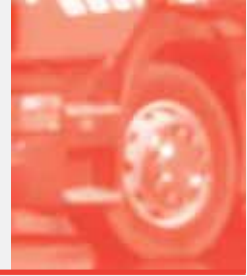


\*Calls for emergency assistance that MFB attended (arrived on scene).

## Emergency Response Times Meeting Benchmarks

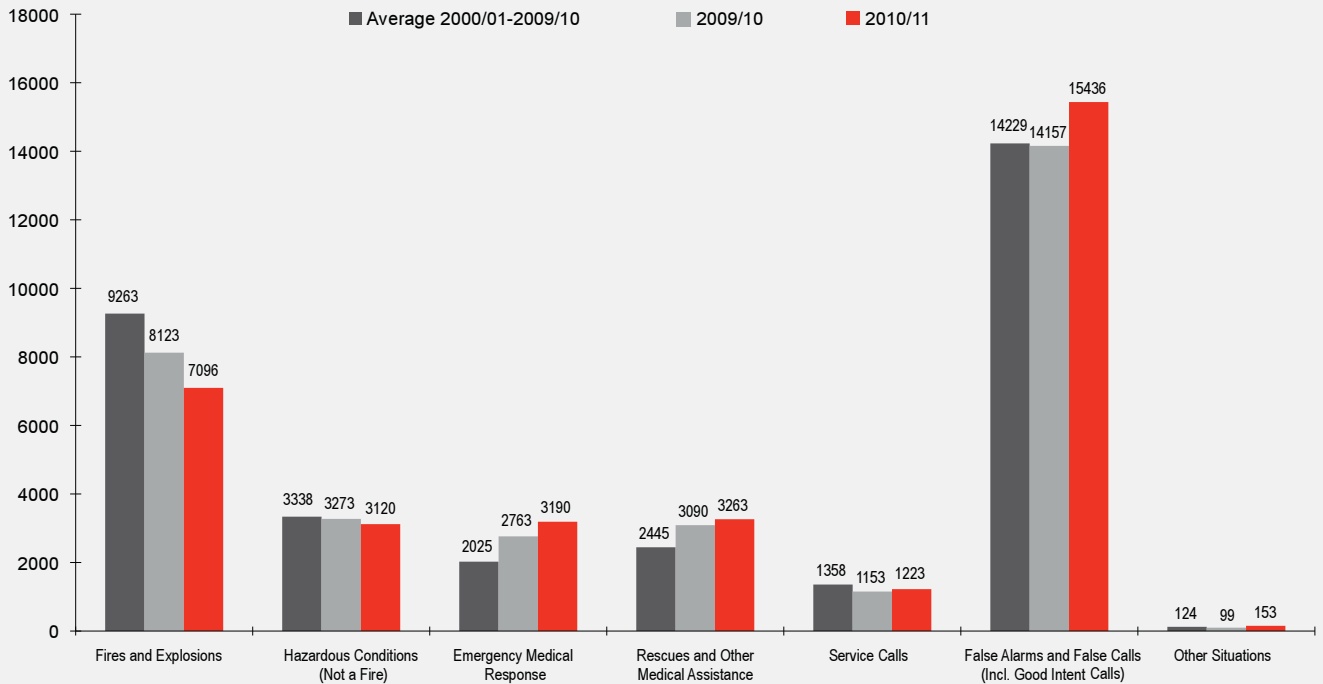
2000/2001 - 2010/2011





## Breakdown of Calls by Type of Incident (MFD only)\*

2000/2001 - 2010/2011



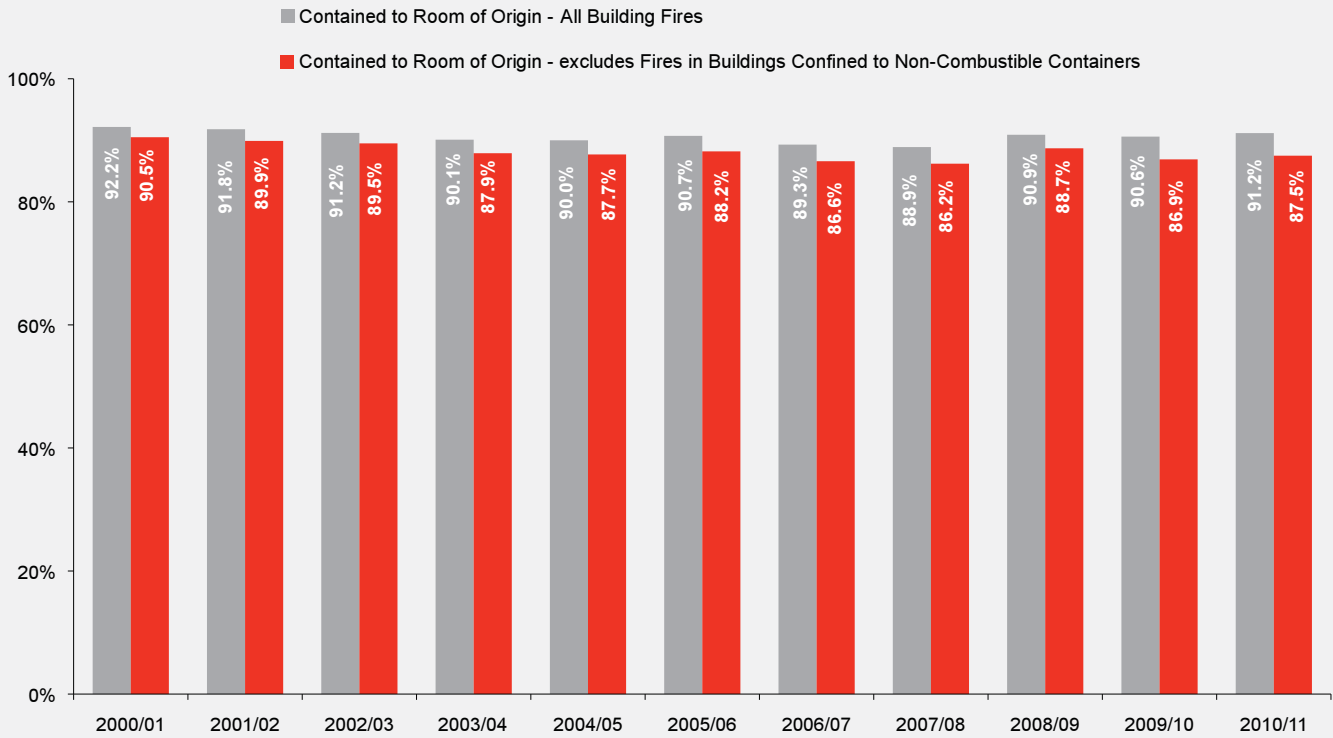
AIRS data was affected by Industrial Bans during the periods: Sep'05, Jan-Mar'06, Oct'02, Jan'01 (this does not affect the total number of incidents reported but disaggregation is not possible)

\*Metropolitan Fire District.



## Containment of Structure Fires to the Room of Origin

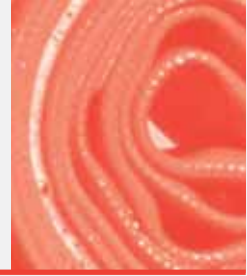
2000/2001 - 2010/2011



1. MFB performance measure; target is 90%.

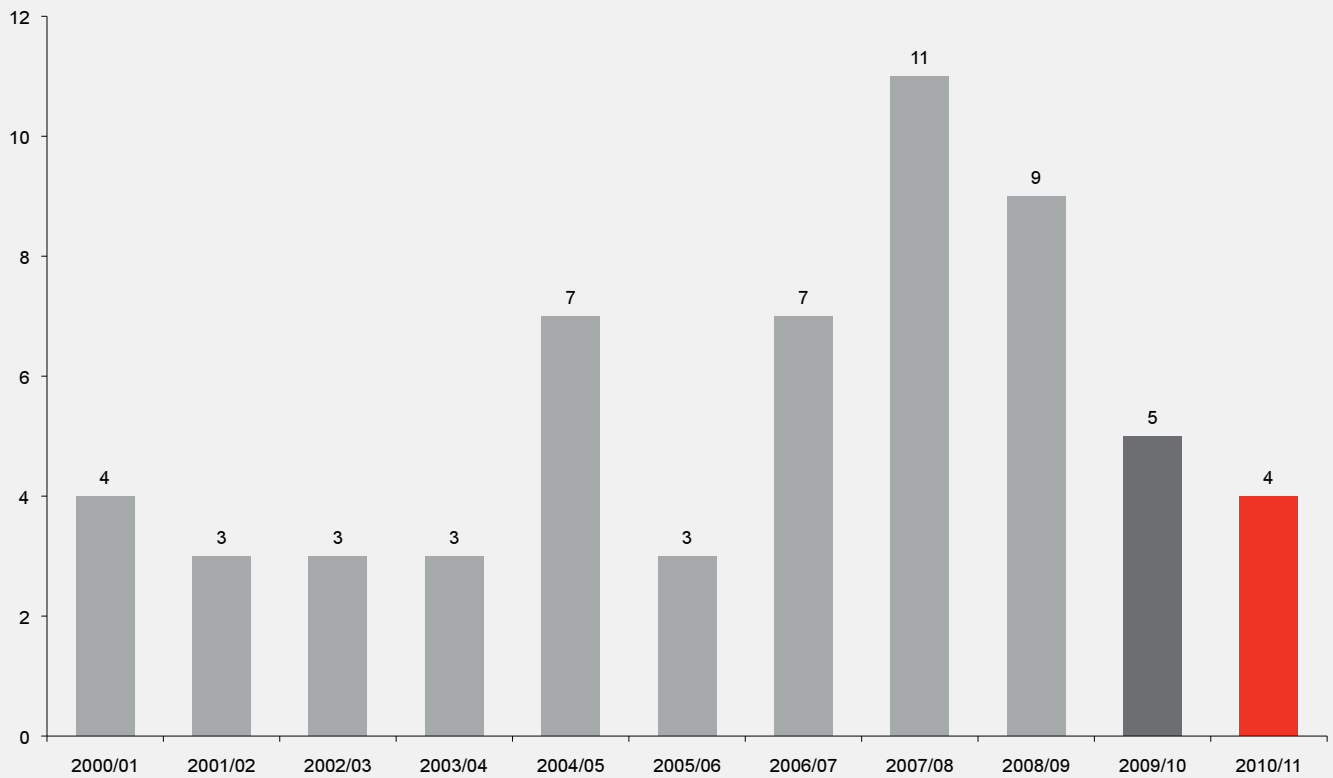
2. Budget Paper 3 performance measure determined by Government; target is 70%.

\*These figures include fires in buildings confined to non-combustible containers. For example this includes fires in chimneys, incinerators and compactors.



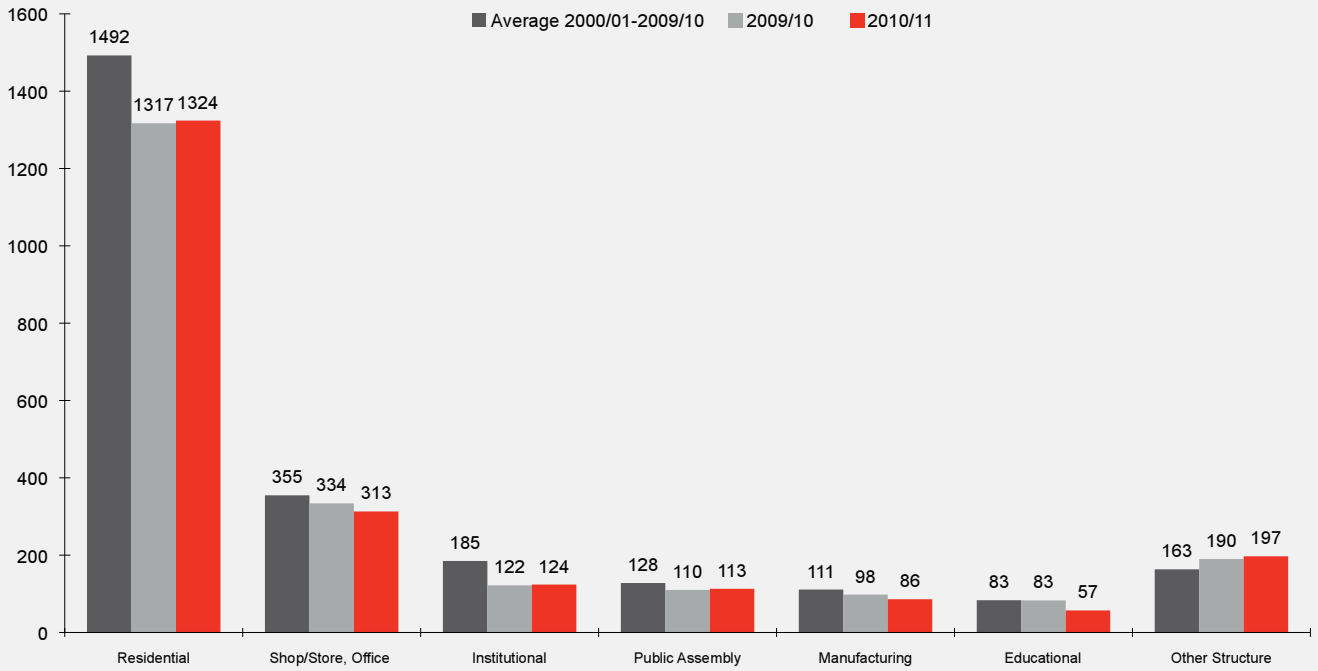
## Preventable Fire Related Fatalities

2000/2001 - 2010/2011



## Breakdown of Building Fires by Type of Property Use (MFD only)

2010/2011

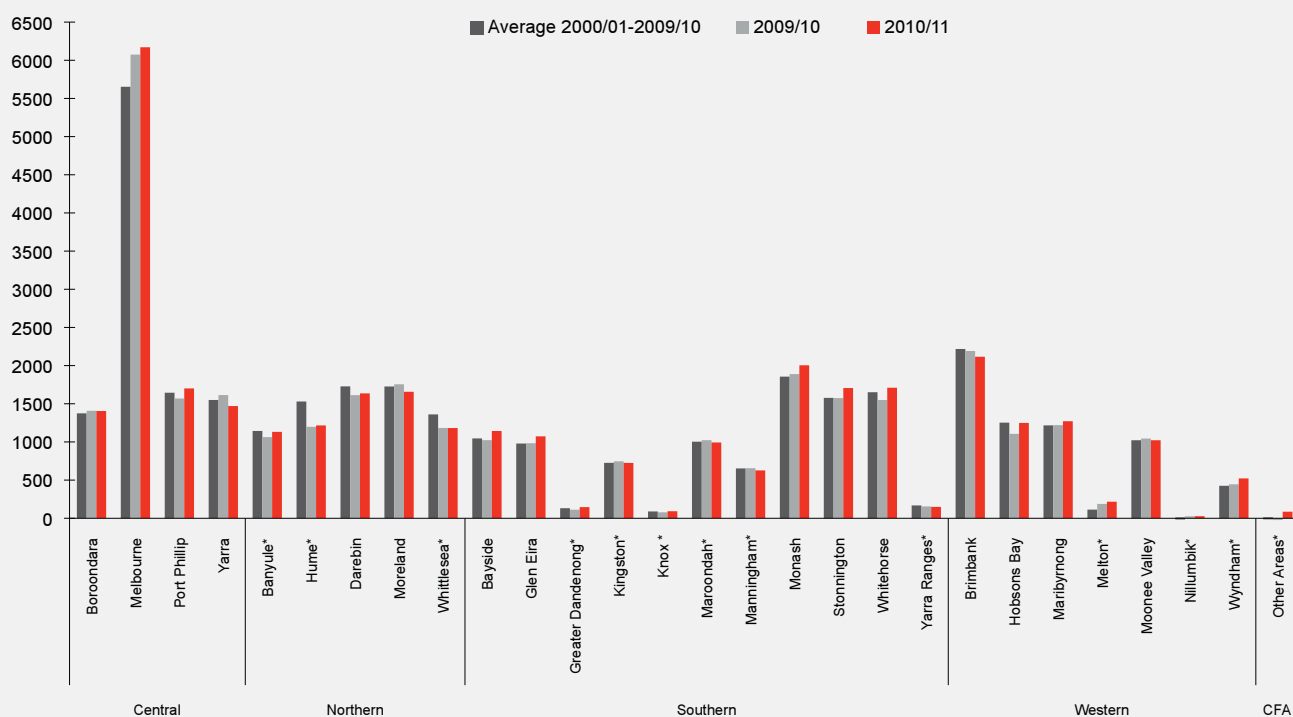


AIRS data was affected by Industrial Bans during the periods: Sep'05, Jan-Mar'06, Oct'02, Jan'01 (this does not affect the total number of incidents reported but disaggregation is not possible). Estimation of "missing data" based upon proportions of incident totals from previous years.





## Number of Calls by Local Government Area (MFB and CFA areas) 2000/2001 - 2010/2011



Note: This chart shows all calls attended by MFB. Local Government Areas (LGAs) have been allocated to the MFB District that has greatest land coverage of the LGA. LGAs jointly serviced by MFB and CFA are denoted by a star (\*).

## Emergency Management Capability

Major Outputs/Deliverables	Unit of Measure	2010/11 Statewide Target	2010/11 MFB Target	2010/11 MFB Actual	Notes
<b>Performance Measures</b>					
<b>Quantity</b>					
Number of Emergency Service delivery points	number	1400	49	49	(1)
<b>Quality</b>					
Structural fires contained to room or object of origin (excluding fires in buildings confined to non-combustible containers) - Budget Paper 3	per cent	70	-	87.5	(2)
All structural fires contained to room or object of origin	per cent	-	90	91.2	
<b>Timeliness</b>					
Emergency response times meeting benchmarks (All structural fires) - Budget Paper 3	per cent	90	90	90.5	(3)
Emergency response times meeting benchmarks (All incidents)	per cent	90	90	87.3	(3)
<b>Notes</b>					
(1) The MFB has 49 service delivery points (47 Fire Stations, Burnley Complex and Thornbury Workshops)					
(2) 70 per cent is the statewide target. MFB performance is consistently significantly above the statewide target.					
(3) Performance continues to be impacted by introduction of new Personal Protective Clothing, to further increase fire fighter safety, as well as by increasing travel times.					

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

The table above indicates MFB's actual performance together with measures reported in Budget Paper No.3. MFB adheres to the national requirements for counting rules which is normal for fire and emergency service organisations.



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## Our focus in 2010/2011

### Safer Communities

MFB's goal to reduce the incidence of all fires was achieved against the 10-year average of 9,263 with calls to fires and explosions down to 7,096 for the year. However, a growing and ageing population living in a denser urban area means MFB must remain highly vigilant to reduce the incidence of residential structure fires particularly in reference to issues such as hoarding – a growing behavioural phenomenon increasingly present in the community.



### Community Education

MFB continued to work with its colleagues in the emergency services sector, launching a new Winter Fire Safety Campaign with CFA and contributing to the all-agencies Summer Fire Ready campaign. The campaigns are designed to increase awareness among the community within Melbourne and Victoria to educate them on how they can prevent fires and what to do should one occur.

The Change Your Clock Change Your Smoke Alarm Battery campaign, now entering its second decade, continued to highlight the importance of working smoke alarms which contributed to the reduction in preventable fire related fatalities for the year to four from a 10-year average of 5.5. Residential fires where smoke alarms were not present reduced to 16.3 per cent for the year compared to 16.5 per cent the previous year.



MFB works closely with identified major hazard industrial sites in the MFD and has developed the 'Industry as Neighbours' project, in partnership with local heavy industries, Maribyrnong and Hobsons Bay City Councils and WorkSafe. The project provides local information via the Industry as Neighbours web site.

Not everyone in Melbourne is a permanent resident. International tertiary level students are a particularly at-risk group and the 'Think Before' social media campaign – in partnership with Victoria Police, ISANA International Education Association, Federal and State Governments and the education industry – provides a series of targeted safety messages delivered visually to overcome language barriers. The MFB FLAMES program also successfully engaged with newly arrived secondary students to educate them about fire safety in Victoria.





The theme of working closely with particular groups continued with programs such as the Inter-AMES Football Festival which provided a vehicle to directly engage with CALD and indigenous groups. MFB also maintained its association with the Victorian Women's Football League to encourage more firefighter applications from women.

### **Shelter in Place for Chemical Incidents**

MFB science officers led the development of the Shelter in Place strategy, which provides incident controllers and other stakeholders with advice on specific actions to protect the community from toxic or irritating emissions during a chemical release or fire.

A joint project between Department of Human Services, CFA, ChemCentre, the Office of the Emergency Services Commissioner and various local governments, the strategy brings together the experience and response to many fires over the past few decades.

### **Emergency Medical Response**

MFB's Emergency Medical Response service, which supports Ambulance Victoria to provide a first response to people in significant medical risk and cardiac arrest, recorded an increase in calls to 3,190 in 2010/2011 on a 10-year average of 2,025. In 2010, MFB EMR celebrated its tenth anniversary as a service unique to a fire agency in Australia.

### **Flood and Marine Response**

The floods that severely damaged parts of Victoria in 2010/2011 showed again the need for an all-hazards response capability at MFB. MFB Marine Response was deployed to assist in the September 2010 floods in Victoria's north-east and will enhance its ability to protect the community with the development of plans to introduce a Rapid Response Fire Boat and a new Water Access Module.





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## Capable and Empowered Workforce

MFB's aims to create a highly skilled, involved, adaptable, and safe and healthy workforce.

### Our Valued Staff

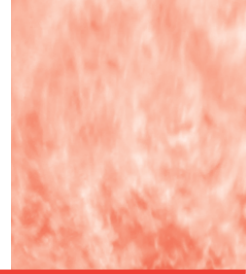
Our aspirations for MFB and its people include:

- High performing organisation – results oriented, contemporary, agile and accountable;
- Cultivate a positive ethical culture which supports honesty, trust, respect, freedom to innovate, and collaboration;
- Employee involvement – devolve responsibility, leadership and decision making to all levels and nurture ideas and innovation;
- 'One MFB' – collaboration between corporate and operations, one shared vision, one organisation, one culture;
- Build inspiring, trustworthy, decisive, supportive leadership capability particularly at front line level.

As at 30 June 2011, MFB employed 1,738 staff in Operations, 304 in the Corporate/Technical area and 10 trainees/apprentices - a total of 2,052 staff.

### Organisational Realignment

On 28 March 2011 MFB transitioned to new boundaries for planning and operational purposes, resulting in five districts functioning within two regions. Alignment with the boundaries will achieve greater co-ordination of all public activity within a region. For MFB, this includes emergency management, command and control and fire prevention leadership alongside other government service delivery. The realignment initiative provides consistency with municipal boundaries as well as Victoria Police and CFA, which both implemented boundary alignment during 2009/2010.



## **Organisational Development**

Over 2010/2011 Organisational Development provided strategy and opportunities to build and strengthen individual, team and organisational capability and culture to achieve the MFB vision and goals.

The Growing Leaders and Managers program for corporate frontline managers as well as the Leadership Excellence program for middle managers was implemented.

MFB supported 1,144 individual instances of professional development for the 2010/2011 year.

## **Health, Safety and Well-being**

MFB is committed to a safe and healthy work environment with a renewed emphasis on a Safety First Culture. MFB is the only Australian fire and emergency service with certification under the AS/NZS 4801 standard for our OH&S Management System.

This commitment continues to have a positive impact on injuries with a reduction of more than 15% of the number of WorkCover claims recorded.

MFB was recognised with two national safety awards – the National Safety Award for Excellence in the category Best Communication of a Safety Message, and a National Healthy Skin Award for Innovation in Skin Health.

## **Employee Relations**

During 2010 the Employee Relations Department facilitated settlement of the Operational Staff Agreement 2010 and the Assistant Chief Fire Officers Agreement 2010. The process provided an opportunity to address a number of issues for the benefit of the brigade and employees alike.

The Employee Relations Department continued to play a key role in resolving disputes and grievances. A particular focus was on ensuring that the provisions of the new enterprise agreement were widely understood and uniformly applied. Consultation with unions was consistent with MFB's obligations and desire to engage employees in matters that affect them. This will be an evolving process where ongoing education and improvement will continue over the life of the agreement.

## **Operational Training**

MFB aims for highly skilled, productive, motivated people, including a strong emphasis on learning and skills maintenance. Ongoing training of staff members and recruits is paramount to the success of the organisation.

In the past 12 months we have trained 60 new firefighters through recruit courses 101 and 102.

Station Officer Courses 46 and 47 resulted in 45 new station officers and the pre-program selection examinations for the 2011/2012 program. Twenty new Commanders were also trained.

MFB has also strengthened its unique working relationships with universities for the development and delivery of specific leadership and management components of the Station Officers, Senior Station Officers and Commanders programs.

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## **Australian Fire Service Medals**

### **Australia Day Honours**

SO John Hale – For distinguished service to the community, particularly in the field of community education.

SSO Paul Illman – For outstanding service to the community and MFB over 24 years.

### **Queen's Birthday Honours**

ACO Christopher Watt – For outstanding service and leadership in the development and implementation of significant changes in dangerous goods storage, handling and transport.

### **Chief Officer's Certificate of Commendation**

CFO Anthony Murphy – For his role in leading MFB's response to the Black Saturday bushfires, MFB's post-fire collaboration with other agencies, MFB's implementation of recommendations of the Interim Report of the Victorian Bushfires Royal Commission.

SO Mark Treverton, LFF Rupert Gardner and SFF Douglas Kelly – For their professionalism when attending a call where a 10-month-old boy and a three-year-old girl suffered life threatening multiple stab wounds.

LFF Callum Donoghue – In recognition of the professionalism and unselfish actions he demonstrated during the Black Saturday bushfires on 7 February 2009 at Strathewen.

LFF Matt Collins – In recognition of the professionalism and unselfish actions he demonstrated during the Black Saturday bushfires at Strathewen.

### **Executive Officer's Certificate of Commendation**

Commander Ron Darby, SO Ian Grindlay, LFF Jeffrey Leon and LFF Peter Treppo, SSO John Hillbrick, LFF Eric Anderson, LFF Stephen Brown and LFF Michael Whitty, SO Bernard Henry, LFF Julian Maunsell and LFF Bernard Milner, SO Peter Swift, LFF Graham Lane, SO Bernie Smith, LFF Patrick Pentony, LFF Colin Gibson and LFF Corin Willis, LFF John Fowler, LFF Kieran Purcell and QFF Adam Gibson

These officers were awarded the Executive Officer's Commendation for the professionalism, resourcefulness and teamwork they demonstrated when attending a call in Reservoir in January 2010 where they rescued a woman from a burning house.

### **National Medal**

Four employees were nominated for the award of the National Medal and 101 personnel were nominated for the award of the 1st Clasp to the National Medal, recognising 25 years diligent service. Twenty-five personnel were nominated for the award of the 2nd Clasp to the National Medal, recognising 35 years diligent service.



### **Long Service and Good Conduct Awards**

The annual Long Service and Good Conduct Awards were presented to more than 140 MFB firefighters and staff members with length of service ranging from 15 to 45 years at a ceremony at the MCG on 20 March.











## Well Managed Performance

MFB continually sets itself tough targets and stringent benchmarks to assess its performance in a dynamic industry that requires 24 hours, seven days a week, 365 days a year service.

Some of the key targets include residential fires (stable at 1,324 against a Melbourne population base growing at a rate of two per cent per annum), preventable fire-related fatalities (down to four in 2010/2011 against five and nine in the two previous years) and containment of fires to the room of origin (91.2 per cent for all building fires against a target of 90 per cent).

In 2010/2011 MFB's Emergency Management Department participated in a diverse range of activities, from developing and planning improvements for MFB capabilities, to responding to flooding in Victoria, to multi-agency Urban Search and Rescue response to the Christchurch, New Zealand earthquake and Queensland flood emergencies.

### USAR Team Assists Christchurch Recovery

MFB was proud to be part of the recovery effort following the Christchurch, New Zealand earthquake in February.

MFB's Urban Search and Rescue personnel assisted the Australian task force. SSO George Arnold as Operations Officer led a multi-agency response undertaking investigations and risk assessments in Christchurch's seaside East Brighton area.

Despite the devastation and with the ever-present danger of after-shocks, our USAR team members made valuable contributions to the recovery effort.



### Victorian Floods

MFB supports non-fire related emergencies with specialised emergency response and emergency management. This was demonstrated during the flood events affecting large areas of Victoria between September 2010 and February 2011.

MFB's Marine Response directly supported SES in their immediate requirements in Shepparton and Wangaratta. MFB's all hazards/all agencies based incident management expertise was called upon to support SES at multiple Local Incident Control Centres levels.

MFB's most significant and sustained contribution to the flood response was in the area of impact assessment. MFB provided coordination staff at the State Control Centre and Regional Control Centres. These officers were engaged in the efforts to compile impact intelligence and communicate that through to Incident Control and state level networks.

MFB officers also provided emergency management liaison support to each of the Australian Defence Force Army units deployed to conduct impact assessments.

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### **Brisbane Flood Deployment January 2011**

In January 2011 MFB responded to a request for assistance during Queensland's floods.

MFB was asked to supply USAR personnel from Victoria to be combined with USAR personnel from other states and territories to form a multi-jurisdictional Task Force.

The Victorian USAR Team, led by MFB, consisted of four from MFB, three from CFA and three from SES.

### **NGR – Resetting the Benchmark**

MFB is developing the latest on-board tracking and resource communication technology into its fleet of fire appliances through the State Government mobile data network.

The Next Generation Response Project is designed to improve response times, improve safety and provide better coordination and information sharing between emergency services organisations when responding to multi-agency emergencies.

Introduction of this technology will require an appropriate information network and completion of a successful trial. When fully implemented, the use of mobile data terminals will significantly reduce radio traffic. At the same time the level of information to fire appliances will be more detailed and wide reaching. NGR will be able to provide all the latest available information to appliances while they are on the road and at the scene of an incident.

### **Major Incidents Attended**

#### **Warehouse fire, Coolaroo**

**5/11/2010 23:08 Call No: 1587 Level: 4**

Two warehouses full of thousands of tonnes of recycled paper burned ferociously just before midnight at Maffra St/Lexton St. The huge fuel load and deep seat of the fire meant the blaze took just over two hours to bring under control.

More than 80 firefighters from Northern Zone C platoon fought the blaze, with 19 appliances, two aerial units, one CFA tanker, the new Control Unit, Breathing Apparatus Bus and Decontamination Unit called to the scene.

Firefighters were able to prevent the fire from spreading to a third shed also containing recycled paper. Breathing apparatuses were used extensively due to the amount of smoke given off by the burning paper. The MFB Scientific Officer and EPA also attended to take atmospheric readings and monitor the situation.

#### **Carpet factory fire, Preston**

**08/01/11 03:48 Call No: 2331 Level: 4**

Northern Zone D platoon crews arrived on scene quickly to find the factory already well alight and responded with extra crews, boosting the call to a 4th alarm.

Due to the construction of the building and intensity of the fire, no internal fire attack was possible early on. After 100 minutes of external attack with water and foam, the fire was brought under control, allowing crews to get inside the building and fight the seat of the fire.

Crews remained on scene for nearly 24 hours to mop up. The cause of the fire was electrical failure in a hi-bay light fitting.



### **Factory fire, Footscray**

**10/01/11 04:56 Call No: 3060 Level: 5**

Western Zone C platoon crews were called to thick white smoke billowing from the roof of a factory in Cowper St. First responders quickly raised the alarm to a 2nd then 3rd alarm to bring on more crews to assist, eventually becoming a 5th alarm structure fire.

Crews were hampered by poor visibility and had limited access to exposures at the back of the building, while a collapse inside the structure made the fire difficult to suppress. It was brought under control at 06:23; however it still took many hours to dampen bales of woollen textiles inside the building.

The thick smoke continued well into the morning, prompting the Incident Controller to issue safety advice via the media and MFB web warnings for neighbours to shelter inside buildings. The police arson squad was called in to investigate the cause and discovered the fire had started during an attempted burglary.

### **Chemical leak, Sunshine North**

**11/02/11 08:56 Call No: 4342 Level: 4**

A chemical leak at an industrial gas manufacturer took many hours and many crews to bring under control.

MFB scientific officers were on the scene to monitor air levels, which showed the sulphur dioxide leak was spreading only 20 metres from the container and was therefore contained to the property.

As a precaution, all non-essential staff members were evacuated from the property while on-site engineers worked with fire crews to seal the leak from the valve assembly at the top of the container.

Neighbouring properties in the industrial area were kept updated on the situation, although they were not at risk. Ten MFB appliances attended the call, as part of MFB's standard precautionary response to HAZMAT incidents, including the Control Unit and Decontamination Unit.



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## Engaged Stakeholders

Protecting the Melbourne community takes a collaborative approach and MFB works with many stakeholders – from the top levels of government, other emergency services and local government to grass roots community groups.

Following the Victorian Bushfire Royal Commission the importance of these partnerships has been further recognised and promoted.

### **Fire Services Commissioner**

The 2009 Victorian Bushfire Royal Commission focused attention on how Victorian emergency services work together to increase community safety. The VBRCF report saw the appointment of a Fire Services Commissioner and the enactment of the Fire Services Commissioner Act.

MFB works closely with the Fire Services Commissioner on the implementation of a three-year Fire Services Reform Action Plan, which has identified six key themes and 22 key actions for fire services in Victoria to be implemented in Year 1.

MFB has participated in forums, workshops and the provision of specialist advice to the Commissioner in the development of the plan.

### **Disaster Response Capability Exhibition**

MFB was the lead agency in Victoria's first multi-agency Disaster Response Capability Exhibition at the Royal Melbourne Showgrounds in partnership with the Office of the Fire Service Commissioner and Victoria's emergency service sectors.

The three-day exhibition demonstrated the depth of resources and skills of Victoria's emergency services, and their ability to respond to a natural disaster or an event where hazardous materials are involved. From MFB's Emergency Medical Response, to the HAZMAT team, to coordinating Victoria's Urban Search and Rescue capability, the display showed that MFB is much more than a fire agency.





### **Strengthening MFB and Emergency Partner Capabilities**

MFB participated in several emergency management exercises including responding to events in EastLink's Melba tunnel, a counter terrorism exercise at Flagstaff Station and organised a major hypothetical exercise to increase understanding of emergency partner capabilities when confronted by a complex emergency.

Exercise 'Educo' received strong support, with more than 60 attendees from MFB, Victoria Police, Ambulance Victoria, the Fire Service Commissioner, Country Fire Authority, Department of Premier and Cabinet, Departments of Health and Transport, Emergency Services Telecommunications Authority and the City of Melbourne.

### **Local Government**

An important strategic partner is local government and over the past 12 months a number of significant achievements have occurred including:

- The development of an organisational strategy to support and implement the Integrated Fire Management Process and the successful application of the strategy within our Councils;
- The delivery of the annual state-wide Local Government Emergency Management Officers Forum developed in partnership with CFA in May 2011 with over 160 local government officers attending; and
- The annual delivery of the regional summer season fire safety strategy involving joint Council inspections and street meetings with local residents living adjacent to urban bushland reserves.

### **Collaborative Development of Industry Guidelines**

MFB has worked with two manufacturing industries and WorkSafe Victoria to develop safety guidelines the following areas:

- Refrigeration, heating and air-conditioning: ammonia risk;
- Furniture manufacturing: nitrocellulose risk.

In developing these guidelines, MFB Dangerous Goods Department worked closely with WorkSafe Victoria to conduct joint inspections of workplaces.

### **Diversity**

MFB has an ongoing commitment to Diversity and promotes an open and accessible organisation underpinned by our responsibilities as a good corporate and community partner.

Diversity action plans inclusive of Multicultural, Disability, Gender and Reconciliation highlight key responsibilities and achievements together with both Community Education and Engagement opportunities. These include:

- Physical accessibility with regards to MFB properties;
- Iftar celebrations with Melbourne's Islamic communities;
- Cross-agency community engagement opportunities with new and emerging communities;
- Continued participation and sponsorship of the Victorian Women's Football League;
- Promoting employment opportunities with MFB by hosting recruitment open days across the community;
- Youth Engagement / Leadership Programs in partnership with Councils and other Emergency Service Organisations targeting young people from new and emerging communities; and
- MacKillop Firey Youth Mentoring Program, targeting young people from CALD and indigenous backgrounds.





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## Holistic Planning

MFB's ongoing effectiveness is dependant on responding to current demands, anticipating emerging trends and planning for the future.

MFB is now geographically aligned to the State Government Regional Boundaries with a 'Two Region, Five District' model, operating 47 fire stations that provide a service across 26 Local Government Areas.

It also aligns the organisation to the key partners with whom it must plan for the command, control and coordination of incidents under the State Emergency Management arrangements (including Integrated Fire Management Planning).

Additionally it provides opportunities for improvement internally, with a greater focus on clear reporting arrangements from Regions through to station level, as well as the capacity to provide a greater level of management responsibility and accountability at all levels of the organisation.



## **Training for the Future**

The Future of Learning and Development (FOLD) Facilities Project is an MFB initiative concerned with the development and creation of a new training facility in Craigieburn.

The new facility will cater for expected changes in training demand, with respect to both training type and capacity.

The FOLD project has two streams – the facilities stream is focused on establishing appropriate facilities and infrastructure to provide in-house training, while the strategic development stream is focused on creating learning programs to develop the skills of both operational and corporate staff.

The FOLD Facilities project team began work in March 2009 securing approval from the Board for the Business Case and acquisition of 18.6 hectares at 284-290 Hume Highway in Craigieburn on which to develop the project.

## **Property Services**

A key achievement in 2010/2011 has been the implementation of a new Station Design Brief, incorporating efficient use of space and work flows. The brief also lessens the impact on the environment and allows MFB to comply with the Disability Discrimination Act. The design brief ensures that emergency response needs are well serviced to enable MFB to respond swiftly to community needs.

Land acquisition for new fire stations as part of the Strategic Location Plan has continued with the successful acquisition of properties in Glen Iris (to replace the temporary Malvern Fire Station) and Moonee Ponds (to replace the current Ascot Vale Fire Station).

The design phase of new stations has progressed well with the new Altona Fire Station to be built on the current site and the new Laverton Fire Station to replace the existing Laverton Fire Station.

## **Environment and Sustainability**

### **Report (2010/2011)**

MFB is committed to reducing the environmental footprint of all business activities. MFB's approach is holistic and aims to reduce the impact of facilities, fleet and firefighting operations.

### **Environmental Leadership**

MFB continues to establish its foundation to support the development and implementation of policy, standards and framework to ensure MFB is sustainable in its approach to everyday business. This year MFB has further demonstrated this commitment, and recognition of the long-term focus required to achieve its ambitious goals, through the establishment of a dedicated resource to facilitate environmental and sustainable leadership within the organisation. MFB's aim is continuous improvement from an organisation that is well-informed and aware of the contribution it imposes on the environment to one that has sustainability embedded in all of its operating decisions and actions.

### **ResourceSmart**

MFB has continued its participation in the Sustainability Victoria ResourceSmart program. The program focuses on ensuring Victorian Government agencies are leading by example in environmental management and reporting. Under the guidance of MFB's Environmental Leadership Coordinator the evolution of our ResourceSmart Environmental Strategy will address the pathway, over the coming two years, to achieving our long term targets established in our 2009 plan.

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### **Green Fire Challenge**

The Green Fire Energy Challenge commenced as a pilot program in 2010, its aim to influence occupant behaviour change to achieve a reduction in energy consumption over a 12-month period. The four fire stations involved were Carlton, Port Melbourne, Footscray and St Albans and represented a range of new and old as well as large and small stations.

Positive results were recorded at all stations including an 11% reduction in electricity at one site when compared to the average daily use in the previous year. The pilot project has demonstrated the potential improvement in sustainability through behavioural change and is being evaluated for its suitability at further sites in the future.

In support of the challenge, a series of environmental information sessions were provided at a number of MFB work locations and aimed to reach at least 20% of MFB's employees. The information sessions were presented in partnership with ex-AFL player and environmental ambassador Shane Wakelin and provided employees with key facts on the earth's climate system and suggestions on how everyone can contribute to reducing their environmental footprint at work and home.

### **Carbon Reduction Strategy**

MFB has committed to a "no gain in carbon emissions by 2012 compared to 2010" target which is supported by a program of activities aimed at all levels of the organisation necessary to achieve this. The program includes the establishment of suitable measures and reporting methods to enable carbon emissions to become a critical element of decision making within the organisation.

### **Green Building Council of Australia**

#### **5 Start Green Star**

MFB has entered into an agreement with the Green Building Council of Australia, committing to the development a pilot 5 green star building assessment tool specific to the fire services. The assessment tool is being developed for new station builds and will include sustainable design features while ensuring MFB's user requirements will continue to be met. Completion of the pilot assessment tool is scheduled for 2012.

### **Waste and Recycling**

Continuing waste audits completed in December 2010 identified that MFB has a significant task remaining to achieve its recycling target of 80% by 2014. A trial program targeting reduced bin sizes at work places commenced in early 2011 and will be monitored over a six-month period with identified successes evaluated for roll-out to other MFB facilities.

A process for battery recycling was established for large MFB facilities. Positive feedback has resulted in the extension of the program across all facilities, further aiding the recovery of landfill for recycling.

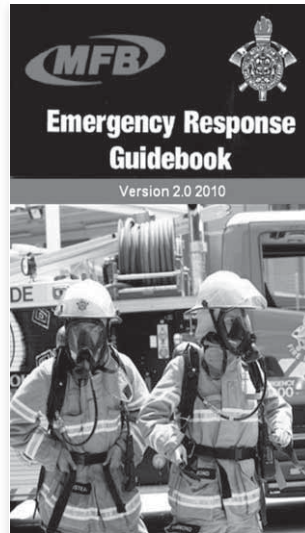






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## Emergency Response Guidebook



MFB's suite of Operational Documents has been through a process of review and has been updated to reflect current practices. This has included procedures, work instructions and Emergency Response Guidebook. These documents are located on MFB's intranet and the Emergency Response Guidebook has been

printed in a pocket-sized version and every operational firefighter and officer provided with a copy.

The guidebook is part of the MFB Operational Doctrine and integrates into a single document the principal operational policies and strategies developed by firefighters through experience in responding to emergencies within and outside the Metropolitan Fire District. It is designed to provide information and guidance on incidents and events which may occur, but does not replace comprehensive training and training material.





CAR 009



# OXYGEN RESUSCITATOR

## Environmental Indicator report (FRD24c)<sup>1</sup>

Environmental Indicator	Unit of Measure	05/06 Baseline	07/08	08/09	09/10	10/11
<b>Water<sup>2</sup></b>						
Consumption per FTE <sup>3</sup>	KL per FTE	15.7	13.7	14.1	11.9	11
Total consumption	KL	29,171	26,732	28,047	24,620	22,504
<b>Energy (Electricity and Gas)<sup>4</sup></b>						
% Green Power purchased	Percentage	15%	15%	15%	15%	15%
Energy Consumption per FTE	GJ per FTE	24.1	23.7	25.7	24.0	25
Energy consumption	GJ	44,788	46,420	51,330	49,892	50,440
<b>Greenhouse Emissions<sup>5</sup></b>						
Greenhouse emissions -waste disposal	tonnes CO <sub>2</sub> <sup>e</sup>	286	283	289	293	295
Greenhouse emissions -electricity and gas use	tonnes CO <sub>2</sub> <sup>e</sup>	9,397	9,876	10,596	10,604	10,662
Greenhouse emissions -light fleet	tonnes CO <sub>2</sub> <sup>e</sup>	1,140	1,193	1,271	1,233	1,187
Greenhouse emissions -operational fleet	tonnes CO <sub>2</sub> <sup>e</sup>	1,838	2,039	1,950	1,952	1,980
Greenhouse emissions -air travel (flights)	tonnes CO <sub>2</sub> <sup>e</sup>	n/a	n/a	118	125	153
Total MFB Greenhouse emissions	tonnes CO <sub>2</sub> <sup>e</sup>	12,661	13,391	14,224	14,207	14,277
<b>Paper<sup>6</sup></b>						
Use per FTE	Reams per FTE	4.9	4.5	4.6	4.1	3.8
Total Use	Reams	9,028	8,825	9,024	8,543	7,813
Average recycled content %	Percentage	n/a	46%	49%	49%	49%
<b>Waste &amp; Recycling<sup>7</sup></b>						
Waste generated per FTE	m <sup>3</sup> per FTE	3.8	3.2	3.4	3.3	3.5
Total Waste	m <sup>3</sup>	7,060	6,299	6,643	6,792	7,198
Total Recycled	Percentage	25%	19%	21%	21%	21%
<b>Transportation (light fleet)<sup>8</sup></b>						
Fuel consumption per FTE	GJ per FTE	9.2	9.2	8.9	8.3	8
Total fuel consumption	GJ	17,079	17,995	17,742	17,123	16,545
Travel (light fleet) per FTE	kilometres per FTE	2,186	2,145	2,126	2,035	2,163
Total travel (light fleet)	kilometres	4,059,721	4,191,738	4,239,766	4,221,467	4,445,069
Employees regularly using public transport, cycling or walking to and from work <sup>9</sup>	Percentage	36%	n/a	45%	n/a	n/a





<sup>1</sup> Paper, waste, water and energy data is reported for all MFB facilities (fire stations, offices, training facilities and includes Ambulance Victoria consumption at co-located sites). Data excludes all usage and waste associated with direct fire fighting activity.

<sup>2</sup> 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, training drills or water used in commissioning of Burnley's water re-use facility. 10/11 year is represented by 12 months of data from April 2010-March 2011 (quarterly invoice period prevents June 30 data from being available until September 2011).

<sup>3</sup> FTE-Full time equivalent staff as at the end of the financial year.

<sup>4</sup> Energy use includes electricity and natural gas consumed at MFB offices, training centres and fire stations. 10/11 year is represented by 12 months of data from April 2010-March 2011 (quarterly invoice period prevents June 30 data from being available until September 2011).

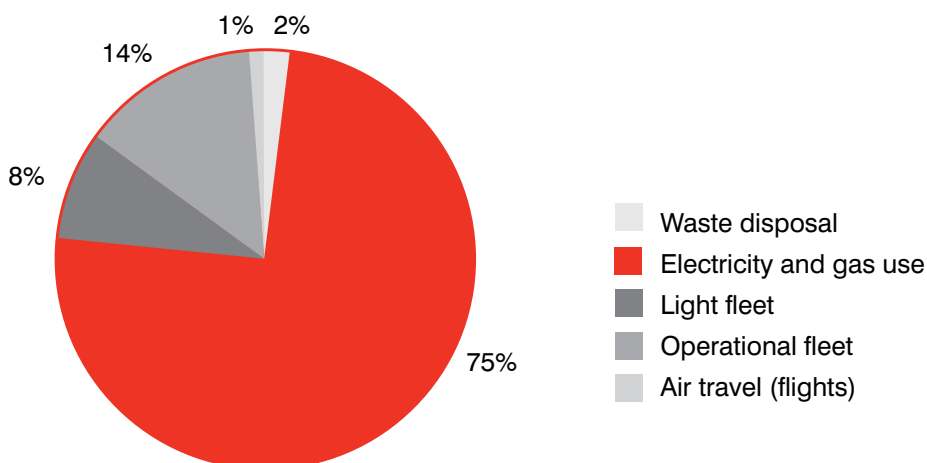
<sup>5</sup> Greenhouse gas emissions are reported using scope 1, 2 and 3 emission factor calculations from the Australian Greenhouse Office. Greenhouse emissions from energy use (electricity and natural gas) are calculated including the credit from 15% Green Power purchase. Greenhouse emissions from operational fleet include emissions from use of fire trucks and appliances.

<sup>6</sup> One Ream is equivalent to 500 sheets of A4 paper. Recycled content is calculated as the average percentage of recycled content of paper purchased.

<sup>7</sup> Waste and recycling measurements are based on total volume of bins collected from MFB sites (m3).

<sup>8</sup> Transportation Light fleet is inclusive of all corporate administration vehicles (hybrids, LPG and unleaded petrol cars). It excludes all operational vehicles.

## Greenhouse Emissions (CO2 tonnes) 2010/11



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## The Board & Leadership Team

### The Board

#### President

**Neil Comrie**, AO, APM  
OStJ, BA, Assoc Dip CJA

Neil was appointed President on 30 June 2010. A career police officer, Neil joined Victoria Police in 1967 and, after serving initially in uniformed and then specialist roles, in 1990 was appointed Assistant Commissioner, Queensland Police Service.

In 1993, Neil returned to Victoria when he was appointed as 18th Chief Commissioner of the Victoria Police Force. He retired in 2001 after eight years in this position.

Neil is currently the Independent Monitor for the implementation of the recommendations of the Victorian Bushfire Royal Commission and he was also appointed as Chair, Review of the 2010-2011 Flood Warning and Response - Victoria Floods Review.

He has also undertaken a range of sensitive and significant inquiries and projects on behalf of the Commonwealth and Victorian Governments and internationally. As such, Neil brings to MFB significant emergency services experience.

#### Deputy President

**Ian Spicer**, AM  
LLB, FAIM, FCIM, AICS

Ian has been on the Board since September 1997 and chairs the Board's Risk and Audit Committee.

He has more than 35 years experience in representing Australian business both nationally and internationally and as a company director. Ian has also been a Board member of a number of Australian public agencies and government advisory bodies.

He was the Chief Executive of the Australian Chamber of Commerce and Industry and prior to that the Chief Executive of the Confederation of Australian Industry and the Victorian Employers Federation (now VECCI).

#### Board Member

**Anne Barker**  
LLB, MAICD

Anne was appointed to the Board in December 2008. Anne graduated in law from the University of Melbourne and after 12 years in legal practice took up management positions at Myer Stores Ltd, then ANZ Banking Group Ltd, and later Executive Manager of the Commercial/Reset Team at SPI Powernet Pty Ltd (then Victorian electricity transmission network owner). Anne was appointed Managing Director of City West Water Ltd in 2002.

In these positions Anne has had a range of experience including leading an organisation through times of significant change, economic regulation, cost control and consumer protection.

Anne is currently a Director of LeadWest, a member of Victoria's Plumbing Industry Advisory Council and the Chair of Whitelion and the Smart Water Fund.

#### Board Member

**Jay Bonnington**  
BCom, MBA, FAICD, FCPA

Jay was appointed to the MFB Board in July 2006. Jay started her career as an accountant and worked in the UK, USA, Europe and South Africa. She worked in the construction, engineering and manufacturing, electricity and financial services sectors in Australia, and was CEO of the Make-A-Wish Foundation Australia until 2005.





Jay now serves as a non-executive company director on a number of boards, including HESTA Superannuation, Port of Melbourne Corporation, St. John of God Healthcare Group and Agriculture Services Victoria. She is also on the board of the Lord Mayors Charitable Foundation, Prince Henry's Medical Institute and on Deakin University Council.

#### **Board Member**

##### **Ken King**

BForSc (Hons), Dip For (Creswick)

Ken was appointed to the Board in July 2008. Ken was appointed to the Board of the Country Fire Authority in 2003. His appointment helps maintain our important relationship with the CFA. Ken retired recently from a long and very successful career in the Department of Sustainability and Environment (DSE) 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 the Port Phillip area which covers metropolitan Melbourne. Ken has also been on the Board of Parks Victoria since 2005 and is 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 in government and with statutory authorities.

#### **Board Member**

##### **Geoff Lake**

BA (Hons), LLB (Hons)

Geoff joined the Board in 2005. He works as a lawyer at a national law firm and has had an extensive background in local government. Currently a councillor at the City of Monash in Melbourne, he has previously served as Mayor and has led the local government sector at both a state and national level.

#### **Board Member**

##### **Alfred Long**

Alf was appointed to the Board on 14 September 2010.

Alf had an impressive 44-year career with Commonwealth Bank of Australia (CBA). Within eight years of starting as a cadet, Alf was appointed Branch Manager and in 1987 he moved to Queensland as State General Manager, where he undertook a restructure of the organisation and rejuvenated its market position.

Four years later he returned to Victoria as General Manager, to implement the merger of CBA and State Bank Victoria, a major exercise. In 1997 he became the Head of Customer Service across Australia, managing approximately 28,000 employees.

Alf retired from the bank in July 2000. His capacity to draw people together and to develop the resolution of complex organisational issues complements the skills already present on the MFB Board.





## The Executive Leadership Team

### Chief Executive Officer

#### Nick Easy

BSc, Post Grad Environmental Management

Nick Easy was appointed and commenced his role as Chief Executive Officer of the Metropolitan Fire and Emergency Services Board (MFB) on 6 June 2011.

Prior to joining the MFB, Nick worked at Port of Melbourne Corporation (PoMC) for over 10 years, most of which were in senior executive management positions. Most recently, Nick was Executive General Manager Port Capacity, where he was responsible for leading PoMC's Port Capacity Division. This division was responsible for the planning, approval, management and development of the organisation's short to medium term container and automotive capacity.

### Executive Director Emergency Management and Chief Fire Officer

#### Shane Wright, AFSM

M. Bus, Grad Dip BA, Assoc Dip Applied Science (Fire Tech), Grad EFOP (USA), MIFireE

Shane, who has been with MFB since 1981, is responsible for ensuring that MFB meets its statutory requirements in terms of prevention, preparedness, response and recovery. As the operational head of MFB, Shane has responsibility for operational and community safety policy, planning, strategy and performance standards.

### Executive Director, People and Culture

#### Danielle Byrnes

BA, MIR, FAHRI, GAICD

Danielle was appointed Executive Director, People and Culture in December 2010. This role leads all the MFB's human resources functions including employee relations; health, safety and wellbeing; operational training, human resources services and organisation development.

Danielle joined MFB after 20 years HR experience in public and private sector organisations including 15 years at executive level. She commenced her career in the resources sector. She has led the human resources function in organisations including ACCIONA Energy, Department of Premier and Cabinet, Australian Unity, Yallourn Energy and Western Health.

### Executive Director Corporate Services

#### Russell Eddington

BBus (Acc), CPA, MBus (Info Tech), MAICD

Russell joined the MFB in December 2010 in the role of Executive Director Corporate Services and Chief Finance Officer. His responsibilities include Finance, Information Technology, Asset Management and Procurement.

Russell has previously held a range of senior corporate roles at South East Water Limited including General Manager Corporate Services, Chief Finance Officer, Chief Information Officer and Company Secretary. He previously held other senior roles in Finance and Information Systems in the Water Industry.

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## **Executive Director Strategy & Innovation**

### **Peter Rau**

Grad Dip BA, Assoc Dip Applied Science (Fire Tech), Ad Dip Firefighting Management, GIFireE, GAICD

Peter is the Executive Director Strategy and Innovation and Deputy Chief Fire Officer and has been in this role for six months. Prior to this, Peter was the Director of Operations Support with MFB a position he held for 28 months after a 26-year career with CFA.

The focus of the Strategy and Innovation Directorate is the development of organisational strategy and business performance, innovation, corporate sustainability, corporate relations, project management including the management of major projects, such as the development of the new training facility at Craigieburn.

## **Deputy Chief Fire Officer**

### **Regional Director North West Metro Region**

#### **Paul Stacchino**

MBA, Ad Dip Public Safety (Community Safety), Ad Dip Public Safety (Emergency Mgt), Dip Firefighting Management, AFAIM, GIFireE, GAICD

Paul joined MFB in December 2010 after serving 23 years with CFA. He has also worked in fire services in NSW and North America.

Paul leads MFB's service delivery to the North West Metro Region which covers the Northern, Western and Central suburbs of Melbourne, inclusive of industrial areas and incorporating 27 Major Hazard Facilities as well as a growing residential component. The region comprises a large multicultural population, several major airports and hospitals, the CBD and port and harbour facilities. There are 1100 operational and corporate staff in three district offices and 29 fire stations, with 54 appliances providing 24/7 fire and emergency services to 2.2 million citizens across 13 municipalities.

## **Deputy Chief Fire Officer**

### **Regional Director South East Metro Region**

#### **David Youssef**

Grad Cert Applied Mgt, Ad Dip Firefighting Management, Dip Project Mgt, MIFireE

David joined the MFB as a recruit fire fighter in 1985, after serving for a number of years as an SES volunteer. During his 26 year career he has undertaken lengthy and rewarding placements with Civil Aviation Authority – Rescue Fire Fighting Service, Brampton Fire Department, Ontario, Canada, and the Victorian Department of Justice.

David commands MFB's service delivery to the South East Metro Region which covers the Southern and Eastern suburbs of Melbourne. The region comprises a large diverse population with several major hospitals, public transport infrastructure, major arterial roads and an airport. There are 18 fire stations, with 29 appliances providing exceptional 24/7 fire and emergency services to over 1.1 million residents in 12 municipalities.

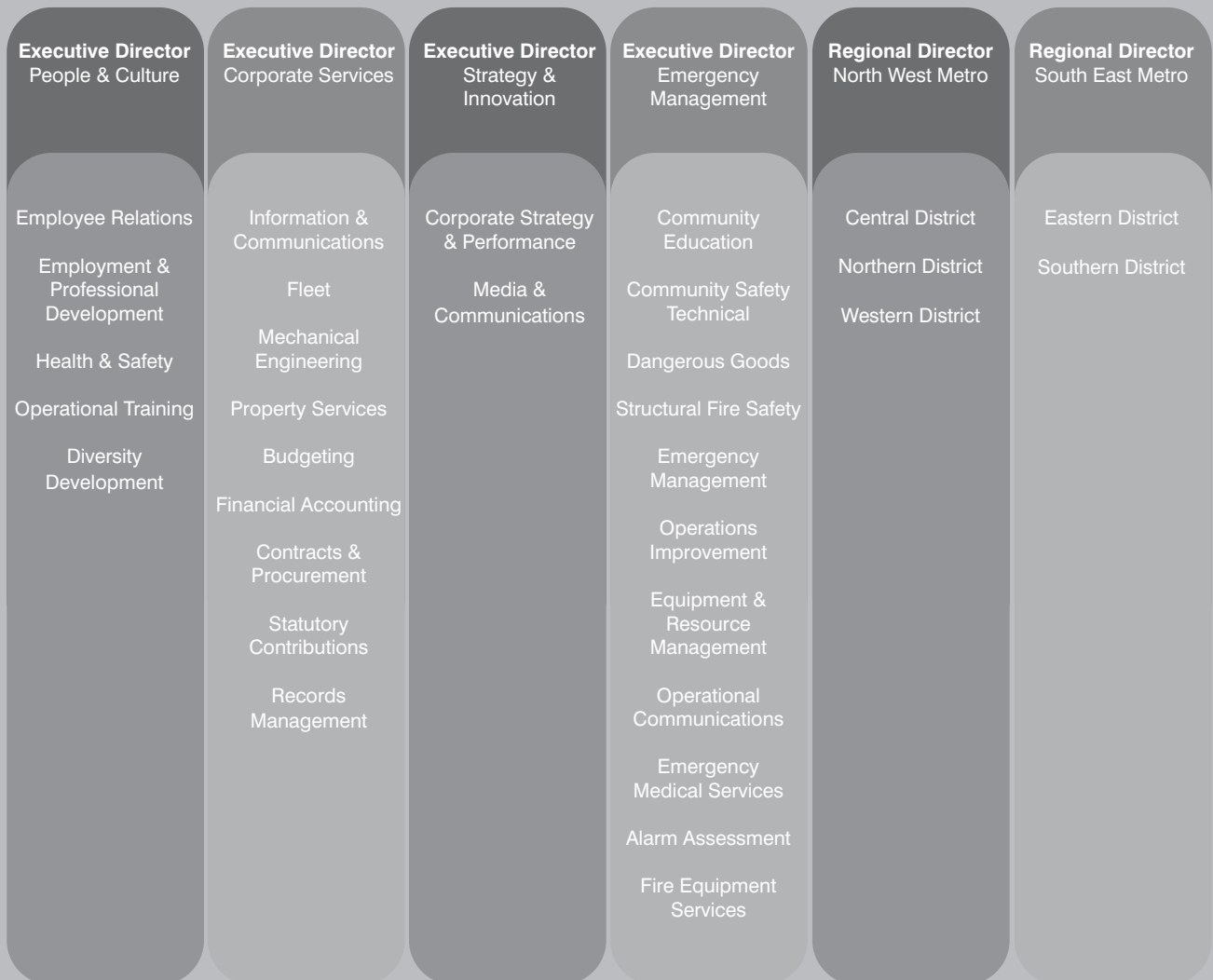


## Organisation Structure

### Board

### CEO

Business Assurance  
Corporate Compliance  
Strategy & Innovation



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## Corporate Governance

This statement outlines MFB's current Corporate Governance practices.

### Responsible Minister

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

### Functions and Powers

The Metropolitan Fire and Emergency Services Board (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, 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 (Interim) Regulations 2005, Residential Tenancies (Caravan Parks and Movable Dwellings Registration and Standards) Regulations 2010 and other legislation.

The Board'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 is located at 456 Albert Street, East Melbourne Victoria 3002, Australia.

### Risk Management

Attestation of Compliance with the Victorian Government Risk Management Framework:

This attestation statement recognises the continual development within the Metropolitan Fire and Emergency Services Board to enhance and expand the control framework and ensure it reflects innovation in Business Improvement. In 2010/11 the Business Continuity Framework was reviewed, risk management training was rolled out for all corporate staff and the integration of the audit program completed. The MFESB has successfully recertified to ISO 9001:2008 Quality Management and AS/NZS 4801:2001 OH&S Management System Standards, contributing significantly to the internal control framework.

*I, Neil Comrie, Board President, certify that the Metropolitan Fire and Emergency Services Board has risk management processes in place consistent with the Australian/ New Zealand Risk Management Standard (ISO 31000: 2009) and an internal control system is in place to ensure the executive 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

The MFB insurance portfolio is continually monitored and reviewed annually in conjunction with our insurance provider, Victorian Managed Insurance Authority, for both adequacy of cover and to identify potential risks and hazards.

An additional marine insurance has been arranged on MFB facilities at Victoria Harbour, Docklands Melbourne. This will be extended further to cover the future purchase of a rapid response fire boat and training vessel.

Although VMIA provide a claims service, the majority of losses and claims, in particular motor vehicle incidents, are handled by MFB staff. This arrangement is the most efficient in terms of claims management costs and provision of service delivery.

The insurance office also provides indemnity advice on operational requirements associated with inter-agency and community events.

## Changes to Governing Legislation

Consequential amendments have been made to the Act during the year, including those arising from the introduction of the Fire Services Commissioner Act 2010.

## The 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 as President of the Board, and another as Deputy President.

Board members in office for the year were Mr Neil Comrie (President), Mr Ian Spicer (Deputy President), Ms Anne Barker, Ms Jay Bonnington, Mr Geoff Lake and Mr Ken King. Mr Alf Long was appointed to the Board on 14 September 2010.

Mr Ian Spicer's term of office expired on 30 June 2011 and Mr Ken King has been appointed Deputy President in his stead. Mr Geoff Lake's term of office expired on 22 July 2011. Ms Jay Bonnington's term of office expired on 22 July 2011 and she has been reappointed for a further three year term. Mr David Purchase was appointed to the Board on 12 July 2011.

The Board met on 13 occasions in 2010/2011.

Executives, operational staff and representatives of other organisations are invited to Board meetings when required for discussions on relevant agenda items.



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### **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 as set out in Section 7 of the Public Administration Act 2004.

### **Board Member Professional Development**

All Board members have the opportunity to visit Board facilities and meet with management and operational staff to enhance their understanding of key 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/conferences on current operational and governance issues.





## Evaluation of Board's Performance

As part of its approach to corporate governance, the Board of MFB undertook a Board performance review in 2011.

The process used a confidential questionnaire which was independently analysed and benchmarked against a database of responses from Australian Board members. Each Board member and two senior executives were interviewed and Board papers were reviewed. A report was provided to all Board members which highlighted the self-assessed strengths and weaknesses in the Board's performance and made suggestions for improvement.

The Review highlighted several areas for potential improvement to the MFB Board's operations.

## Risk and Audit Committee

The primary focus of the Risk and Audit Committee is – Assurance; risk management; effectiveness; and business improvement.

Internal audit – Recommend appointment and evaluate internal auditors; ensure arrangements are in place to provide direct access to the Committee by the auditors and that there are no restrictions or limitations placed on them; recommend an annual internal audit program to the Board and any adjustments or additional audits necessary during the year; and approve provision to MFB of any non-audit services by the internal auditors.

Internal audit reports - Review and assess findings of the internal auditors and the management responses and monitor implementation of necessary actions.

External audit – meet with representatives of the Victorian Auditor General's Office; examine and settle the annual financial statements and recommend signing to the Board; and review the proposed audit opinion of the external auditor.

Risk framework – Review and monitor effectiveness of MFB's policy and framework for identification and management of financial and non financial risks and for assessment of risk mitigation control effectiveness; advise the Board on MFB's risk appetite.

MFB's Risk Register – receive reports and review completeness of Register and movements in implementing mitigation controls and treatments in relation to significant and extreme or otherwise sensitive risks.

Business assurance and compliance arrangements and attestations – financial management; risk management; legislation and government policy; recommend signing (where necessary) attestations to the Board.

Accounting policies and practices – review and recommend to the Board in the light of the Financial Management Act, Australian Accounting Standards and generally accepted accounting principles.

Consider and recommend delegations to the Board.

The Risk and Audit Committee met regularly with the internal and external auditors. The Chief Executive Officer and the Executive Director Corporate Services attended Risk and Audit Committee meetings by invitation, and other senior executive staff at the discretion of the Committee.

During the financial year, the membership of the Risk and Audit Committee was as follows: Mr I Spicer (Chair), Ms J Bonnington, Mr A Long and Mr N Comrie (ex officio).



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### **Resources Committee**

Primary focus – Value for money; strategic alignment of resource allocation; sustainability; and efficiency.

Review the development of the annual budget – advise the Board in January on the policy and fiscal parameters; review budget proposals against Board endorsed strategic plans; and recommend the budget, including recommended contribution levels, to the Board at its May meeting.

Monitor the MFB's financial performance during the year including capital expenditure progress, utilisation of funds, forecast fund requirements, investment policy, revaluations; and fees and charges.

Review and advise the Board on significant capital expenditure initiatives.

Promote an improved culture of cost consciousness and value for money; consider associated management initiatives and evaluate impact of actions.

Consider strategic initiatives for the development of the MFB's human resources including training strategy, workforce planning, leadership development and succession planning.

Consider strategic initiatives for the development of the MFB's information and communications services.

During the financial year, the membership of the Resources Committee was as follows: Ms J Bonnington (Chair), Mr K King, Mr G Lake, Mr I Spicer, Mr A Long and Mr N Comrie (ex officio).



### OH&S Committee

Primary focus – effective, holistic strategy and drilling down into MFB’s OH&S performance and why improvement has been so hard to achieve.

Review and recommend to the Board’s January meeting the MFB’s occupational health and safety strategy.

Determine an appropriate reporting format for data and actions and consider quarterly reports. Advise the Board on trends and significant actions taken or recommended.

Meet at least annually with the WorkSafe claims agent on the MFB’s and their performance.

Receive briefings and information from WorkSafe and other agencies on best practice and the approach of other organisations confronting like issues.

During the financial year, the membership of the OH&S Committee was as follows: Ms A Barker (Chair), Mr G Lake, Mr K King and Mr N Comrie (ex officio).

### Executive Remuneration Committee

The Board acts as the Executive Remuneration Committee when required.

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

	Board	Risk & Audit Committee	Resources Committee	OH&S Committee	Executive Remuneration Committee
Number of meetings to 30 June 2011	13	5	4	2	1
N. Comrie	12	4	3	2	1
I. Spicer	13	5	4	-	1
A. Barker	12	2	-	2	1
J Bonnington	13	5	3	-	1
G. Lake	12	-	3	2	1
K King	12	-	3	1	1
A. Long <sup>1</sup>	9	3	3	-	1

<sup>1</sup> First appointed to the Board 14 September 2010

## Internal Control

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

- Annual Plan - the performance of the organisation in the delivery of the corporate objectives is monitored by the Board throughout the year.
- Financial reporting - there is a comprehensive budgeting system with an annual budget approved by the Board and the Minister. Monthly actual results are reported against budget and revised forecasts for the year are prepared regularly.
- Internal audit – through the Board's Risk and Audit Committee a comprehensive three year rolling internal audit program is established. This program includes financial, operational and system processes and controls. MFB has engaged an external service provider as its Internal Auditor.
- Investment appraisal - the organisation 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 Standing Operating Procedures which are approved by management.

## Details of consultancies over \$100,000

Consultant	Purpose of Consultancy	Start date	End date	Total approved project fee (excluding GST)	Expenditure 2010/2011 (excluding GST)	Future expenditure (excluding GST)
Mercer	Business development advice	1 Feb 2011	30 June 2011	\$566,892	\$379,892	\$187,000

## Details of consultancies under \$100,000

In 2010/2011, the total for the 10 consultancies engaged during the year, where the total fees payable to the consultants was less than \$100,000, was \$78,905. All figures are excluding GST.

## Disclosure of Major Contract Compliance

During the year 2010/11, no contracts with a value greater than \$10m were entered into by MFB.

All other contracts with a value of \$150,000 (\$200,000 for construction contracts) and above however are placed on [www.tenders.vic.gov.au](http://www.tenders.vic.gov.au) in accordance with Victorian Government Purchasing Policy, unless CEO exemption is obtained.

## Victorian Industry Participation Policy Act 2003

The Victorian Industry Participation Policy ('VIPPP') applies when contracts greater than \$3m in the metropolitan area are entered into. During 2010/2011, no contracts were entered into by the MFB that exceeded \$3m.

## Compliance with Building Act 1993

The MFB property portfolio meets the compliance requirements of the Building Act 1993.





### **National Competition Policy**

The relevant part of the policy contained in Part IV (Restrictive Trade Practices) of the Trade Practices Act 1974 has been implemented within MFB. Activities of the Board 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 1982. The authorised officer is Ms Jan Smith, Freedom of Information Officer.

### **Access**

Requests to the Metropolitan Fire and Emergency Services Board for access to documents under the Freedom of Information Act 1982 must be made in writing and addressed to:

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

### **2010/2011 FOI Statistics**

During the year the MFB received 294 requests for access to documents under the Freedom of Information Act.

Processing Requests	294
Access granted	284
Part access	5
Denied	5
Documents did not exist	3
Applicant did not proceed	0
Not finalised as at 30 June 2011	2
<i>Appeal Avenues:</i>	
• Internal Review	2
• VCAT Hearing	1

Each application must clearly identify the documents sought and be accompanied by a \$24.40 (as at 1 July 2011) application fee. General inquiries relating to Freedom of Information can be made by contacting the Freedom of Information Officer on telephone (03)9662 2311 between 8.30am and 4.50pm, Monday to Friday.

Inquiries 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.

The Board uses a computerised file management system for reports of fires and other incidents. The Board also uses other on-line computer systems in managing financial, human resource and operational activities.

# Financial Report 2010/2011



# Management

## Discussion and Analysis

### Comprehensive Operating Statement

The comprehensive result of the Metropolitan Fire and Emergency Services Board (MFESB) for 2010/11 was a \$25.4 million surplus as compared to a surplus of \$32.3 million for 2009/10, a decrease of \$6.9 million. Total income increased from \$325.5 million (2009/10) to \$342.1 million (2010/11), an increase of \$16.6 million (5.0 percent) due to increased contributions (\$8.0 million), increased sales of goods and services (\$2.5 million) and increased other income (\$6.0 million) which included \$2.7 million funding for the Operational Enterprise Agreement.

Total expenses increased from \$295.8 million (2009/10) to \$331.0 million (2010/11), an increase of \$35.2 million (12.0 percent) which significantly reflects increased employee expenses of \$28.9 million relating to increases provided in the Enterprise Agreements, supplies and services expenses increased \$4.9 million and other operating expenses increased \$1.0 million.

Other economic flows increased from \$2.6 million (2009/10) to \$3.6 million (2010/11) primarily due the \$0.8 million gain on the sale of property, plant and equipment.

The comprehensive result includes a net movement of \$10.6 million in 2010/11 reflecting a net revaluation gain on property, plant and equipment.

### Income

Income for the 2010/11 year was \$342.1 million as compared to \$325.5 million for the previous financial year, an increase of \$16.6 million (5.0 percent). The primary source of income is statutory contributions which increased by \$11.5 million (4.2 percent) to \$286.3 million, offset by a reduction in brokers and owners and Commonwealth Government contributions of \$3.3 million.

The following outlines the proportional source of income for 2010/11:

Income 2011	Amount		
	\$000	%	%
Contributions			
Insurance Companies	214,783	75.0	
Municipalities	35,797	12.5	
Treasurer of Victoria	35,797	12.5	
		<b>100</b>	<b>84.0</b>
Brokers and Owners	5,431		2.0
Commonwealth Government	2,308		1.0
Sales of Goods and Services	29,746		9.0
Interest/Dividends	10,062		3.0
Other	8,233		1.0
<b>Total</b>	<b>342,157</b>		<b>100.0</b>

### 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 Fire District; and three-quarters from the insurance companies insuring fire risk against property situated within the Metropolitan Fire District.

The contributions for 2010/11 were \$286.3 million, an increase of \$11.5 million (2009/10: \$274.8 million).

The net annual value of rateable property returned by 25 municipalities in the Metropolitan Fire District as at 1 July 2009 was \$33.49 billion, an increase of \$640 million, or 1.95 percent on the prior year.

The contribution by municipalities increased by 4.2 percent (2009/10: 4.3 percent increase). Coupled with the movement in the net annual value of rateable property the resulting payment by municipalities was 10.70 cents for every \$100.00 of net annual value, an increase of 2.3 percent on the prior year.

The contribution by insurers increased by 4.2 percent (2009/10: 4.3 percent increase). Gross premiums returned by 89 contributing insurance companies for the year ended on 30 June 2010 and on which the provisional contributions for the 2010/11 financial year were assessed, totalled \$534.0 million (2009/10: \$501.0 million), an increase of \$33.0 million (6.59 percent) on the prior year. The provisional contribution rate for 2010/11 was an average of \$38.58 (2009/10: \$39.42) for every \$100.00 of declared premium, a decrease of 2.13 percent on the prior year.

Contributions by brokers and owners for 2010/11, 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 \$5.43 million as compared to \$8.09 million for 2009/10. Income from this source decreased by 33.0 percent on the prior year as a result of insurance policies placed back into the Australian market and a reduction in construction projects insured offshore due to low activity in major infrastructure work projects.



### Sales of goods and services

The MFESB 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 2010/11 as compared to \$27.2 million in 2009/10 (9.0 percent increase) due to increased false alarm charges and increased sales of fire suppression equipment and services.

Interest and dividend income increased from \$8.0 million for 2009/10 to \$10.0 million due primarily to improved dividend returns (\$0.6 million) and increased average market interest rates leading to increased interest income of \$1.3 million.

Sundry income increased by \$3.9 million to \$8.2 million for 2010/11 due primarily to receipt of funding from the State Government for the operational staff enterprise agreement.

### Expenses

Expenses from transactions for the year ended 30 June 2011 totalled \$331.0 million, an increase of \$35.1 million (12.0 percent) on the previous year. Key causes for this movement were increased salaries expense (\$17.1 million or 11.0 percent) primarily related to the increases in award salaries, and increased employee benefit provisions of \$3.1 million and an increase in overtime costs (\$5.6 million).

Additionally, superannuation expense increased by \$1.3 million (9.0 percent) to \$15.5 million, of which \$14.0 million related to the defined benefit plan.

Supplies and services expenses increased by \$4.8 million to \$73.8 million due primarily to increased payments to government entities of \$1.8 million and increased utilities and maintenance expenses of \$1.9 million.

### Balance Sheet

Total assets as at 30 June 2011 were \$644.6 million as compared to \$607.6 million as at 30 June 2010. The significant reason for this movement is increased investment in property, plant and equipment of \$47.2 million and an increase in the fair value of the Victorian Funds Management Corporation (VFMC) investments of \$8.4 million and cash at bank of \$13.9 million, which was partially offset by a decrease in Treasury Corporation Victoria (TCV) term deposits of \$35.8 million as funds were used in fixed asset investment.

Intangible assets decreased marginally by \$0.7 million due to annual amortisation charges and a minimal new investment in intangible assets. Income received in advance reduced as the income for the reporting period was recognised. These items relate primarily to long-term licence agreements entered into for the provision of telecommunication services to the MFESB and Country Fire Authority as well as software.

Financial investment assets decreased from \$177.0 million as at 30 June 2010 to \$149.5 million as at 30 June 2011. Financial investment assets include the investments managed through VFMC and term deposits with TCV with an initial term of 3 months or greater. The VFMC investments increased in fair value by \$8.4 million to \$99.5 million. The funds invested in TCV term deposits reduced by \$35.8 million as these funds were invested in new property, plant and equipment.

Total liabilities as at 30 June 2011 were \$104.5 million, an increase of \$11.7 million from \$92.8 million as at 30 June 2010. The significant cause is an increase in employee benefit provisions by \$7.0 million to \$87.5 million due to operational and administrative staff award salary increases, a small increase in staff and a change in discount rates applied to employee entitlements.

Net assets as at 30 June 2011 were \$540.1 million as compared to \$514.7 million as at 30 June 2010, an increase of \$25.4 million.

### Statement of Balance Sheet Ratios

- Working Capital Ratio (Current Assets to Current Liabilities). As at 30 June 2011, the ratio was 88 percent (118 percent 30 June 2010). The reduced ratio is a consequence of increased current employee leave provisions combined with reduced short term deposits.
- Proprietary Ratio (Total Equity to Total Assets). As at 30 June 2011 this ratio was 84 percent (85 percent as at 30 June 2010).
- Debt Ratio (Total Liabilities to Total Assets). As at 30 June 2011 this ratio was 16 percent (15 percent as at 30 June 2010).

### Liquidity

MFESB is of the opinion that it has adequate internal and external resources available to finance its operating and capital expenditure needs, including all current and non-current liabilities, including employee benefits.

### Outlook

Contributions towards the 2011/12 financial year estimate of expenditure have been determined by the Minister for Police and Emergency Services and approved by the Governor in Council at \$305.5 million (\$286.3 million: 2010/11) and represents an increase of 6.7 percent or \$19.2 million.

## Schedule of Municipalities

### For the year ended 30 June 2011

Annual Value of Rateable Property returned by the undermentioned Municipalities, which are wholly or partly within the Metropolitan Fire District.

Municipalities	Rateable Property As at 1 July 2009* \$	Contributions for year ended 30 June 2011 \$
City of Banyule	1,083,002,895	1,157,584.84
City of Bayside	1,916,536,880	2,048,520.84
City of Boroondara	3,287,212,900	3,513,589.68
City of Brimbank	1,222,699,770	1,306,902.04
City of Darebin	1,461,857,741	1,562,529.84
City of Glen Eira	1,945,317,521	2,079,283.52
City of Greater Dandenong	11,277,050	12,053.64
City of Hobsons Bay	1,040,565,490	1,112,224.92
City of Hume	593,006,185	633,844.08
City of Kingston	1,145,934,000	1,224,849.76
City of Manningham	935,090,731	999,486.56
City of Maribyrnong	834,801,600	892,290.92
City of Maroondah	784,068,250	838,063.80
City of Melbourne	3,371,284,422	3,603,450.84
City of Monash	2,153,845,341	2,302,171.76
City of Moonee Valley	1,285,872,075	1,374,424.76
City of Moreland	1,466,532,755	1,567,526.80
Shire of Nillumbik	7,520,150	8,038.04
City of Port Phillip	2,092,179,560	2,236,259.32
City of Stonnington	2,479,326,123	2,650,067.08
City of Whitehorse	1,932,452,615	2,065,532.64
City of Whittlesea	667,764,626	713,750.80
City of Wyndham	209,686,655	224,126.92
City of Yarra	1,514,307,574	1,618,591.68
Shire of Yarra Ranges	48,495,257	51,834.92
<b>Total</b>	<b>33,490,638,166</b>	<b>35,797,000.00</b>

\* For the 2010/11 financial year contributions paid by Municipalities were based on rateable property as at 1 July 2009, 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 (MFESB) under Section 40 of the *Metropolitan Fire Brigades Act 1958* for the year ended 30 June 2011

- A.I.S. Insurance Brokers Pty Ltd
- ACE Insurance Limited
- Aioi Nissay Dowa Insurance Co Limited
- Allianz Australia Insurance Limited
- American Home Assurance Company
- Ansvar Insurance Limited
- Aon Risk Services Australia Limited
- 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
- BHP Billiton Marine & General Insurances Pty Ltd
- Calliden Insurance Limited
- Calliden Ltd
- 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
- Freeman McMurrick Pty Ltd
- 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
- HDI-Gerling Australia Insurance Company Pty Ltd
- HSB Engineering Insurance Limited
- Insurance Australia Limited
- Insurance Manufacturers of Australia Pty Limited
- Insure That Pty Ltd
- 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
- Mansions of Australia Limited
- Manufactured Homes Insurance Agency Pty Ltd
- Marsh Pty Ltd
- Millenium Underwriting Agencies Pty Ltd
- Miramar Underwriting Agency Pty Ltd
- Mitsui Sumitomo Insurance Company Ltd
- Mutual Community General Insurance Pty Ltd
- NIPPONKOA Insurance Company Pty Ltd (The)
- OAMPS Insurance Brokers Ltd
- On Track Insurance Pty Ltd
- OnePath General Insurance Pty Limited
- Pacific Underwriting Corporation Pty Ltd
- QBE Insurance (Australia) Limited
- QBE Insurance (International) Limited
- 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
- Universal Underwriting Agencies Pty Limited
- Vero Insurance Limited
- Victorian Managed Insurance Authority
- W R Berkley Insurance Australia
- Wesfarmers Federation Insurance Ltd
- Wesfarmers General Insurance Ltd
- Westpac General Insurance Limited
- Westport Insurance Corporation
- Willis Australia Limited
- Winsure Insurance Group Pty Ltd
- XL Insurance Company Limited
- Youi Pty Ltd
- Zurich Australian Insurance Limited



## Schedule of Insurance Intermediaries or Property Owners

Contributing to the MFESB under Section 44A of the *Metropolitan Fire Brigades Act 1958* for the year ended 30 June 2011

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

- ACM Ahlers Insurance Professionals
- Altiora Insurance Solutions Pty Ltd
- Aon Risk Services Australia Ltd
- Black Wood & Doyle Insurance Brokers Limited
- CNA Insurance (International Agencies) Australia Pty Ltd
- Consolidated Insurance Agencies Pty Ltd
- Corporate Insurance International Pty Limited
- Crombie Lockwood (NZ) Ltd
- Dominion Underwriting Agents Pty Ltd
- Genesis Insurance Brokers Australia
- Guardian Underwriting Services Pty Ltd
- Hornibrooke Doolan Limited
- Industrial & Commercial Insurance Brokers Ltd
- Jardine Lloyd Thompson Pty Ltd
- MAFIP Broking Pty Ltd
- Marsh Pty Ltd
- Midas Insurance Brokers Ltd
- Miller & Associates Insurance Broking
- OAMPS Insurance Brokers Ltd
- Tartakover General Insurance Brokers
- Terrace Insurance Brokers Pty Ltd
- Willis Australia Limited
- Winsure Insurance Group

### Property Owners who directly lodged returns

- A.A.P.T.
- Attachmate Australasia Pty Ltd
- BMW Australia Finance Ltd
- BMW Australia Ltd
- Cargill Australia Limited
- Church of Scientology Incorporated
- David Cryer Ltd
- Ricegrowers Limited
- Rosemaur Properties
- Shell Company of Australia Ltd (The)
- Stratex (Aust) Pty 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
	\$	\$	\$	¢
1999/2000	16,390,200	9,640,414,905	245,906,242	17.0
2000/2001	17,398,600	9,798,989,053	158,574,148	17.6
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

## 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
	\$	\$	\$	\$
1999/2000	98,341,200	287,421,967	18,639,381	34.215
2000/2001	104,391,600	305,666,724	18,244,757	34.152
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	534,310,327	32,930,221	38.579
2010/2011	214,783,000	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 Declared Premium amount for the financial year ended 30 June 2011 will not be available until October 2011 as a result only provisional contributions have been collected for that financial year.

## Comprehensive operating statement for the financial year ended 30 June 2011

	Notes	2011 \$000	2010 \$000
<b>Income from transactions</b>			
Contributions	2	294,116	285,983
Sales of goods and services	2	29,746	27,214
Other income	2	18,295	12,360
<b>Total income from transactions</b>		<b>342,157</b>	<b>325,557</b>
<b>Expenses from transactions</b>			
Employee expenses	3	232,736	203,884
Depreciation and amortisation	3, 5, 6	20,191	19,810
Supplies and services	3	73,844	68,993
Other operating expenses	3	4,266	3,180
<b>Total expenses from transactions</b>		<b>331,037</b>	<b>295,867</b>
<b>Net result from transactions (net operating balance)</b>		<b>11,120</b>	<b>29,690</b>
<b>Other economic flows included in net result</b>			
Net gain/(loss) on non-financial assets	4	415	(392)
Net gain/(loss) on financial instruments	4	3,708	3,950
Net gain/(loss) from revaluation of employee leave liabilities	4	(480)	(915)
<b>Total other economic flows included in net result</b>		<b>3,643</b>	<b>2,643</b>
<b>Net Result</b>	9	<b>14,763</b>	<b>32,333</b>
<b>Other economic flows – other non-owner changes in equity</b>			
Changes in physical asset revaluation surplus	8	10,691	-
<b>Comprehensive Result</b>		<b>25,454</b>	<b>32,333</b>

The comprehensive operating statement should be read in conjunction with the accompanying notes included on pages 69 to 114.

## Balance sheet as at 30 June 2011

	Notes	2011 \$000	2010 \$000
<b>Assets</b>			
<b>Financial assets</b>			
Cash and deposits	11, 20	15,356	1,439
Receivables – other	11, 12	9,656	5,181
Financial investment assets	11	149,592	177,015
<b>Total financial assets</b>		<b>174,604</b>	<b>183,635</b>
<b>Non-financial assets</b>			
Inventories	13	1,044	1,121
Other non-financial assets	7	1,041	1,244
Property, plant and equipment	5	456,478	409,303
Intangible assets	6	11,519	12,301
<b>Total non-financial assets</b>		<b>470,082</b>	<b>423,969</b>
<b>Total assets</b>		<b>644,686</b>	<b>607,604</b>
<b>Liabilities</b>			
<b>Financial liabilities</b>			
Payables	11, 14	13,886	9,456
<b>Total financial liabilities</b>		<b>13,886</b>	<b>9,456</b>
<b>Non-financial liabilities</b>			
Provisions	16, 16a	87,506	80,435
Other liabilities	15	3,108	2,981
<b>Total non-financial liabilities</b>		<b>90,614</b>	<b>83,416</b>
<b>Total liabilities</b>		<b>104,500</b>	<b>92,872</b>
<b>Net assets</b>		<b>540,186</b>	<b>514,732</b>
<b>Equity</b>			
Accumulated surplus/(deficit)	9	216,265	201,502
Physical asset revaluation surplus	8	202,862	192,171
Contributed capital	10	121,059	121,059
<b>Net worth</b>		<b>540,186</b>	<b>514,732</b>
Commitments for expenditure	18		
Contingent assets and contingent liabilities	19		

The balance sheet should be read in conjunction with the accompanying notes included on pages 69 to 114.



## Statement of changes in equity for the financial year ended 30 June 2011

	Physical Asset Revaluation Surplus \$000	Accumulated Surplus \$000	Contributions by Owner \$000	Total \$000
<b>Balance at 1 July 2009</b>	<b>192,171</b>	<b>169,169</b>	<b>121,059</b>	<b>482,399</b>
Net result for the year	-	32,333	-	32,333
Other comprehensive income for the year	-	-	-	-
<b>Balance at 30 June 2010</b>	<b>192,171</b>	<b>201,502</b>	<b>121,059</b>	<b>514,732</b>
Net result for the year	-	14,763	-	14,763
Other comprehensive income for the year	10,691	-	-	10,691
<b>Balance at 30 June 2011</b>	<b>202,862</b>	<b>216,265</b>	<b>121,059</b>	<b>540,186</b>

The statement of changes in equity should be read in conjunction with the accompanying notes included on pages 69 to 114.

## Cash flow statement for the financial year ended 30 June 2011

	Notes	2011 \$000	2010 \$000
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Receipts from Government		38,567	34,356
Receipts from other entities		292,996	284,920
Interest received from financial investment assets		5,544	4,671
Dividends received from financial investment assets		4,013	3,402
Goods and Services Tax recovered from the ATO		8,126	7,685
<b>Total receipts</b>		<b>349,246</b>	<b>335,034</b>
<b>Payments</b>			
Payments to suppliers and employees		(310,983)	(286,376)
<b>Total payments</b>		<b>(310,983)</b>	<b>(286,376)</b>
<b>Net cash flows from / (used in) operating activities</b>	20	<b>38,263</b>	<b>48,658</b>
<b>Cash flows from investing activities</b>			
Payments for investments		(36,880)	(52,365)
Proceeds from sale of investments		68,011	17,901
Payments for non-financial assets		(58,555)	(25,731)
Proceeds from sale of non-financial assets		3,078	984
<b>Net cash flows from / (used in) investing activities</b>		<b>(24,346)</b>	<b>(59,211)</b>
Net increase/(decrease) in cash and cash equivalents		13,917	(10,553)
Cash and cash equivalents at the beginning of the financial year		1,439	11,992
<b>Cash and cash equivalents at the end of the financial year</b>	20	<b>15,356</b>	<b>1,439</b>

The cash flow statement should be read in conjunction with the accompanying notes included in pages 69 to 114.

## Notes to the financial statements for the financial year ended 30 June 2011

### Notes to the financial statements

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# Notes to the financial statements for the financial year ended 30 June 2011

## 1. Summary of significant accounting policies

The annual financial statements represent the audited general purpose financial statements for the Metropolitan Fire and Emergency Services Board.

The purpose of the report is to provide users with information about the MFESB's stewardship of resources entrusted to it.

To gain a better understanding of the terminology used in this report, a glossary of terms can be found in Note 27.

### (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.

The annual financial statements were authorised for issue by the Board on 10 August 2011.

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.

### (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.

These financial statements are presented in Australian dollars, the functional and presentation currency of the MFESB.

In the application of AASs, 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.

The estimates and associated assumptions are reviewed on an ongoing basis. 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 made by management in the application of AASs that have significant effects on the financial statements and estimates, with a risk of material adjustments in the next year, are disclosed throughout the notes to the financial statements.



This report has been prepared in accordance with the historical cost convention. Historical cost is based on the fair values of the consideration given in exchange for assets. Exceptions to the historical cost convention include:

- 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 through profit and loss;
- certain liabilities that are calculated with regard to actuarial assessments; and
- available-for-sale investments which are measured at fair value with movements reflected in equity until the asset is derecognised.

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2011 and the comparative information presented for the year ended 30 June 2010.

### **(C) Reporting entity**

The financial statements cover the Metropolitan Fire and Emergency Services Board as an individual reporting entity. The MFESB 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 MFESB.

### **Objectives and Funding**

The organisation provides comprehensive fire, rescue and emergency response services to almost four million residents within the Metropolitan Fire District with the key objective to reduce the incidence and impact of fire and other emergencies on the community. An important aspect of this service is the Emergency Medical Response First Responder Program, where operational staff are the first to respond to specific medical emergencies.

The MFESB is significantly funded through contributions from insurance companies, municipal councils and the State Government.

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

### **(D) Scope and presentation of financial statements**

#### **Comprehensive operating statement**

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* Cat. No. 5514.0 published by the Australian Bureau of Statistics (refer to Note 27).

'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 within 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 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;
- fair value changes of financial instruments and agricultural assets; and
- depletion of natural assets (non-produced) from their use or removal.

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 (those expected to be recovered or settled beyond 12 months) are disclosed in the notes, where relevant.

### **Cash flow statement**

Cash flows are classified according to whether or not they arise from operating activities, 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 comprehensive income related to other non-owner changes in equity.

### **Rounding of amounts**

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 MFESB'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 Fire District and three-quarters from insurance companies insuring fire risk against property situated within the Metropolitan Fire District. Contributions income is recognised in the financial year to which the determination under Section 37 applies.

## **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 MFESB.

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 MFESB no longer has any of the significant risks and rewards of ownership of the goods transferred to the buyer;
- the MFESB 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;
- it is probable that the economic benefits associated with the transaction will flow to the MFESB; and
- 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 level of these contributions will vary depending upon the relevant rules of each plan and is based upon actuarial advice.

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.

**Other operating expenses**

Other operating expenses generally represent the day to day running costs incurred in normal operations.

**Supplies and services**

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

**Bad and doubtful debts**

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

**Maintenance and repairs**

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

**Depreciation and amortisation**

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:

	<b>2011</b>
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 consumption of intangible non-produced assets with finite useful lives is not classified as a transaction, but as amortisation and is included in the net result as an other economic flow.

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

#### **(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.

#### **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 sale of non-financial assets is recognised at the date that control of the asset is passed to the buyer and is determined after deducting from the proceeds the carrying value of the asset at that time.

#### **Impairment of non-financial assets**

Goodwill and intangible assets with indefinite useful lives (and intangible assets not yet available for use) are tested annually for impairment (i.e. as to whether their carrying value exceeds their recoverable amount and so require write-downs) 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; and (refer Note 1(J))
- 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; and
- disposals of financial assets.

### **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:

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

## **(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 MFESB'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 MFESB 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 time-frame 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.

### **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 entity concerned 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.

The MFESB makes limited use of this classification because any sale or reclassification of more than an insignificant amount of held-to-maturity investments not close to their maturity, would result in the whole category being reclassified as available-for-sale. The MFESB 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 MFESB 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 MFESB'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.

Financial instrument liabilities measured at amortised cost include all 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 MFESB has a legal right to offset the amounts and intend either to settle on a net basis or to realise the asset and settle the liability simultaneously.

## **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 – other

Other receivables consist predominantly of amounts owing from debtors in relation to goods and services, the Victorian Government, accrued investment income and GST input tax credits recoverable. Receivables that are contractual are classified as financial instruments. Amounts owing from the Victorian Government, taxes and other statutory receivables are not classified as financial instruments.

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

A provision for doubtful receivables is made when there is objective evidence that the debts may not be collected and bad debts are written off when identified (refer to Note 1(l) *Impairment of financial assets*).

### Investments and other financial assets

Investments are classified in the following categories:

- financial assets at fair value through profit or loss,
- loans and receivables, and
- available-for-sale financial assets.

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 consolidated comprehensive operating statement as a transaction.

### Impairment of financial assets

At the end of each reporting period, the MFESB assesses whether there is objective evidence that a financial asset or group of financial assets is impaired. Objective evidence includes financial difficulties of the debtor, default payments, debts which are more than 60 days overdue and changes in debtor credit ratings. All financial instrument assets, except those measured at fair value through profit or loss, are subject to annual review for impairment.

Bad and doubtful debts for financial assets are assessed 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, the MFESB applies professional judgement 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.



### **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 consideration, the cost is the asset's fair value at the date of acquisition.

The fair value of infrastructure systems and plant, equipment and vehicles, is normally determined by reference to the asset's depreciated replacement cost, or where the infrastructure is held by a for profit entity, the fair value may be derived from estimates of the present value of future cash flows. 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 leasehold improvements is capitalised as an asset and depreciated over the remaining term of the lease or the estimated useful life of the improvements, whichever is the shorter.

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.

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

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*.

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

Non-financial physical assets are measured at fair value, 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 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 decreases are recognised immediately as other economic flows in the net result, except that the 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. 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 within a class of property, plant and equipment, are offset against one another within that class but are not offset in respect of assets in different classes. Any asset revaluation surplus is not normally transferred to accumulated funds on de-recognition of the relevant asset.

### **Intangible assets**

Purchased 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 MFESB.

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.

The amortisation period is reviewed annually along with an assessment to determine whether there are indicators that the intangible asset concerned is impaired. If impairment is indicated, the asset concerned is tested as to whether its carrying value exceeds its recoverable amount. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each annual reporting period.

### **Prepayments**

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 and unearned income including deferred income from concession arrangements. Accounts payable represent liabilities for goods and services provided to the MFESB prior to the end of the financial year that are unpaid and arise when the MFESB 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**

Other liabilities pertain to income received in advance for prepaid future access by the Country Fire Authority (CFA) to the MFESB's optical fibre communications network.

### **Provisions**

Provisions are recognised when the MFESB 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, annual leave and sick leave

Liabilities for wages and salaries, annual leave and accumulating sick 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.

### (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 MFESB 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 MFESB expects to settle within 12 months; and
- present value – component that the MFESB 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 MFESB 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.

## **(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 owner 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 are disclosed at their nominal value and inclusive of the goods and services tax (GST) payable. In addition, where it is considered appropriate and provides additional relevant information to users, the net present values of significant individual projects are stated.

## **(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 and, if quantifiable, are measured at nominal value. Contingent assets and liabilities are presented inclusive of GST receivable or payable respectively.

## **Other**

### **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 4.6% (2010: 4.00%) and 4.6% on long service leave which also covers seniority, promotion and other relevant factors (2010: 4.48%). The average end of year discount rate applied was 5.278% (2010: 5.16%). 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% of leave taken per annum.

Sick leave has been accounted for on the basis of analysis that indicates a proportion of current accumulated staff sick leave will be taken by staff in the future. Sick leave is inflated and discounted to present value except for the current portion which is at nominal value.



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

Income, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case, it 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.

**(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 MFESB and other parties, the transactions are only recognised when the agreement is irrevocable at or before 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 statements are authorised for issue where the events relate to conditions which arose after the reporting period and which may have a material impact on the results of subsequent reporting periods.

**(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 2011 reporting period. The Department of Treasury and Finance assesses the impact of these new standards and advises the MFESB of their applicability and early adoption where applicable.

As at 30 June 2011, the following standards and interpretations that are applicable to the MFESB had been issued but are not mandatory for the financial year ending 30 June 2011. Standards and Interpretations that are not applicable to the MFESB have been omitted. The MFESB has not early adopted these standards:

Standard / Interpretation	Summary	Applicable for annual reporting periods	Impact on MFESB 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 <i>Financial Instruments: recognition and measurement</i> ).	Beginning 1 Jan 2013	Detail of impact is still being assessed.
AASB 124 Related Party Disclosures (Dec 2009)	Government related entities have been granted partial exemption with certain disclosure requirements.	Beginning 1 Jan 2011	Preliminary assessment suggests the impact is insignificant. However, the MFESB is still assessing the detailed impact.
AASB 1053 Application of Different 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.	Beginning 1 Jul 2013	The impact of this Standard may affect disclosures in the financial reports of certain types of entities [public sector entities (except whole of government and general government sector)] where reduced disclosure requirements may apply. The Standard does not affect the operating result or financial position.
AASB 2009 -11 Amendments to Australian Accounting Standards arising from AASB 9 [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 and 1038 and Interpretations 10 and 12]	This gives effect to consequential changes arising from the issuance of AASB 9.	Beginning 1 Jan 2013	Detail of impact is still being assessed.
AASB 2009 -14 Amendments to Australian Interpretation – Prepayments of a Minimum Funding Requirement [AASB Interpretation 14]	Amendments to Interpretation 14 arise from the issuance of prepayments of a minimum funding requirement.	Beginning 1 Jan 2011	Expected to have no significant impact.

Standard / Interpretation	Summary	Applicable for annual reporting periods	Impact on MFESB financial statements
AASB 2010-2 Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements	This Standard makes amendments to many Australian Accounting Standards, including Interpretations, to introduce reduced disclosure requirements to the pronouncements for application by certain types of entities.	Beginning 1 Jul 2013	Does not affect financial measurement or recognition, so is not expected to have any impact on financial result or position. May reduce some note disclosures in financial statements.
AASB 2010-4 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 1, AASB 7, AASB 101 & AASB 134 and Interpretation 13]	This Standard makes numerous improvements designed to enhance the clarity of standards.	Beginning 1 Jan 2011	No significant impact on the financial statements
AASB 2010-5 Amendments to Australian Accounting Standards [AASB 1, 3, 4, 5, 101, 107, 112, 118, 119, 121, 132, 133, 134, 137, 139, 140, 1023 & 1038 and Interpretations 112, 115, 127, 132 & 1042]	This amendment contains editorial corrections to a range of Australian Accounting Standards and Interpretations, which includes amendments to reflect changes made to the text of IFRSs by the IASB.	Beginning 1 Jan 2011	No significant impact on the financial statements.
AASB 2010-6 Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets [AASB 1 & AASB 7]	This amendment adds and changes disclosure requirements about the transfer of financial assets. This includes the nature and risk of the financial assets.	Beginning 1 July 2011	This may impact on departments and public sector entities as it creates additional disclosure for transfers of financial assets. Details of impact still being assessed.
AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 & 1038 and Interpretations 2, 5, 10, 12, 19 & 127]	These amendments are in relation to the introduction of AASB 9.	Beginning 1 Jan 2013	This amendment may have an impact on departments and public sector bodies as AASB 9 is a new standard and it changes the requirements of numerous standards.  Detail of impact is still being assessed.
AASB 2010-8 Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets [AASB 112]	This amendment provides a practical approach for measuring deferred tax assets and deferred tax liabilities when measuring investment property by using the fair value model in AASB 140 <i>Investment Property</i> .	Beginning 1 Jan 2012	This amendment provides additional clarification through practical guidance.

Standard / Interpretation	Summary	Applicable for annual reporting periods	Impact on MFESB financial statements
AASB 2010-9 Amendments to Australian Accounting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters [AASB 1]	This amendment provides guidance for entities emerging from severe hyperinflation who are going to resume presenting Australian Accounting Standards financial statements or entities that are going to present Australian Accounting Standards financial statements for the first time. It provides relief for first-time adopters from having to reconstruct transactions that occurred before their date of transition to Australian Accounting Standards.	Beginning 1 July 2011	Amendment unlikely to impact on public sector entities.
AASB 2011-1 Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project [AASB 1, AASB 5, AASB 101, AASB 107, AASB 108, AASB 121, AASB 128, AASB 132 & AASB 134 and Interpretations 2, 112 & 113]	This amendment affects multiple Australian Accounting Standards and AASB Interpretations for the objective of increased alignment with IFRSs and achieving harmonisation between both Australian and New Zealand Standards. It achieves this by removing guidance and definitions from some Australian Accounting Standards, without changing their requirements.	Beginning 1 July 2011	This amendment will have no significant impact on public sector bodies.
AASB 2011-2 Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project – Reduced Disclosure Requirements [AASB 101 & AASB 1054]	The objective of this amendment is to include some additional disclosure from the Trans-Tasman Convergence Project and to reduce disclosure requirements for entities preparing general purpose financial statements under Australian Accounting Standards – Reduced Disclosure Requirements.	Beginning 1 July 2013	The Victorian Government is currently considering the impacts of Reduced Disclosure Requirements (RDRs) and has not decided if RDRs will be implemented to Victorian Public Sector.
AASB 2011-3 Amendments to Australian Accounting Standards – Orderly Adoption of Changes to the ABS GFS Manual and Related Amendments [AASB 1049]	This amends AASB 1049 to clarify the definition of the ABS GFS Manual and to facilitate the adoption of changes to the ABS GFS Manual and related disclosures.	Beginning 1 July 2012	This amendment provides clarification to users on the version of the GFS Manual to be used and what to disclose if the latest GFS Manual is not used.  No impact on performance measurements will occur.



## 2. Income from transactions

	<b>2011</b>	<b>2010</b>
	<b>\$000</b>	<b>\$000</b>
<b>Contributions</b>		
Insurance companies	214,783	206,136
Municipalities	35,797	34,356
Treasurer of Victoria	35,797	34,356
Brokers and owners	5,431	8,086
Commonwealth Government	2,308	3,049
	<b>294,116</b>	<b>285,983</b>
Income received by the MFESB covers operating expenses and capital expenditure funding; this causes the MFESB's net result to be a surplus to the extent that capital funding is included in the income received. Unlike many non-statutory authorities the MFESB does not receive annual capital funding from the State Government.		
<b>Sales of goods and services</b>		
False alarm charges	6,259	5,333
Fire suppression equipment sales and servicing	16,367	15,127
Other sales	7,120	6,754
	<b>29,746</b>	<b>27,214</b>
<b>Other Income</b>		
<b>Interest</b>		
Interest – bank deposits	702	595
Interest – held to maturity investments	4,613	3,546
Interest – held for trading investments	734	529
	<b>6,049</b>	<b>4,670</b>
<b>Dividends</b>		
Dividends – held for trading investments	4,013	3,402
	<b>4,013</b>	<b>3,402</b>
<b>Income - sundry</b>		
Workers' compensation recovered	1,615	1,140
Property rental	1,183	647
Contribution penalties	253	158
Funding for enterprise agreement	2,770	-
Other	2,412	2,343
	<b>8,233</b>	<b>4,288</b>
	<b>18,295</b>	<b>12,360</b>
<b>Total income from transactions</b>	<b>342,157</b>	<b>325,557</b>

### 3. Expenses from transactions

	<b>2011</b>	<b>2010</b>
	<b>\$000</b>	<b>\$000</b>
<b>Employee expenses</b>		
Salaries	172,895	155,750
Overtime	19,001	13,362
Movement in employee benefit provisions (excluding impact of present value discount rate changes)	6,590	3,409
Superannuation – defined benefit fund	14,003	12,960
Superannuation – defined contribution fund	1,516	1,254
Payroll tax	10,142	9,086
Workers' compensation	7,400	7,043
Fringe benefits tax	1,189	1,020
	<b>232,736</b>	<b>203,884</b>
<b>Depreciation and amortisation</b>		
Buildings	8,207	7,951
Plant and equipment	9,768	9,942
Amortisation of intangible assets	2,216	1,917
	<b>20,191</b>	<b>19,810</b>
<b>Supplies and services</b>		
Contract services – other	17,081	16,691
Contract services – government	14,035	12,202
Property utilities, rates and maintenance	9,456	7,505
Supplies and consumables	4,575	4,850
Motor vehicle maintenance and fuel	3,903	3,648
Plant and equipment maintenance	4,582	4,847
Information technology	3,115	2,805
Uniforms	4,882	4,727
Travel	2,950	2,297
Training and development	3,340	3,260
Communications	1,809	1,776
Legal	2,025	2,506
Insurance	971	962
Advertising and promotion	267	273
Internal audit and compliance audits	394	403
Consultants	459	241
	<b>73,844</b>	<b>68,993</b>
<b>Other operating expenses</b>		
Property lease	1,118	1,146
Cost of goods sold	734	836
Other	2,414	1,198
	<b>4,266</b>	<b>3,180</b>
<b>Total expenses from transactions</b>	<b>331,037</b>	<b>295,867</b>

#### 4. Other economic flows included in net result

	2011	2010
	\$000	\$000
<b>(a) Net gain/(loss) on non-financial assets</b>		
Net gain/(loss) on disposal of property, plant and equipment	415	(392)
<b>Total net gain/(loss) on non-financial assets</b>	<b>415</b>	<b>(392)</b>
<b>(b) Net gain/(loss) on financial instruments</b>		
Net gain/(loss) on disposal of financial investments		
Net gain/(loss) arising from revaluation of financial assets at fair value – market risk	(676)	(6,163)
<b>Total net gain/(loss) on financial instruments</b>	<b>4,384</b>	<b>10,113</b>
	<b>3,708</b>	<b>3,950</b>
<b>(c) Other gains/(losses) from other economic flows</b>		
Net gain/(loss) arising from revaluation of employee leave liabilities		
<b>Total other gains/(losses) from other economic flows</b>	<b>(480)</b>	<b>(915)</b>
<b>Total other economic flows included in net result</b>	<b>(480)</b>	<b>(915)</b>
	<b>3,643</b>	<b>2,643</b>

## 5. Property, plant and equipment

	2011 \$000	2010 \$000
<b>Freehold land</b>		
At independent valuation	157,776	145,001
At cost	36,634	3,307
<b>Total land</b>	<b>194,410</b>	<b>148,308</b>
<b>Buildings</b>		
At independent valuation	176,418	132,950
At cost	-	70,247
Less: accumulated depreciation	-	(22,177)
<b>Total buildings</b>	<b>176,418</b>	<b>181,020</b>
<b>Total land and buildings</b>	<b>370,828</b>	<b>329,328</b>
<b>Plant and equipment</b>		
At management valuation	57,884	51,462
Plant and equipment at cost	42,110	46,039
Less: accumulated depreciation	(28,400)	(32,763)
<b>Total plant and equipment</b>	<b>71,594</b>	<b>64,738</b>
<b>Construction work in progress</b>		
Buildings	7,173	10,963
Plant and equipment	6,883	4,274
<b>Total construction work in progress</b>	<b>14,056</b>	<b>15,237</b>
<b>Total property, plant and equipment</b>	<b>456,478</b>	<b>409,303</b>

### 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 (GPC). The MFESB's assets are classified under the Public Safety and Environment Purpose Group. 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 required 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. The revaluation movement is applied in the financial statements.

Fair value assessments as at 30 June 2011 for plant and equipment were performed by management and the revaluation movement is applied in the financial statements.

## 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	Buildings	Plant and equipment	Assets under construction	Total
	\$000	\$000	\$000	\$000	\$000
<b>2011</b>					
Carrying amount at start of year	148,308	181,020	64,738	15,237	409,303
Additions	36,634	5,557	5,913	9,017	57,121
Disposals	(1,134)	(207)	(1,321)	-	(2,662)
Net revaluations increment/(decrement)	10,602	(10,176)	10,265	-	10,691
Transfers	-	8,431	1,767	(10,198)	-
Depreciation expense	-	(8,207)	(9,768)	-	(17,975)
<b>Carrying amount at end of year</b>	<b>194,410</b>	<b>176,418</b>	<b>71,594</b>	<b>14,056</b>	<b>456,478</b>

	Freehold land	Buildings	Plant and equipment	Assets under construction	Total
	\$000	\$000	\$000	\$000	\$000
<b>2010</b>					
Carrying amount at start of year	145,001	180,598	64,808	12,771	403,178
Additions	3,307	5,692	5,988	10,405	25,392
Disposals	-	-	(1,374)	-	(1,374)
Net revaluations increment/(decrement)	-	-	-	-	-
Transfers	-	2,681	5,258	(7,939)	-
Depreciation expense	-	(7,951)	(9,942)	-	(17,893)
<b>Carrying amount at end of year</b>	<b>148,308</b>	<b>181,020</b>	<b>64,738</b>	<b>15,237</b>	<b>409,303</b>

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.

In June 2011, fire appliance vehicles were revalued using depreciated replacement values in accordance with Financial Reporting Direction (FRD) 103D. Other plant and equipment assets were not revalued as the impact was immaterial and asset values closely reflected fair value.



## 6. Intangible assets

	2011 \$000	2010 \$000
<b>Intangible assets – non-current</b>		
Licence agreements at cost	12,036	11,998
Less: accumulated amortisation	(4,176)	(3,390)
<b>Total licence agreements</b>	<b>7,860</b>	<b>8,608</b>
Software at cost	14,529	13,256
Less: accumulated amortisation	(10,870)	(9,563)
<b>Total software</b>	<b>3,659</b>	<b>3,693</b>
<b>Total intangible assets</b>	<b>11,519</b>	<b>12,301</b>

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

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

The average lives and remaining lives on intangible assets are:

		2011	2010
	Average Life	Remaining Life	Remaining Life
Optic fibre licence agreements:	15 years	9 years	10 years
Software:	5-7 years	1-7 years	1-7 years

### 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	Software \$000	Total \$000
<b>2011</b>			
Carrying amount at start of year	8,608	3,693	12,301
Additions	38	1,396	1,434
Disposals	-	-	-
Amortisation expense	(786)	(1,430)	(2,216)
<b>Carrying amount at end of year</b>	<b>7,860</b>	<b>3,659</b>	<b>11,519</b>
<b>2010</b>			
Carrying amount at start of year	9,393	4,489	13,882
Additions	-	338	338
Disposals	-	(2)	(2)
Amortisation expense	(785)	(1,132)	(1,917)
<b>Carrying amount at end of year</b>	<b>8,608</b>	<b>3,693</b>	<b>12,301</b>

## 7. Other non-financial assets

	2011 \$000	2010 \$000
<b>Current other assets</b>		
<b>Prepayments</b>	<b>1,041</b>	<b>1,244</b>
Prepayments primarily consist of software licence fees		

## 8. Reserves

	2011 \$000	2010 \$000
Physical asset revaluation surplus		
Land		
Balance at beginning of financial year	92,750	92,750
Revaluation increments/(decrements)	10,602	-
<b>Total</b>	<b>103,352</b>	<b>92,750</b>
Buildings		
Balance at beginning of financial year	94,348	94,348
Revaluation increments/(decrements)	(10,176)	-
<b>Total</b>	<b>84,172</b>	<b>94,348</b>
Plant and equipment		
Balance at beginning of financial year	5,073	5,073
Revaluation increments/(decrements)	10,265	-
<b>Total</b>	<b>15,338</b>	<b>5,073</b>
<b>Balance at end of financial year</b>	<b>202,862</b>	<b>192,171</b>

## 9. Accumulated surplus

Balance at beginning of financial year	201,502	169,169
Net result	14,763	32,333
<b>Balance at end of financial year</b>	<b>216,265</b>	<b>201,502</b>

## 10. Contributions by owners

Balance at beginning of financial year	121,059	121,059
<b>Balance at end of financial year</b>	<b>121,059</b>	<b>121,059</b>
<b>Total equity at end of the financial year</b>	<b>540,186</b>	<b>514,732</b>

## 11. Financial instruments

### Financial risk management objectives and policies

The MFESB's principal financial instruments comprises:

- cash assets;
- term deposits;
- receivables (excluding statutory receivables);
- investments in equities and managed investment schemes;
- debt securities; and
- payables (excluding statutory payables).

The MFESB 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 equivalents and held to maturity investments represent funding provided to the MFESB 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. As at 30 June 2011, the investments also incorporate funds for 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 moderates 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 portion of this investment class is term deposits with TCV.

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

<b>Categorisation of financial instruments</b>	<b>2011</b>	<b>2010</b>
(The carrying amounts below also reflect fair values)	<b>\$000</b>	<b>\$000</b>
<b>Contractual financial assets:</b>		
Cash and cash equivalents	15,356	1,439
Receivables – other (excluding statutory receivables)	7,616	4,198
Investments and other contractual financial assets:		
Held to maturity term deposit investments (TCV)	50,000	85,878
Held for trading investments		
Short term money market (TCV)	10,544	13,335
Australian fixed interest – unlisted trust	27,204	13,628
Australian equities – unlisted trust	13,037	14,920
International equities – unlisted trust	18,365	20,404
Hedged international equities – unlisted trust	-	5,012
Indexed bonds – unlisted trust	9,079	13,879
Infrastructure – unlisted trust	3,232	3,812
Property – unlisted trust	13,806	6,147
Absolute Return funds	4,325	-
	99,592	91,137
<b>Total contractual financial assets</b>	<b>172,564</b>	<b>182,652</b>
<b>Contractual financial liabilities:</b>		
Payables – amortised cost (excluding statutory payables)	13,886	9,456
<b>Total contractual financial liabilities</b>	<b>13,886</b>	<b>9,456</b>

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 MFESB 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.

The following table presents the MFESB's financial assets and liabilities at fair value as at 30 June 2011:

<b>Financial assets measured at fair value</b>	Carrying amount as at 30 June 2011	Fair value measurement at end of reporting period using:		
		<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
<b>2011</b>	<b>\$000</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
Fair value through profit/loss investments	99,592	11,026	84,604	3,962
Held to maturity term deposit investments	50,000	50,000	-	-
<b>Total</b>	<b>149,592</b>	<b>61,026</b>	<b>84,604</b>	<b>3,962</b>

There have been no significant transfers between fair value levels in the reporting period.

Financial assets measured at fair value	Carrying amount as at 30 June 2010	Fair value measurement at end of reporting period using:		
		Level 1	Level 2	Level 3
<b>2010</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
Fair value through profit/loss investments	91,137	13,335	71,324	6,478
Held to maturity term deposit investments	85,878	85,878	-	-
<b>Total</b>	<b>177,015</b>	<b>99,213</b>	<b>71,324</b>	<b>6,478</b>

There were no significant transfers between fair value levels in the 2010 reporting period.

Reconciliation of Level 3 fair value movements	Financial assets at fair value through profit/loss			
	Managed investment schemes		Total	Total
	\$000	\$000	\$000	\$000
	2011	2010	2011	2010
<b>Opening balance</b>	<b>6,478</b>	<b>6,490</b>	<b>6,478</b>	<b>6,490</b>
Total gains or losses recognised in:				
Net result	(2,516)	(12)	(2,516)	(12)
<b>Closing balance</b>	<b>3,962</b>	<b>6,478</b>	<b>3,962</b>	<b>6,478</b>

Total gains or losses for the period included in profit or loss for assets held at the end of the period.

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

	Net holding gain/(loss)	Total interest income/ (expense)	Fee income/ (expense)	Impairment loss	Total
	\$000	\$000	\$000	\$000	\$000
<b>2011</b>					
<b>Contractual financial assets</b>					
Financial assets designated at fair value through profit/ loss	8,455	734	(68)	-	9,121
Financial assets – loans and receivables	-	4,613	-	-	4,613
<b>Total contractual financial assets</b>	<b>8,455</b>	<b>5,347</b>	<b>(68)</b>	<b>-</b>	<b>13,734</b>
<b>2010</b>					
<b>Contractual financial assets</b>					
Financial assets designated at fair value through profit/ loss	7,880	529	(65)	-	8,344
Financial assets – loans and receivables	-	3,546	-	-	3,546
<b>Total contractual financial assets</b>	<b>7,880</b>	<b>4,075</b>	<b>(65)</b>	<b>-</b>	<b>11,890</b>



## 11.2 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.

### 11.2(i) Held for trading financial investment assets

The majority of the held for trading financial investment assets are non-interest bearing, consequently the MFESB is not subject to significant amounts of risk due to fluctuations in the prevailing levels of market interest rates. A proportion of this investment class includes cash and term deposits with Treasury Corporation of Victoria (TCV) which are exposed to interest rate risk and the exposure is included in the sensitivity analysis (refer to Note 11.2(iii)) below.

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

### 11.2(ii) Cash and cash equivalents and held to maturity receivables financial assets

The MFESB 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 MFESB's exposure to interest rates on these financial assets is detailed in the interest rate sensitivity analysis below (refer to Note 11.2(iii)).

### 11.2(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 \$380,000 (2010: \$501,000) and an increase by the same amount to equity. Conversely if interest rates decreased by 50 basis points interest income would reduce by (\$380,000) (2010: (\$501,000)) and equity would reduce by the same amount.

The Board's overall interest rate risk management strategy remains substantially unchanged from 2010.

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

<b>Interest rate exposure of financial instruments</b>	<b>Weighted average interest rate %</b>	<b>Carrying amount \$000</b>	<b>Fixed interest rate \$000</b>	<b>Variable interest rate \$000</b>	<b>Non-interest bearing \$000</b>
<b>2011</b>					
<b>Financial assets</b>					
Cash and deposits	4.56	15,356	-	15,356	-
Term deposit investments	4.89	50,000	50,000	-	-
Receivables – other		7,616	-	-	7,616
Financial investment assets	4.88	99,592	-	10,544	*89,048
<b>Total</b>		<b>172,564</b>	<b>50,000</b>	<b>25,900</b>	<b>96,664</b>
<b>Financial liabilities</b>					
Payables		13,886	-	-	13,886
<b>Total</b>		<b>13,886</b>	<b>-</b>	<b>-</b>	<b>13,886</b>

\* These investments are capital growth investments and are non interest bearing.

<b>Interest rate exposure of financial instruments</b>	<b>Weighted average interest rate %</b>	<b>Carrying amount \$000</b>	<b>Fixed interest rate \$000</b>	<b>Variable interest rate \$000</b>	<b>Non-interest bearing \$000</b>
<b>2010</b>					
<b>Financial assets</b>					
Cash and deposits	3.66	1,439	-	1,439	-
Term deposit investments	3.99	85,878	85,878	-	-
Receivables – other		4,198	-	-	4,198
Financial investment assets	3.99	91,137	-	13,335	*77,802
<b>Total</b>		<b>182,652</b>	<b>85,878</b>	<b>14,774</b>	<b>82,000</b>
<b>Financial liabilities</b>					
Payables		9,456	-	-	9,456
<b>Total</b>		<b>9,456</b>	<b>-</b>	<b>-</b>	<b>9,456</b>

\* These investments are capital growth investments and are non-interest bearing.

### 11.3 Foreign exchange risk

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

The MFESB acquires goods and services from international sources and this creates exposure to foreign exchange risk which is managed by establishing forward foreign exchange hedge contracts according to Board policy. The MFESB's controlled foreign currency contract obligations as at the end of the financial period totalled Euro €250,000 and USD \$35,000 in forward exchange purchase contracts, which are direct hedges for future commitments on vehicle purchases (2010: Euro €1,350,000 and USD \$35,000).

Foreign exchange risk also impacts the MFESB's held for trading investments in relation to its investments in international equities in unlisted trusts. The hedged international equity trust maintains foreign exchange hedge positions, subsequently foreign exchange risk is minimal; whereas the unhedged international equity trust is exposed to foreign exchange risk. Foreign exchange risk exposure relating to held for trading investments is managed by the fund managers and exposure risk on international equities trust investments is accounted indirectly in the price risk sensitivity analysis (refer to Note 11.6).

The MFESB's overall foreign exchange risk management strategy remains substantially unchanged from 2010.

### 11.4 Credit risk

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

#### 11.4(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.

#### 11.4(ii) Held to maturity investments receivables and cash balances

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

#### 11.4(iii) Receivables and other financial assets

The MFESB 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 MFESB has no significant concentration of credit risk in receivables or the other financial assets classes. The MFESB has no guarantees or securities held against receivables balances.

The Board's overall credit risk management strategy remains substantially unchanged from 2010, other than present and future term deposit investments are placed with TCV.

Further information is shown in Note 12 Receivables.

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

	<b>Financial Institutions (not rated) \$000</b>	<b>Financial Institutions (AA credit rating) \$000</b>	<b>State Government agencies (AAA credit rating) \$000</b>	<b>Total \$000</b>
<b>2011</b>				
Cash and cash equivalents	-	15,356	-	15,356
Term deposit investments	-	-	50,000	50,000
Financial investment assets	*89,048	-	10,544	99,592
<b>Total contractual financial assets</b>	<b>89,048</b>	<b>15,356</b>	<b>60,544</b>	<b>164,948</b>
<b>2010</b>				
Cash and cash equivalents	-	1,439	-	1,439
Term deposit investments	-	-	85,878	85,878
Financial investment assets	*77,802	-	13,335	91,137
<b>Total contractual financial assets</b>	<b>77,802</b>	<b>1,439</b>	<b>99,213</b>	<b>178,454</b>

\*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.

## 11.5 Liquidity risk

Liquidity risk is the risk that the MFESB 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 MFESB has an appropriate liquidity risk management framework for its short, medium and long-term funding and liquidity management requirements.

The MFESB 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 2010.

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
<b>2011</b>							
<b>Financial liabilities</b>							
<b>Payables</b>							
Supplies and services	7,519	7,519	7,519	-	-	-	-
Amounts payable to government and agencies	930	930	930	-	-	-	-
Other payables	5,437	5,437	4,882	555	-	-	-
<b>Total</b>	<b>13,886</b>	<b>13,886</b>	<b>13,331</b>	<b>555</b>	-	-	-
<b>2010</b>							
<b>Financial liabilities</b>							
<b>Payables</b>							
Supplies and services	6,173	6,173	6,173	-	-	-	-
Amounts payable to government and agencies	848	848	848	-	-	-	-
Other payables	2,435	2,435	2,059	376	-	-	-
<b>Total</b>	<b>9,456</b>	<b>9,456</b>	<b>9,080</b>	<b>376</b>	-	-	-



## 11.6 Price risk

The MFESB'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.

The MFESB's market price risk is managed through diversification of the investment portfolio across differing security and equity instruments under advice from VFMC. The overall market exposures as at 30 June 2011 are listed in the table below.

The Board's overall price risk management strategy remains substantially unchanged from 2010.

### Price risk sensitivity

At 30 June 2011, the MFESB's market price risk is affected by three main components: changes in actual market prices, interest rate and foreign currency movements. The following price risk sensitivity analysis has been based upon the investment classes exposed to price risk at the reporting date and the change occurring at that time. A 10% change represents management's assessment of a reasonably possible change based upon assessment of commonly quoted ASX indices changes over the past five years and after consideration of analysis performed by the Department of Treasury and Finance and forecasts by financial institutions.

## 2011

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

	Effective exposure \$000	+ 10% Increase in unit price		- 10% Decrease in unit price	
		Income impact \$000	Equity impact \$000	Income impact \$000	Equity impact \$000
Australian fixed interest	27,204	2,720	2,720	(2,720)	(2,720)
Australian equities	13,037	1,304	1,304	(1,304)	(1,304)
International equities	18,365	1,837	1,837	(1,837)	(1,837)
Hedged international equities	-	-	-	-	-
Indexed bonds	9,079	908	908	(908)	(908)
Infrastructure	3,232	323	323	(323)	(323)
Property	13,806	1,381	1,381	(1,381)	(1,381)
Absolute return funds	4,325	432	432	(432)	(432)
<b>Total</b>	<b>89,048</b>	<b>8,905</b>	<b>8,905</b>	<b>(8,905)</b>	<b>(8,905)</b>

The effective exposure amounts above reflect the carrying amounts.

## 2010

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

	Effective exposure \$000	+ 10% Increase in unit price		- 10% Decrease in unit price	
		Income impact \$000	Equity impact \$000	Income impact \$000	Equity impact \$000
Australian fixed interest	13,628	1,363	1,363	(1,363)	((1,363)
Australian equities	14,920	1,492	1,492	(1,492)	(1,492)
International equities	20,404	2,040	2,040	(2,040)	(2,040)
Hedged international equities	5,012	501	501	(501)	(501)
Indexed bonds	13,879	1,388	1,388	(1,388)	(1,388)
Infrastructure	3,812	381	381	(381)	(381)
Property	6,147	615	615	(615)	(615)
<b>Total</b>	<b>77,802</b>	<b>7,780</b>	<b>7,780</b>	<b>(7,780)</b>	<b>(7,780)</b>

The effective exposure amounts above reflect the carrying amounts.

## 11.7 Capital risk

The MFESB manages its capital to ensure the organisations ability to continue as a going concern with an optimal balance of debt and equity.

The MFESB is not subject to externally imposed capital requirements.

The Board's overall strategy remains unchanged from 2010. The Board decided on 25 January 2011 to alter the investment portfolio managed through VFMC to a more conservative growth investment in consideration of volatility and market risk. Additionally the Board confirmed amendments to the VFMC Investment Policy upon VFMC confirmation that the changes have not materially changed the MFESB risk profile.

## 12. Receivables

	2011 \$000	2010 \$000
<b>Receivables – current</b>		
Receivables – other:		
Sale of goods and services receivables	4,682	4,383
Receivables – statutory	2,040	983
Sundry receivables	3,348	64
Less: allowance for doubtful contractual receivables	(414)	(249)
<b>Total</b>	<b>9,656</b>	<b>5,181</b>

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

## 11.8 Financial Instruments – fair value measurement

The MFESB 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.

(unimpaired)

	<b>Current</b>	<b>1 - 2</b>	<b>2 - 3</b>	<b>Greater than 3</b>	<b>Total</b>
	<b>\$000</b>	<b>months</b>	<b>months</b>	<b>months - 1 year</b>	<b>\$000</b>
		<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	
<b>Receivables ageing analysis:</b>					
<b>2011</b>					
Receivables – other	8,714	890	132	334	10,070
<b>Total</b>	<b>8,714</b>	<b>890</b>	<b>132</b>	<b>334</b>	<b>10,070</b>
<b>2010</b>					
Receivables – other	4,185	597	308	340	5,430
<b>Total</b>	<b>4,185</b>	<b>597</b>	<b>308</b>	<b>340</b>	<b>5,430</b>

Included in the trade receivables balance as at 30 June 2011 are past due debtors with a carrying amount of \$1,356,000 of which the MFESB has provided a doubtful debt allowance of \$414,000 and the remaining balance is considered collectable and unimpaired.

	<b>2011</b>	<b>2010</b>
	<b>\$000</b>	<b>\$000</b>
<b>Movement in the provision for doubtful receivables:</b>		
Balance at beginning of the year	249	252
Amounts written off during the year	(91)	(241)
Amounts recovered during the year	2	-
Increase in allowance recognised in the net result	254	238
Balance at the end of the year	<b>414</b>	<b>249</b>

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 Board 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 \$91,000 (2010: \$241,000).

Note 11 Financial Instruments outlines the nature and extent of risk arising from contractual receivables.

### 13. Inventories

	2011 \$000	2010 \$000
<b>Inventories – current</b>		
Supplies, spare parts and security spares	1,428	1,429
Less: allowance for obsolescence	(384)	(308)
<b>Total</b>	<b>1,044</b>	<b>1,121</b>

### 14. Payables

	2011 \$000	2010 \$000
<b>Contractual</b>		
<b>Payables – current</b>		
Supplies and services	7,519	6,173
Other payables and accrued expenses	6,368	3,283
<b>Total</b>	<b>13,886</b>	<b>9,456</b>

The MFESB 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 MFESB has procedures in place to ensure that payables are paid within credit timeframes.

Under the Fair Payment Policy the MFESB may be liable for penalty interest payments on overdue accounts. No interest penalties were incurred during the period under review (2010: Nil).

	Less than 1 month \$000	1 - 3 months \$000	Greater than 3 months \$000	Total \$000
<b>Payables commitment analysis</b>				
<b>2011</b>	13,331	555	-	<b>13,886</b>
<b>2010</b>	9,080	376	-	<b>9,456</b>

Note 11 Financial Instruments outlines the nature and extent of risk arising from payables.

### 15. Other liabilities

	2011 \$000	2010 \$000
Current balance	827	385
Non-current balance	2,281	2,596
<b>Total</b>	<b>3,108</b>	<b>2,981</b>

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



## 16. Provisions

	2011 \$000	2010 \$000
<b>Employee benefits (a)</b>		
<b>Current provisions</b>		
Unconditional and expected to be settled within 12 months (b)	17,482	15,563
Unconditional and expected to be settled after 12 months (c)	60,492	55,892
<b>Provisions related to employee benefit on-costs</b>		
Unconditional and expected to be settled within 12 months (b)	1,528	1,358
Unconditional and expected to be settled after 12 months (c)	5,086	4,698
<b>Total current provisions</b>	<b>84,588</b>	<b>77,511</b>
<b>Non-current provisions</b>		
Employee benefits	2,693	2,699
Employee benefit on-costs	225	225
<b>Total non-current provisions</b>	<b>2,918</b>	<b>2,924</b>
<b>Total provisions</b>	<b>87,506</b>	<b>80,435</b>
<b>(a) Employee benefits and related on-costs</b>		
Current employee benefits		
Annual leave entitlements	23,069	19,583
Unconditional long service leave entitlements	51,031	47,327
Unconditional sick leave	3,875	4,544
Non-current employee benefits		
Conditional long service leave entitlements	2,420	2,397
Unconditional sick leave – expected to be settled after 12 months	273	303
<b>Total employee benefits</b>	<b>80,668</b>	<b>74,154</b>
Current on-costs	6,613	6,056
Non-current on-costs	225	225
<b>Total on-costs</b>	<b>6,838</b>	<b>6,281</b>
<b>Total employee benefits and related on-costs</b>	<b>87,506</b>	<b>80,435</b>
<b>(b) Movement in provisions – Employee benefits on-costs</b>		
Opening balance	6,281	5,624
Additional provisions recognised	8,000	7,624
Reductions arising from payments/other sacrifices of future economic benefits	(7,412)	(6,954)
Unwind of discount and effect of changes in the discount rate	(31)	(13)
<b>Closing balance</b>	<b>6,838</b>	<b>6,281</b>

Note:

- (a) Provisions for employee benefits consist of amounts for annual leave, long service leave and a proportion of sick leave accrued by employees, not including on-costs.
- (b) The amounts disclosed are nominal amounts.
- (c) The amounts disclosed are discounted to present values.

## 17. Superannuation

MFESB employees and members of the Board are entitled to receive superannuation benefits and the MFESB 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 MFESB does not recognise any defined benefit liability in respect of the plan because the entity 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 recognises and discloses the State's defined benefit liabilities in its financial statements.

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

During the year, the MFESB made superannuation payments of \$15.5 million (2010: \$14.2 million) 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% for non-defined benefit plan members.

There were no superannuation contributions outstanding at 30 June 2011. (2010: Nil).

Employer contribution rates were:

### Accumulation Scheme

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

### Defined Benefits Scheme

The average employer contribution rate for the financial year was 11.0% (2010: 11.0%) of salary for all operational staff as well as for non-operational staff employed prior to 1 January 1994.

## 18. Commitments

The following commitments have not been recognised as liabilities in the financial statements:

	2011 \$000	2010 \$000
<b>Commitments</b>		
<b>Capital expenditure commitments</b>		
Commitments for the acquisition of property, plant and equipment contracted at reporting date but not recognised as liabilities:		
Payable:		
Not longer than one year	7,043	10,469
<b>Total</b>	<b>7,043</b>	<b>10,469</b>
<b>Operating lease commitments</b>		
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	735	778
Longer than one year but not longer than five years	780	566
<b>Total</b>	<b>1,515</b>	<b>1,344</b>
<b>Recurrent service commitments</b>		
Commitments for the acquisition of recurrent goods and services not recognised as liabilities:		
Payable:		
Within one year	14,285	12,219
Longer than one year but not longer than five years	84	5,528
<b>Total</b>	<b>14,369</b>	<b>17,747</b>

A significant proportion of the above recurrent service commitments relate to the MFESB'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 Fire District. The ESTA service fees for the year to 30 June 2011 were \$9.2 million (2010: \$10.0 million).

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

## 19. Contingent assets and contingent liabilities

The MFESB has a pending claim with the City of Yarra for the recovery of costs. The MFESB has chosen not to disclose further information as such disclosure may prejudice its case.

There are no contingent liabilities at reporting date (2010: Nil).

## 20. Notes to the cash flow statement

### 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:

	2011 \$000	2010 \$000
Cash and cash equivalents	15,356	1,439
<b>Total</b>	<b>15,356</b>	<b>1,439</b>

### Reconciliation of net result for the reporting period to net cash inflow from operating activities

<b>Net result for the period</b>	<b>14,763</b>	<b>32,333</b>
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### Non-cash movements

(Gain)/loss on sale or disposal of non-financial assets	(415)	392
Loss on sale of investments	676	6,162
Unrealised (gain) on held for trading investments	(4,385)	(10,112)
Depreciation	17,976	17,893
Amortisation	2,216	1,917
Increase/(decrease) in allowance for doubtful receivables	165	(3)
Allowance for inventory obsolescence	77	32

### Movements in assets and liabilities

(Increase) in other receivables	(4,641)	(131)
Decrease/(increase) in inventories	1	(44)
Decrease/(increase) in prepayments	203	(743)
Increase/(decrease) in payables	4,430	(3,048)
Increase in employee benefits: current provisions	7,077	3,967
Decrease/(increase) in employee benefits: non-current provisions	(7)	357
Increase/(decrease) in income received in advance	127	(314)
<b>Net cash inflow from operating activities</b>	<b>38,263</b>	<b>48,658</b>

## 21. Bank overdraft

The MFESB 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 (2010: Nil).

## 22. Responsible persons

In accordance with the Directions of the Minister for Finance under the *Financial Management Act 1994*, the names of persons who were Responsible Persons at any time during the financial year are:

		Period of tenure:
Responsible Minister	The Honorable B Cameron MP	01/07/10 – 10/10/10
	Minister for Police and Emergency Services	
	The Honorable B Cameron MP	11/10/10 – 01/12/10
	Minister for Emergency Services	
	The Honorable P Ryan MLA	02/12/10 – 30/06/11
	Minister for Police and Emergency Services	
Board Members	M N Comrie, AO, APM – President	01/07/10 – 30/06/11
	I O Spicer, AM	01/07/10 – 30/06/11
	A Barker	01/07/10 – 30/06/11
	J A Bonnington	01/07/10 – 30/06/11
	K W King	01/07/10 – 30/06/11
	G T Lake	01/07/10 – 30/06/11
	A Long	14/09/10 – 30/06/11
Accountable Officers	G J Fountain – Chief Executive Officer/Chief Officer	01/07/10 – 09/12/10
	S K Wright – Acting Chief Executive Officer/Chief Officer	10/12/10 – 05/06/11
	N Easy – Chief Executive Officer	06/06/11 – 30/06/11

### Related parties

M N Comrie is Chair, Review of the 2010-2011 Flood Warning and Response – (Victoria Floods Review) and Victorian Bushfire Royal Commission Implementation Monitor.

A Barker is Managing Director, City West Water Ltd (CWW) which provides services to the MFB. MFB also provided services to CWW and CWW also provided minor sponsorship to the MFB.

K W King is a member of the Country Fire Authority (CFA) Board. The MFB had transactions with the CFA.

G T Lake is a Lawyer with Minter Ellison and a Councillor at the City of Monash and Board Member of the Municipal Association of Victoria with which the MFB had transactions.

G J Fountain, the Chief Executive and Chief Officer, had a voting right on the Australasian Fire and Emergency Service Authorities Council (AFAC).

N Easy, the Chief Executive Officer, has a voting right on the AFAC.

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



## 23. Remuneration of responsible persons

The number of Responsible Persons is shown below in their relevant income bands:

	<b>2011 No.</b>	<b>2010 No.</b>
<b>Remuneration Band</b>		
\$ 0 – \$ 9,999	1	1
\$ 10,000 – \$ 19,999	4	3
\$ 20,000 – \$ 29,999	1	1
\$ 30,000 – \$ 39,999	-	1
\$ 40,000 – \$ 49,999	1	-
	<b>7</b>	<b>6</b>
Total remuneration of Responsible Persons other than the Responsible Minister:	<b>\$000 137</b>	<b>\$000 111</b>

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 MFESB during the reporting period was in the following ranges:

	<b>2011 No.</b>	<b>2010 No.</b>
<b>Remuneration Band</b>		
\$ 20,000 – \$ 29,999	1	-
\$ 60,000 – \$ 69,999	-	1
\$100,000 – \$109,999	1	-
\$160,000 – \$169,999	1	-
\$290,000 – \$299,999	-	1
	<b>3</b>	<b>2</b>
Total remuneration of Responsible Persons other than the Responsible Minister:	<b>\$000 292</b>	<b>\$000 361</b>

Ken Latta, a former Accountable Officer was on leave for part of the reporting period and was not making any executive decisions during this time. Mr Latta retired on 25 November 2010 and the applicable remuneration band is \$250,000 – \$259,999.

During the reporting period the MFESB purchased land which was independently valued by the Valuer General Victoria prior to purchase from Department of Education and Early Childhood Development.

## 24. 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. 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	
	2011 No.	2010 No.	2011 No.	2010 No.
\$ 0 – \$ 99,999*	4	4	5	5
\$100,000 – \$109,999	1	1	1	2
\$110,000 – \$119,999	1	-	1	1
\$120,000 – \$129,999	4	2	2	3
\$130,000 – \$139,999	2	1	3	3
\$140,000 – \$149,999	2	2	9	11
\$150,000 – \$159,999	6	7	2	2
\$160,000 – \$169,999	6	5	14	11
\$170,000 – \$179,999	6	5	-	1
\$180,000 – \$189,999	3	6	1	-
\$190,000 – \$199,999	1	3	1	-
\$200,000 – \$209,999	3	1	-	-
\$220,000 – \$229,999	-	1	-	-
\$230,000 – \$239,999	1	-	-	-
\$290,000 – \$299,999	-	1	-	-
<b>Total number of executive officers</b>	<b>40</b>	<b>39</b>	<b>39</b>	<b>39</b>
	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
<b>Total remuneration</b>	<b>6,094</b>	<b>6,211</b>	<b>5,455</b>	<b>5,239</b>

\*A number of executives have received base and total remuneration below \$100,000 due to part year employment. The value of these payments for the period are: \$213,000 total remuneration and \$276,000 base remuneration.

### Notes:

The above remuneration amounts include leave or termination payments of:

- (i) \$77,000 in the \$0 - \$99,999 band; \$51,000 in the \$110,000 - \$119,999 band; \$4,000 in the \$120,000 - \$129,999 band; \$5,000 in the \$150,000 - \$159,999 band; \$10,000 in the \$180,000 - \$189,999 band; \$39,000 in the \$190,000 - \$199,999 band; \$47,000 in the \$200,000 - \$209,999 band; and \$66,000 in the \$230,000 - \$239,999 band in 2011.
- (ii) \$10,000 in the \$0 - \$99,999 band; \$10,000 in the \$130,000 - \$139,999 band; \$8,000 in the \$160,000 - \$169,999 band; \$11,000 in the \$170,000 - \$179,999 band; \$77,000 in the \$190,000 - \$199,999 band; \$58,000 in the \$200,000 - \$209,999 band; \$175,000 in the \$220,000 - \$229,999 band; \$121,000 in the \$290,000 - \$299,999 band in 2010.

## 25. Remuneration of auditors

Total remuneration payable to the Auditor-General for auditing the financial statements for the year ended 30 June 2011 was \$83,900 (2010: \$80,930).

## 26. Subsequent events

There are no material subsequent events since reporting date.

## 27. Glossary of terms

### Comprehensive result

Total comprehensive result is the change in equity for the period other than changes arising from transactions with owners. 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.

### Employee benefits expenses

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

### Financial asset

A financial asset is any asset that is:

- (a) cash;
- (b) an equity instrument of another entity;
- (c) a contractual or statutory right:
  - to receive cash or another financial asset from another entity; or
  - to exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity; or
- (d) a contract that will or may be settled in the entity's own equity instruments and is:
  - a non-derivative for which the entity is or may be obliged to receive a variable number of the entity's own equity instruments; or
  - a derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments.

### Financial instrument

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

### Financial liability

A financial liability is any liability that is:

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

### 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 (Sept 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. Interest expenses include 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 interest received on bank term deposits, interest from investments, and other interest received.

### **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.

### **Non-financial assets**

Non-financial assets are all assets that are not financial 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-current 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 MFESB.

### **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 within 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 Board in accordance with Standing Direction 4.2 of the *Financial Management Act 1994*, applicable Financial Reporting Directions, Australian Accounting Standards, including interpretations and other mandatory professional reporting requirements.

We further state that in our opinion, the information set out in the comprehensive operating statement, balance sheet, statement of changes in equity, cash flow statement and notes forming part of the financial statements presents fairly the financial transactions during the year ended 30 June 2011 and financial position of the Metropolitan Fire and Emergency Services Board as at 30 June 2011.

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 10 August 2011.



Ken King  
Deputy President  
Melbourne  
10 August 2011



Nicholas Easy  
Chief Executive Officer  
Melbourne  
10 August 2011



Russell Eddington  
Executive Director, Corporate Services  
Melbourne  
10 August 2011





Victorian Auditor-General's Office

## 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 2011 of Metropolitan Fire and Emergency Services Board which comprises the comprehensive operating statement, balance sheet, statement of changes in equity, cash flow statement, notes comprising a summary of significant accounting policies and other explanatory information, and the responsible persons and chief finance and accounting officer's declaration 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, including the Australian Accounting Interpretations, 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 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, 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.

#### *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.

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Victorian Auditor-General's Office

## Independent Auditor's Report (continued)


### *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 2011 and of its financial performance and its cash flows for the year then ended in accordance with applicable Australian Accounting Standards, including the Australian Accounting Interpretations, 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 2011 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  
10 August 2011

  
for D D R Pearson  
Auditor-General



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### Whistleblowers Protection Act

The Acting Corporate Secretary, Ms Elaine Stewart, is the Protected Disclosure Coordinator for the purpose of administering the requirements of the *Whistleblowers Protection Act*.

Ms Jan Smith is the Protected Disclosure Officer.

### Disclosure under s104 of the Whistleblowers Protection Act 2001

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

### 2010/2011 disclosure statistics

Protected disclosure lodged	0
Referred by the MFB to the Ombudsman for determination as to whether they were public interest disclosures	0
Disclosed matters referred to MFB by the Ombudsman	0
Disclosed matters referred by MFB to the Ombudsman for investigation.	0
Investigations of disclosed matters taken over by the Ombudsman from MFB	0
Requests made under section 74 (requests to Ombudsman by person making disclosure) during the year to the Ombudsman to investigate disclosed matters.	0
Disclosed matters that MFB declined to investigate	0
Disclosed matters substantiated on investigation	0
Recommendations of the Ombudsman under the Act	0

### Additional Information Available on Request

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

- (a) a statement that declarations of pecuniary interests have been duly completed by all relevant officers of MFB;
- (b) details of publications produced by MFB about the activities of MFB and where they can be obtained;
- (c) details of changes in prices, fees, charges, rates and levies charged by MFB for its services, including services that are administered;
- (d) details of overseas visits undertaken including a summary of the objectives and outcomes of each visit;

- (e) details of major promotional, public relations and marketing activities undertaken by MFB to develop community awareness of the services provided by MFB; and

The information is available on request from:

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