



Metropolitan Fire and Emergency Services Board

# Annual Report

## 2011-2012





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## Letter to the Minister

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The Hon. Peter Ryan MP  
Deputy Premier  
Minister for Police and Emergency Services  
Level 3, 1 Treasury Place  
East Melbourne VIC, 3002

Dear Deputy Premier,

I have much pleasure in submitting the 2011–12 Annual Report of the Metropolitan Fire and Emergency Services Board in accordance with the *Financial Management Act 1994 (Vic)*.

Yours sincerely,

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

Date: 17th September 2012



# Welcome to our Annual Report

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## Our vision

**Ready, resilient communities**

## Our mission

**Protection of life, property and the environment**

## Our goals

### Working with our community

We acknowledge the primacy of human life. We will be active partners with our diverse community to minimise the frequency and impact of fires and other emergencies and increase individual and community capacity to respond and recover.

### Working with our people

We will have a highly capable, involved and accountable workforce with an organisational culture that encourages collaboration, trust and innovation.

### Working with our partners

We will lead the sector in reforms aimed at providing more coordinated and compatible services across the emergency services continuum.

### Delivering value for money

We will work to provide value for money by continuously improving the effectiveness and efficiency of the services we deliver.





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## We are proud to present some of our highlights during 2011-12

- MFB contained 90.6 per cent of structural fires to the room of origin, well ahead of the statewide target of 70 per cent.
- Significant progress was made in the planning and design of MFB's new \$109 million training facility at Craigieburn.
- MFB continued to implement the Fire Services Reform Action Plan through 24 collaborative projects in: community fire safety, planning, state capacity and capability, operational interoperability, governance, and accountability.
- MFB developed Kidzone, an interactive website for young people about home fire safety.
- The Fallen Firefighters Memorial was established at Burnley to acknowledge the 27 firefighters lost in the line of duty in MFB's 120-year history.
- MFB had a solid financial result, achieving budget projections and income of \$366.2 million, an increase of seven per cent on the previous year. The operating surplus of \$9.6 million will be reinvested in service infrastructure.
- The first new fire station to use Australia's green star rating tool was opened at Templestowe. The tool was designed in partnership with MFB.
- MFB integrated 96 new level one firefighters through recruit courses.
- Station and senior station officer courses were completed by 47 new station officers and 16 new senior station officers.
- Six MFB and six CFA operational employees exchanged roles through a secondment program, enhancing relationships between the fire services.
- MFB firefighters saved 11 lives responding to 3,591 medical emergencies – almost 70 per cent more than the 10-year average and 12 per cent above 2010-11.
- MFB designed Australia's first fully developed competency-based training package to respond to marine emergencies.

## President's Foreword

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The year presented MFB with many challenges and opportunities as we continued to deliver an excellent service to the Victorian community.

As a key emergency management organisation, MFB is contributing to major reforms being led by the Fire Services Commissioner via the Fire Services Reform Action Plan. A Green Paper/White Paper process later this year will also impact the emergency management sector.

The implementation of a broad range of identified strategies will lead to a more flexible and capable emergency management sector with significantly improved capacity to manage major emergency events.

In particular, MFB has invested heavily in training to develop the capability and capacity of our organisation. The new facility at Craigieburn will meet the current and future specialised training needs of MFB. It will also increase opportunities for the emergency management sector to undertake joint training – critical to inculcation in the 'all hazards – all agencies' philosophy.

MFB is also developing a strategy to respond to the increasing number of fires in the marine environment in the Port of Melbourne and adjacent precincts. The acquisition of suitable premises and vessels to support this marine capacity is a key focus of MFB. Specialised training of firefighters for marine response has commenced.

Recent inquiries and reviews into disasters in the Australasian region have recognised that we must strengthen the resilience of our communities to better withstand and recover from these events. MFB is identifying strategies to enhance community resilience in the Metropolitan District. This work presents particular challenges given the movement of large numbers of people in and out of the central business district on a daily basis. Bushfire-related issues are also important for MFB to consider in some of the outer margins of the Metropolitan District.

The Victorian Government's Green Paper, Towards a More Disaster Resilient and Safer Victoria, stated that our emergency management arrangements must be "sufficiently agile to adapt to factors including demographic change, increased urbanisation, reliance on technology and social media, the heightened movement of people and goods around the world and the implications of climate change".

In recognising the inherent risks associated with firefighting MFB has significantly increased its focus on workplace health and safety, and the reduction of work-related injury and illness. The Board is determined to instil health and safety in the daily business activities of all MFB personnel.

The Victorian community can be confident that MFB understands and is committed to reforms to meet current and emerging challenges in emergency management. By delivering on these commitments, MFB will continue to provide a world-class fire service and work diligently with our emergency services colleagues in other agencies to make Victoria a safer place.



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

## Chief Executive Officer's Report

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MFB is a strong organisation with a proud record of consistent achievement. Over the past year we have strengthened our foundation, ready to move into the future.

As I noted last year, MFB and other agencies have an ageing workforce and this is a major challenge facing our organisation. A significant proportion of MFB's operational workforce will be eligible for retirement in the next five years, taking with them a large amount of the organisation's experience. MFB is working to maintain our workforce capability to meet our service delivery obligations. Increasing the skills and experience of our established staff and introducing new staff is imperative for our ongoing success.

In the past 12 months all our training programs were delivered, including recruit, promotional, leadership and development programs, and various agreed specialist operational training programs. We have also run four recruit courses, integrated 96 new level-one firefighters and developed 47 new Station Officers, and 16 new Senior Station Officers.

Delivery of our new training college is progressing well. It will provide state-of-the-art training infrastructure and improve MFB's capacity to train all operational staff. It will also strengthen MFB's partnership arrangements with other emergency services across Victoria in what will be a sectoral approach to training.

A number of other changes and challenges are affecting our core business. The economic environment in Australia and especially Victoria has changed markedly in the past few years. The fiscal environment has tightened considerably and all Victoria's emergency services must do more with less.

In addition, increasing population density in the Metropolitan District will place additional demands on emergency services. This is a result of new high rise developments on old industrial land and government sites in areas such as Fishermans Bend, North Melbourne, Maribyrnong and Kew.

These challenges will require MFB to adapt and to deliver more value to the community. This will take focus and understanding by all employees and service providers.

MFB's success in protecting our community is not achieved by us working alone. It is through the partnerships we form and the work we do with our stakeholders and other emergency services that will ensure we can achieve our goals. This is now reinforced by the Strategic Statement for Fire and Emergency Services in Victoria.

We are experts at attending emergency incidents and putting fires out. However, it is the work we do with the community that will help prevent many of these fires or emergencies, and reduce the damage or consequences caused by them.

MFB's strong foundation is built on well-trained firefighters, state-of-the-art equipment, community spirit and strong behind-the-scenes support.

I look forward to the challenge of working with our people to strengthen our position. We will continue to be an active player in sector reform, policy development, business and strategic planning, and change management in the coming year. We will also ensure that risk management is embedded into all our practices and processes.

I would like to thank Board members for their guidance and direction. I would also like to express my appreciation to all staff for their contributions during the year.



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



## About us

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### Who we are

MFB employs more than 2,100 people comprising 1,800 operational firefighters and 330 corporate staff, including trainees and apprentices. Together, these employees deliver MFB's services.

### Why we exist

MFB provides a broad range of services to almost four million Melbourne residents, workers and visitors, as well as safeguarding assets and key infrastructure worth billions of dollars. Our services cover the Metropolitan District, an area of more than 1,000 square kilometres.

MFB delivers a range of fire and other emergency management services; drives systemic changes to the built environment by advocating for reforms to building design, regulations and legislation; invests in research and develops prevention programs and initiatives that deliver improved community safety outcomes.

MFB also provides operational support across Australia and the Asia Pacific region as required.

### Our values

Every MFB employee is responsible for working towards a continuing, measurable improvement in our workplace safety culture.

This will be achieved through upholding MFB's values:

- **professionalism**
- **response**
- **initiative.**

These values are augmented by the Victorian Government Public Sector Values which include:

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



## What we do

MFB operates across the prevention, preparedness, response, and recovery continuum.

- **Prevention** activities aim to eliminate or reduce the incidence or severity of emergencies, for example, Total Fire Ban days or requiring smoke alarms in premises. MFB works with the community, other emergency management agencies, government and the private sector to ensure the knowledge, behaviours and regulatory and legislative 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. These activities include: ensuring response plans and arrangements are in place before emergencies occur, conducting assessments of risks (likelihood and severity), planning for the continued availability of essential services, and identifying ways to mitigate the potential impacts of an emergency.
- **Response** activities occur when we are dispatched to incidents to minimise their impact and ensure affected individuals and communities are given immediate relief and support. MFB delivers a highly skilled response to about 35,000 calls a year, including:
  - fires (structure, non-structure and bushfire)
  - hazardous incidents
  - automatic alarm response (including responses to false alarms)
  - road accident rescue
  - emergency medical response
  - other incidents (including High Angle Rescue, Urban Search and Rescue And Marine Response).
- **Recovery** activities support emergency-affected individuals and communities to restore their emotional, social, economic and physical wellbeing, and 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.

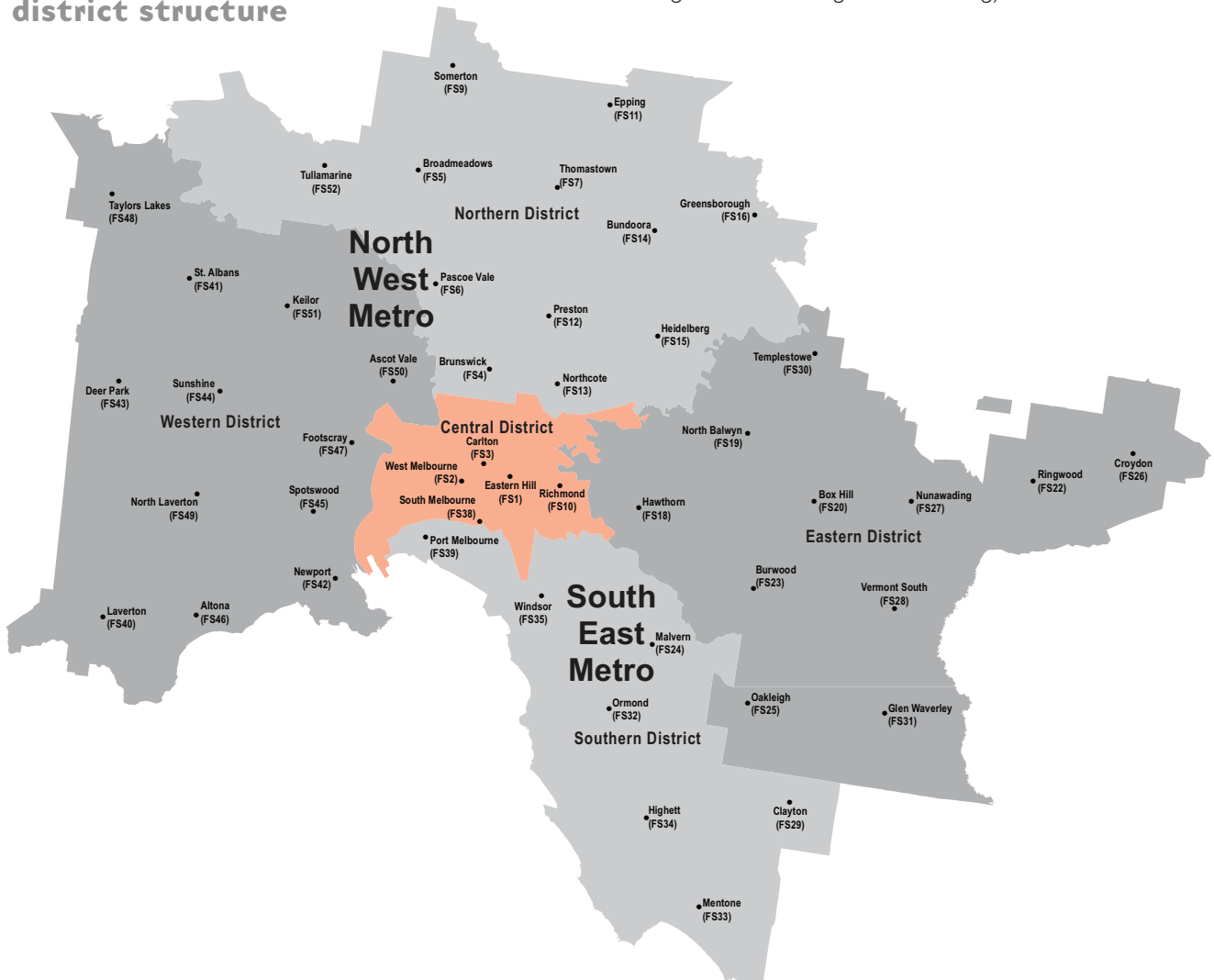


## Fire stations and boundaries

MFB is geographically aligned to a two-region, five-district model, operating 47 fire stations that provide a service across 26 local government areas.

## The MFB regional and district structure

MFB structural arrangements are aligned to the State Government Regional Boundaries. This enables MFB to work closely with key partners to plan for the command, control and coordination of incidents under the State Emergency Management arrangements (including Integrated Fire Management Planning).



The North West Metro Region includes industrial areas with 27 major hazard facilities and 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 1,100 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.

The South East Metro 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 24/7 fire and emergency services to over 1.1 million residents in 12 municipalities.

## The Board

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### **President**

#### **Neil Comrie, AO, APM**

Appointed President on 30 June 2010.

Neil is the Independent Monitor for the implementation of the recommendations of the 2009 Victorian Bushfires Royal Commission. He was also appointed as Chair, Review of the 2010–2011 Flood Warning and Response – Victoria Floods Review.

### **Deputy President**

#### **Ken King**

Appointed in July 2008; appointed Deputy President on 1 July 2011.

Ken was appointed to the Board of CFA in 2003. His appointment helps maintain our important relationship with CFA.

### **Board Member**

#### **Jay Bonnington**

Appointed in July 2006.

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

### **Board Member**

#### **Alfred Long**

Appointed in September 2010.

Alf's capacity to draw people together and resolve complex organisational issues complements the skills on the MFB Board.

### **Board Member**

#### **David Purchase OAM**

Appointed in July 2011.

David is a member of the Australian Overseas Foundation Inc Board and a director of MotorTradeCard Pty Ltd, Motor Industry Holdings Limited, and Motor Industry House Pty Limited. He is also a Panel Member of the Winston Churchill Memorial Trust Committee.

### **Board Member**

#### **John Lord AM**

Appointed in July 2011.

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

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## The Executive Leadership Team

### Chief Executive Officer

#### Nick Easy

Nick commenced as CEO on 6 June 2011. He previously worked at Port of Melbourne Corporation for over 10 years, mainly in senior executive management positions. Most recently, Nick was Executive General Manager Port Capacity. 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 Officer

#### Shane Wright, AFSM

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

### Executive Director, People and Culture

#### Danielle Byrnes

Danielle was appointed in December 2010. She leads MFB's human resources function including organisation development, workforce planning, corporate professional development, employee relations, human resources services, and health, safety and wellbeing. Danielle has 20 years' HR experience, including 15 at executive level. She has worked in the Department of Premier and Cabinet, Australian Unity, Yallourn Energy and Western Health.

### Executive Director Corporate Services and Chief Finance Officer

#### Russell Eddington

Russell joined MFB in December 2010. His responsibilities include finance, information technology, asset management and procurement. Russell has previously held senior roles at South East Water Limited, including General Manager Corporate Services, Chief Finance Officer, Chief Information Officer and Company Secretary. He previously held senior roles in finance and information systems in the water industry.

### Executive Director Strategy and Innovation

#### James Holyman

James was appointed in August 2010 after 16 years at CFA working in operations, human resources and strategic planning. The Strategy and Innovation Directorate develops organisational strategy and business performance, innovation, corporate sustainability, corporate relations and project management, including major projects.

### Executive Director Organisational Learning and Development

#### Peter Rau

Peter was appointed in September 2011. He was previously Executive Director Strategy and Innovation and the Director Operations Support with MFB, after a 26-year career with CFA. The focus of the Organisational Learning and Development Directorate is operational training. The directorate is also delivering MFB's purpose-built training facility at Craigieburn

### Regional Director North West Metro Region

#### Paul Stacchino

Paul joined MFB in December 2010 after 23 years with CFA. He has also worked in fire services in New South Wales and North America. Paul leads service delivery in the North West Metro Region which covers the northern, western and central suburbs of Melbourne.

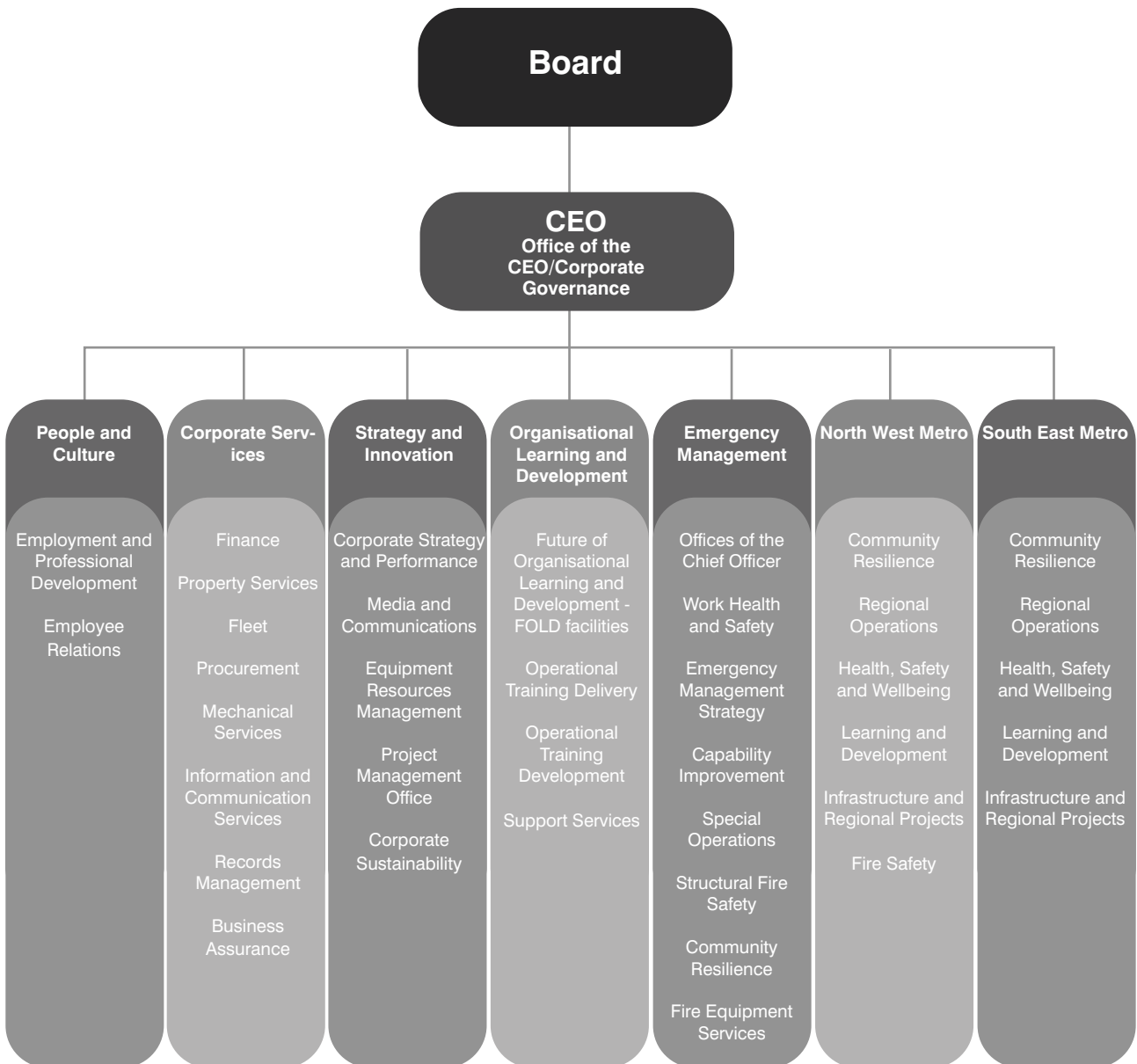
### Regional Director South East Metro Region

#### David Youssef

David joined MFB as a recruit firefighter 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 the Civil Aviation Authority Rescue Fire Fighting Service; Brampton Fire Department, Ontario, Canada; and the Victorian Department of Justice. David leads service delivery in the South East Metro Region which covers the southern and eastern suburbs of Melbourne.

## Our organisational structure

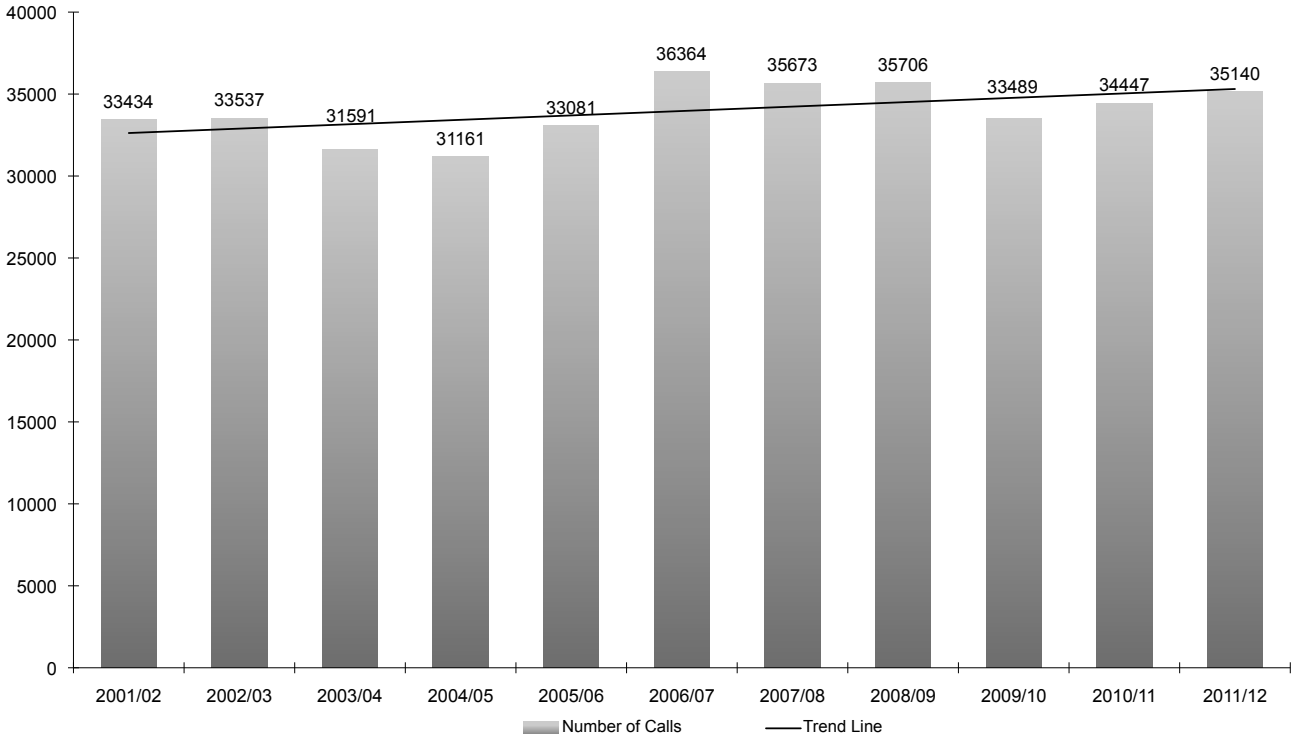
MFB comprises seven directorates and an office supporting the CEO. The Executive Director Emergency Management is also Chief Officer.



# Year in review

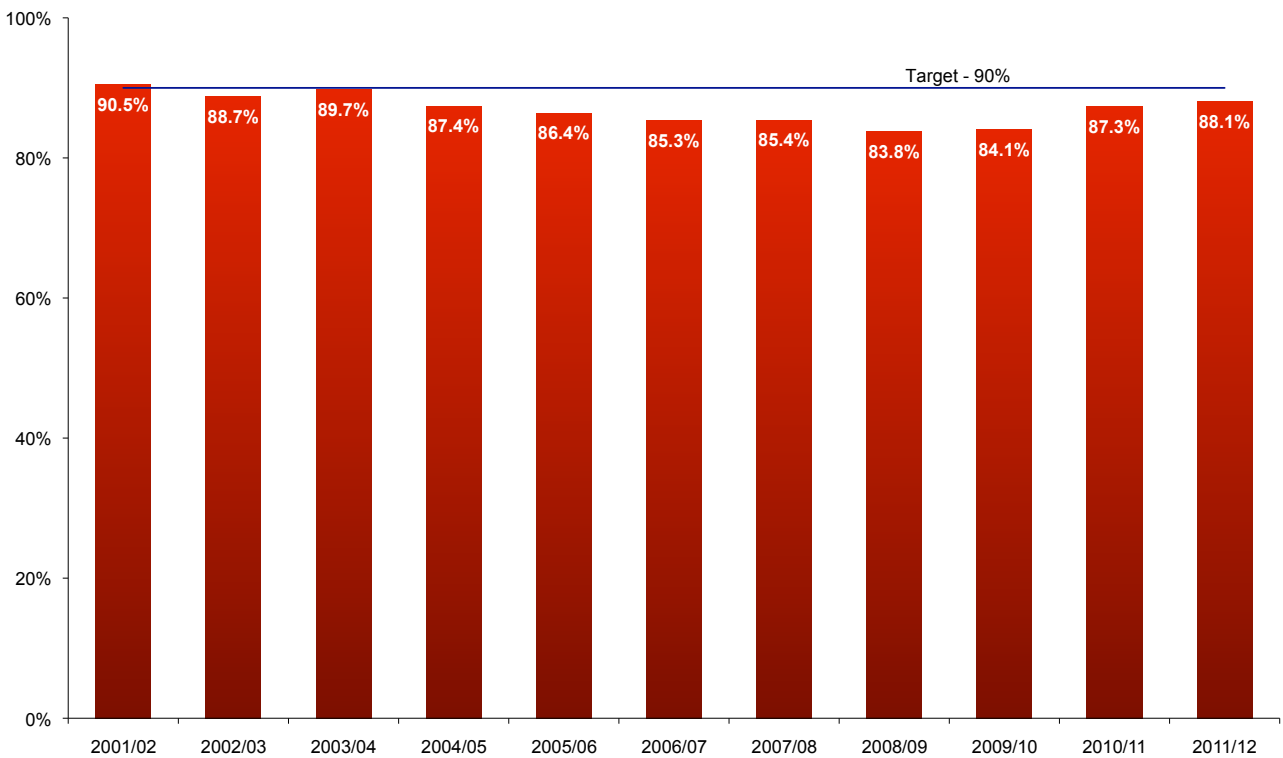
## MFB Calls Attended

2001/02-2011/12



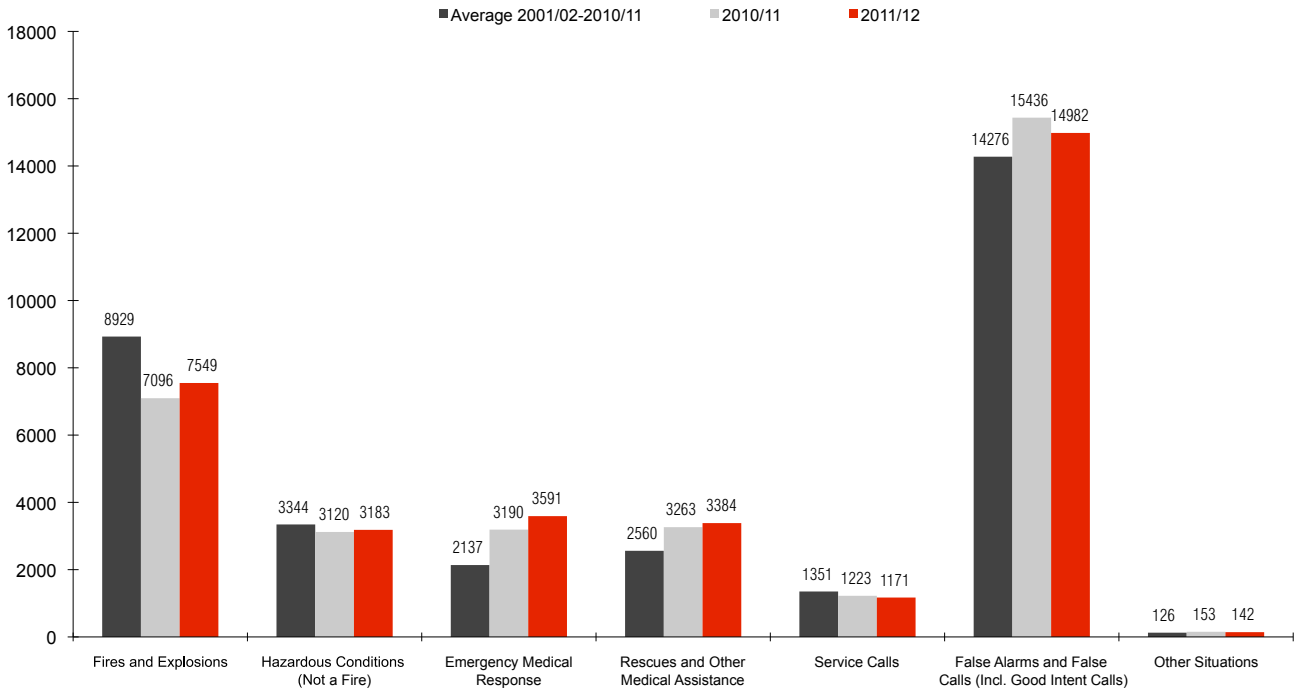
## Emergency Response Times Meeting Benchmarks

2001/02-2011/12



**Breakdown of Calls Attended by Type of Incident (MD only)**

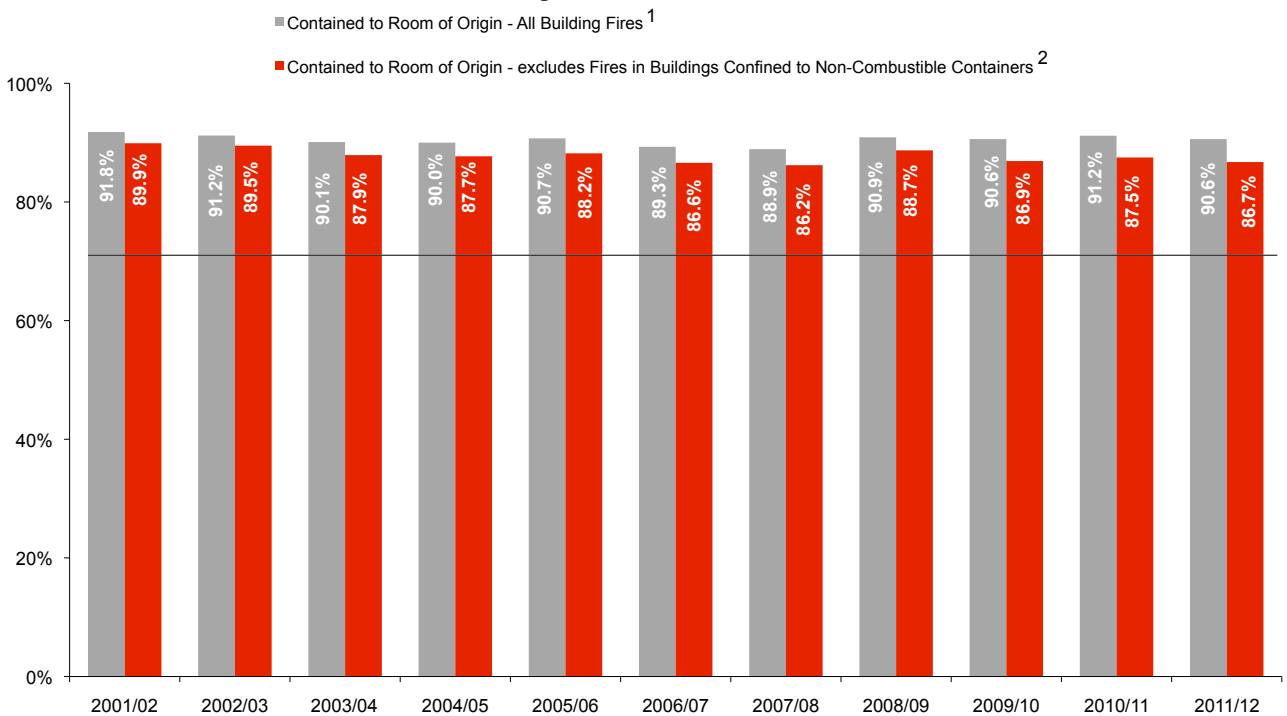
2001/02-2011/12



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)

**Containment of Structure Fires to the Room of Origin**

2001/02-2011/12



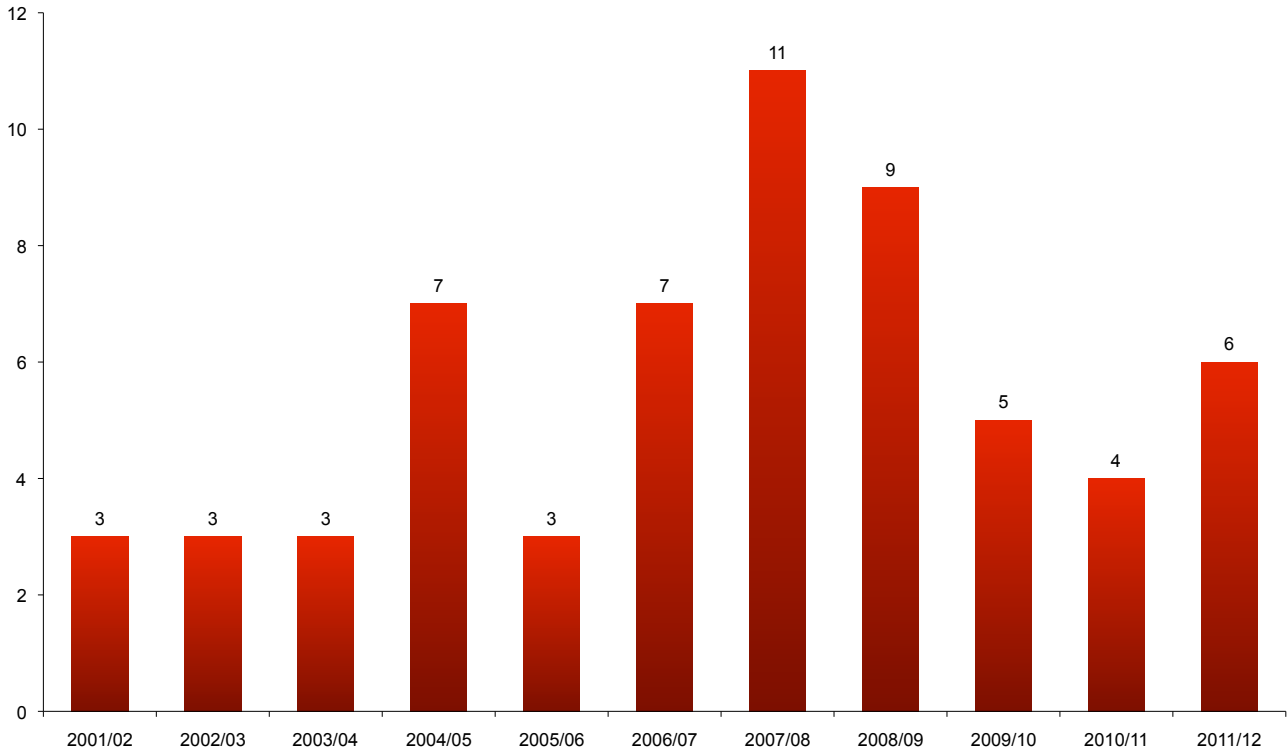
1. MFB performance measure; target is 90%.

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



**Preventable Fire Related Fatalities**

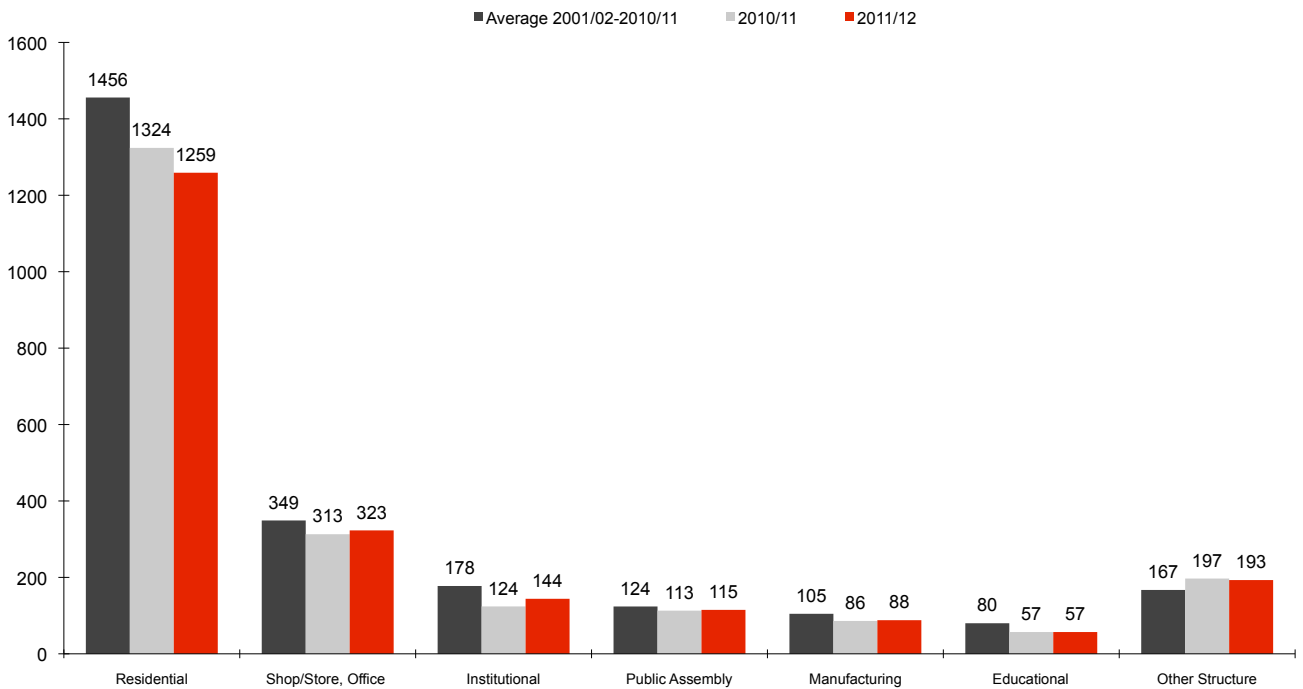
2001/02-2011/12



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

**Breakdown of Building Fires by Type of Property Use (MD only)**

2001/02-2011/12

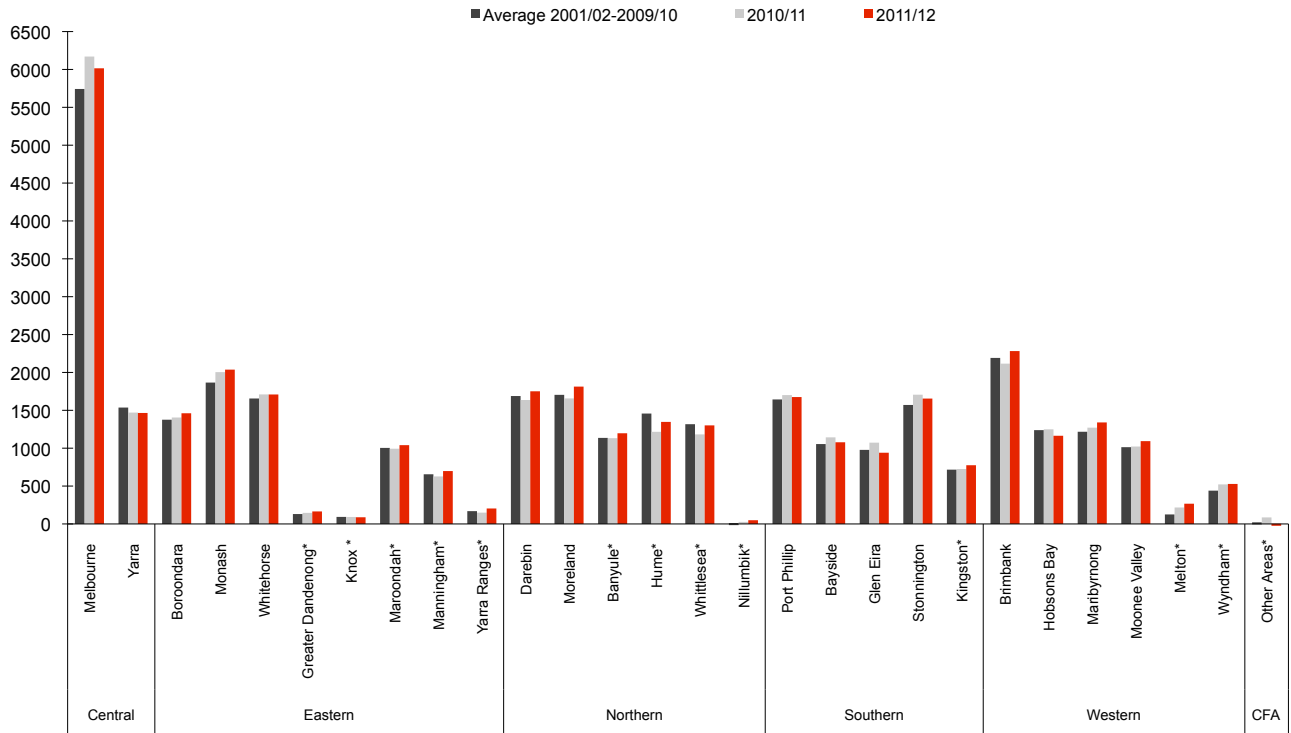


AIRS data was affected by Industrial Bans during the periods: Sep'05, Jan-Mar'06, Oct'02, Jan'01 (this does not affect the total number of incidents reported but disaggregation is not possible). Estimation of "missing data" based upon proportions of incident totals from previous years.



**Number of Calls by LGA (MD and CFA areas)**

2001/02-2011/12



Note: This chart shows all calls attended by MFB. LGAs jointly serviced by MFB and CFA are denoted by a star (\*).

## Key performance indicators

MFB contributes to the targets set in the Victorian Government's Budget Papers in the Emergency Management Capability output. This forms part of the Department of Justice's contribution to the Fire and Emergency Services Output Group.

The table below is MFB's performance as reported in Budget Paper No.3. It should be noted that the counting rules for statewide measures differ from those used internally by MFB.

## Emergency Management Capability

Major outputs and deliverables	Unit of measure	2011-12 Statewide target	2011-12 MFB target	2011-12 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	-	86.7	(2)
All structural fires contained to room or object of origin	per cent	-	90	90.6	
<b>Timeliness</b>					
Emergency response times meeting benchmarks (all structural fires) - Budget Paper 3	per cent	90	90	91.2	(3)
Emergency response times meeting benchmarks (all incidents)	per cent	90	90	88.1	(3)

- (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 the introduction of new personal protective clothing, to further increase firefighter safety, as well as by increasing travel times.

## 2011-12 Business Plan - key performance indicators and outcomes

The following are MFB internal performance measures as provided in the Strategic Plan.

Key performance indicators	Unit of measure	Target	2011-12 Outcome	2010-11 Outcome	2009-10 Outcome
Emergency response times meeting benchmarks – structure fires	percent	90.0	88.1	87.3	84.1
Reduce the number of structure fires per year by 5%	number	<3,000	2,821	3,166	3149
Minimise residential structure fire per year with no smoke alarm present	percent	<15	16.5	16.3	16.5
Reduce workplace injuries (WorkCover claims)	number	<250	293	298	352
Calls for assistance (000).	percent	100	100 32,397 MD: 31,386 CFA: 1,011	100 34,447 MD: 33,481 CFA: 966	100 33,489 MD: 32,658 CFA: 831
Preventable fire fatalities	number	0	6	4	5
On shift staff availability	percent	95	87.0	86.3	87.0

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

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

## Working with our community

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### Community Resilience

Community resilience focuses on current and future challenges identified through internal and external research and by operational firefighters. Community engagement activities, such as surveys to quantify community awareness of prevention, preparedness, response and recovery, also assist MFB to target our fire safety and prevention activities.

A key way to ensure the community is well-equipped to deal with and recover from emergencies is an appropriate information flow between emergency service organisations and the public. In 2011–12 MFB developed the Home Fire Safety Booklet. It is available in 21 languages and via audio CD for people who are blind or have low vision. After consultation, the booklet has also been adopted by CFA.

A review of the Early Fire Safe program was completed in partnership with CFA. The Change Your Clock Change Your Smoke Alarm Battery campaign was delivered. Participation from operational crews resulted in an increase in the purchase of 9-volt batteries during the campaign.

We also partnered with CFA to review and align all home fire safety information through a single website. In addition, MFB and CFA helped to develop a video with Vic Deaf to promote the smoke alarm for the deaf and hard of hearing. There is a state government subsidy for these specialised smoke alarms.

A second study was completed about hoarding-related fire incidents. MFB responded to one of these incidents every 10 days over the past 12 months. Successful lobbying resulted in a statewide Hoarding Task Force to reduce the safety risk for affected individuals, responding firefighters and neighbours.

The Hoarding Notification System is also near completion. It will alert operational firefighters when responding to a known hoarding property to increase their own safety and preparedness.

Changing demographics, such as the ageing population, remain a focus given the over representation of older people in fire-related injuries and fatalities, and their vulnerability during emergencies. MFB is advocating for changes to policies at a program level and working with the government and the Coroners Court to incorporate fire and other safety strategies which support the most vulnerable.

Community Resilience is working with MFB's regions to build effective relationships at a local and station level. This includes the development of community engagement practice guidelines and accessible resources and information.



## Kidzone

The launch of the interactive children's website MFB Kidzone enhanced the reach of our fire safety messages. Kidzone supports the MFB's primary school fire education programs by engaging with children through appropriate online games, activities, quizzes, videos, photos and fact sheets. The site includes a history of MFB and information on the role of MFB firefighters. Kidzone was developed with the assistance of the Swinburne University of Technology Design Factory and Research Department with input from firefighters, teachers and students.



## Fire Awareness Award, joint winner 2011

The Community Resilience department's Workplace Emergency Management Manual was a joint winner with CFA's East Gippsland Region in the 2011 Fire Service Award. The manual was produced by Senior Station Officer, Gary Mann, and e3 learning through a grant provided by CGU Insurance Australia.

The manual enables small and medium-sized businesses to develop their own emergency plan, which details the responsibilities of staff, procedures based on a risk assessment of the facility, contact lists, recovery planning, and evacuation diagrams. The manual also establishes procedures for administering the emergency plan and keeping it up-to-date.

## Shelter-in-Place

MFB held a media launch of the Shelter-in-Place community safety message at Coode Island on 21 August 2011 – 20 years to the day after the Coode Island chemical fire. The launch highlighted research completed by MFB, CFA, the Department of Health and Chemcentre about what steps should be taken in a chemical incident. The research validates the advice MFB has been providing for many years that people should shelter indoors during these incidents.

The Shelter-in-Place research project was funded with a \$240,000 Federal Government grant over two years through the Victorian Emergency Management Grants program administered by the Victorian Office of the Emergency Services Commissioner.



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## Reducing false alarms

Unfortunately in the Metropolitan District there were about 9,000 system-generated false alarm calls in 2011–12. Attending unwanted false alarms has a social and economic impact on the fire service and the community.

In 1989, MFB commenced a program to reduce unwanted false alarms from automatic fire alarm systems. The State Government introduced legislation to enable MFB to levy fees and charges against the owner or occupier of a fire alarm system if they failed to have a reasonable excuse.

False alarm statistics are benchmarked by the Australasian Fire and Emergency Service Authorities Council (AFAC). MFB is currently ranked the number one fire service in Australia for the reduction of unwanted alarms. Recent AFAC statistics show MFB had an average of 1.5 false alarms per Alarm Signalling Equipment device for the year, compared to Queensland at 3.2 and New South Wales at 4.0.

MFB will aim to further reduce false alarms. We will continue to provide information and strategies to build owners' and occupiers' knowledge about how to reduce these unwanted calls.







## Significant incidents

Our firefighters' response in emergencies is often the most public face of MFB. During the year MFB responded to a wide variety of incidents: structural fires, grass fires, emergency medical responses, house fires, factory fires, boat fires and car accidents. The following table lists the most severe incidents our operational staff responded to in 2011–12.

*MFB rates each incident according to its severity from first alarm up to fifth alarm. A first alarm incident would normally involve two appliances; a fifth alarm incident involves a range of specialist appliances and senior command.*



## Significant fire incidents

	Call date	Alarm level	Suburb	Postcode	Incident type
1	2/08/2011	3	South Morang	3752	Structure fire
2	4/09/2011	3	Footscray	3011	Structure fire
3	10/09/2011	3	Yarraville	3013	Structure fire
4	11/10/2011	3	Laverton North	3026	Non-structure fire
5	12/10/2011	3	Altona	3018	Hazmat
6	13/10/2011	3	Tullamarine	3043	Structure fire
7	3/11/2011	3	Clayton South	3169	Structure fire
8	5/12/2011	3	Niddrie	3042	Structure fire
9	13/12/2011	3	Keilor Downs	3038	Structure fire
10	20/12/2011	3	Altona North	3025	Hazmat
11	31/12/2011	3	Keilor East	3033	Structure fire
12	8/01/2012	3	Sunshine West	3020	Structure fire
13	19/01/2012	3	Clayton	3168	Structure fire
14	7/02/2012	3	Epping	3076	Structure fire
15	26/02/2012	3	Oakleigh South	3167	Non-structure fire
16	5/03/2012	3	Melbourne	3000	Structure fire
17	14/03/2012	3	Heidelberg West	3081	Structure fire
18	21/03/2012	3	Docklands	3000	Structure fire
19	26/03/2012	3	Glenroy	3046	Structure fire
20	11/04/2012	3	Epping	3076	Structure fire
21	12/05/2012	3	Keilor East	3033	Structure fire
22	20/05/2012	3	Malvern	3144	Structure fire
23	6/06/2012	3	Flemington	3031	Structure fire
24	7/06/2012	3	Southbank	3006	Hazmat
25	8/06/2012	3	Southbank	3006	Hazmat
26	30/01/2012	4	Ringwood	3134	Structure fire
27	12/03/2012	4	Laverton North	3026	Structure fire
28	8/04/2012	4	Sunshine North	3020	Structure fire
29	24/01/2012	5	Westmeadows	3049	Non-structure fire



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The following incidents show the breadth of services provided by MFB.

### **Car in creek in North Fitzroy**

On 7 August 2011 crews responded to calls that two people were trapped inside a car that was upside down in Merri Creek. Victoria Police, MFB and Ambulance Victoria found the vehicle. The High Angle Rescue Team was used due to the difficult terrain and challenges in retrieving the occupants of the car from the creek bed. The driver was quickly released and taken to hospital. Unfortunately the other occupant was deceased.

### **House fire in Mordialloc**

On 2 October 2011 an elderly man was dragged from his blazing unit by neighbours. He had already suffered major burns and lost consciousness when the neighbours managed to reach him. The fire caused extensive damage to the unit, located to the rear of a block of five units. Firefighters from MFB and CFA managed to contain the blaze and prevent it from spreading.

### **Factory fire in Clayton**

On 18 October 2011 two MFB appliances were despatched to a factory fire. The incident was quickly upgraded to second alarm as it involved a large stack of wooden pallets. The mechanical loader from Sunshine fire station was used to break up the pallets, providing an efficient way to get to the seat of the fire. CFA assisted with pumpers from Dandenong and Springvale.

### **Mobil gas leak in Altona**

On 11 December 2011 MFB crews, and specially trained staff from Mobil, took 11 hours to contain the release of a LPG product at the Mobil refinery in Altona. The gas was a mix of propane and butane which had accidentally been over-pressurised causing it to backfill into a tank not designed to hold it. A cap on this tank blew off allowing an uncontrolled release of the volatile gas.

Water curtains and monitors were set up to dispense the vapours. An exclusion zone was initiated around the leak and regular atmospheric monitoring undertaken to ensure there had not been a build-up of gasses in any one location. These measures ensured there was no danger to surrounding properties or the general public. After careful planning, the gasses were diverted into another vessel. The remaining gas in the tank was flared-off over several hours and posed no further threat.

### **Westmeadows grass fire**

On 24 January 2012 MFB and CFA crews battled a 40-hectare grass fire in the Broadmeadows Park area. Seventy firefighters from 10 MFB, three CFA and two Department of Sustainability and Environment units worked together to contain the blaze, which damaged five fences and caused some homes to be evacuated by Victoria Police.

### **Factory fire in Laverton North**

MFB and CFA crews attended a large factory fire in Laverton North on 12 March 2011. Fire crews stopped the fire spreading into the adjoining crane factory, which housed about \$1 million worth of equipment. It took 85 firefighters just over an hour to bring the blaze under control. One MFB firefighter was treated on-site for heat exhaustion.

## Working with our people

MFB works continuously to ensure a highly skilled, involved and adaptable workforce operating in a safe working environment. our strategies focus on building a high performing, accountable culture.

### MFB staff numbers

2012							
	Total	Total Permanent	Perm Full Time	Perm Part Time	Total Temporary	Temp Full Time	Temp Part Time
<b>Total</b>	2,129	2,117	2,094	23	12	10	2
<b>Corporate staff</b>	324	312	289	23	12	10	2
<b>Operations staff</b>	1,805	1,805	1,805	0	0	0	0

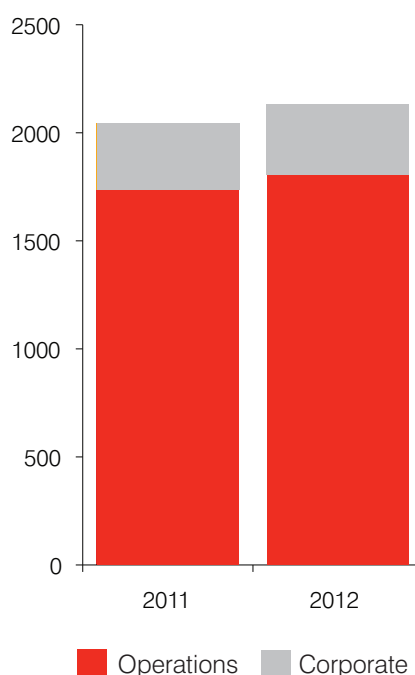
2011							
	Total	Total Permanent	Perm Full Time	Perm Part Time	Total Temporary	Temp Full Time	Temp Part Time
<b>Total</b>	2,045	2,042	2,016	26	3	3	0
<b>Corporate staff</b>	307	304	278	26	3	3	0
<b>Operations staff</b>	1,738	1,738	1,738	0	0	0	0

In addition to the MFB employees illustrated above, MFB employed a further 25 temporary agency staff and 8 apprentices in 2012, a reduction from 36 agency staff and 10 apprentices in 2011.

Following the recommendations of the Victorian Bushfires Royal Commission, over the past 18 months MFB has been progressing the recruitment of an additional 100 firefighters.

During 2011–2012 we increased our net firefighter numbers by 67 and employed an additional eight corporate personnel as a result of rationalisation of agency staff use and building of internal capacity.

### MFB staff breakdown



## MFB staff gender and age breakdown

	2012			2011		
	Total	Ongoing	Temp	Total	Ongoing	Temp
<b>Gender</b>						
<b>Total</b>	2,129	2,117	12	2,045	2,042	3
Female	208	198	10	197	194	3
Male	1,921	1,919	2	1,848	1,848	0
<b>Age</b>						
<b>Total</b>	2,129	2,117	12	2,042	2,042	3
Under 25	24	23	1	19	19	0
25-34	314	310	4	272	272	1
34-44	441	438	3	444	444	2
45-54	958	955	3	956	956	0
55-64	369	369	0	328	328	0
Over 64	23	22	1	23	23	0

These tables do not contain agency staff or apprentices.





MFB has a clear aim to develop a talented and motivated workforce to support the continued performance and growth of our emergency management capability.

During the year 96 recruit firefighters joined the organisation and 136 operational employees were promoted. A further 45 corporate employees were either appointed, transferred or promoted.

## Promotions / Appointments

### Operations

Assistant Chief Fire Officer	1
Commander	1
Senior Station Officer	16
Station Officer	52
Leading Firefighter	66
Recruit Firefighter	96

### Corporate

Executive Director	1
Executive Manager	2
Specialist/Technical/Administrative	42

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## Organisational development

This year MFB focused on developing programs to build employee capability, develop future leaders and build a workplace culture that supports employee engagement and MFB values.

In the future MFB will implement retirement readiness seminars, improved performance management, an informal mentoring program, and various workplace behaviour programs. We will place greater emphasis on data analysis and evaluation, including People Matter Survey results, to gauge our effectiveness and identify areas for continuous improvement.

Our workforce is encouraged to consider professional development opportunities which enhance organisational and individual capabilities. This year the organisation supported employee participation in programs, including AFAC Leadership Development courses; study tours; the Victoria Police Senior Leadership Management Development Program; Emergency Services Foundation Scholarships; tertiary study; conferences; and internal and external courses. In total the MFB supported 560 instances of professional development.

In the past year MFB worked with CFA to develop a pilot inter-agency secondment program to enhance sector relationships and understanding, and improve interoperability as part of the wider sector reforms. The secondment program involved exchanging six MFB with six CFA operational employees. A program evaluation will be undertaken as part of the completion of the 12-month secondment period.

MFB will continue to develop and implement strategies and programs to build the capacity, skills and professionalism of our employees. This will enable our workforce to continue to contribute effectively to the organisation's corporate objectives and inclusive high performance culture.







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## Workforce planning

Following the appointment of a workforce planner a program of work commenced this year, including an extensive review of current processes and practices. The review identified administrative and systems improvements to enhance data integrity and reporting quality. This work will also inform the development and implementation of workforce planning strategies designed to ensure adequate skilled resources are available to meet the current and future needs of MFB.

Technology will continue to be leveraged to optimise HR systems and processes to support line managers and equip decision makers.



## Management of unplanned absences

To improve transparency, MFB is reporting absence and overtime data. This year will form the baseline from which future performance will be benchmarked. MFB will also monitor its performance against other agencies in the emergency management sector.

## Shift staff unplanned absences – historical trends

The table below shows percentages of shift staff absences due to sick leave, family leave and WorkCover. It indicates a slight downward trend in total unplanned absences.

Year	Sick leave %	Family Leave %	Sick + Family Leave %	Work Cover %	Unplanned Absences (%)
2007-08	5.2	2.7	7.8	1.7	9.5
2008-09	4.8	2.8	7.6	2.3	9.9
2009-10	4.9	2.8	7.7	1.9	9.6
2010-11	5.3	2.8	8.1	1.9	10.0
2011-12	4.4	3.2	7.6	1.2	8.8

This is calculated by number of shifts absent / strengths \* 100

## Emergency response workload

The table below provides overtime costs (in dollars) for operational staff. Overtime is made up of a number of operations-only components. Total overtime has increased by 6.5 per cent from the previous year. The overtime is

generated as a result of maintaining minimum numbers, entitlements, and training. These requirements are prescribed in the Enterprise Agreement.

Actual	Total overtime	Recall overtime	Maintain strength overtime	Fire call	Muster and dismissed	Standby and dismissed	Excess travel	Others
2011-12	17,661,000	8,888,000	4,651,000	728,000	648,000	307,000	1,189,000	1,251,000
2010-11	16,586,000	8,711,000	4,691,000	598,000	370,000	316,000	929,000	969,000



## Work health and safety

MFB is committed to the health and safety of our people. The focus on employee health and safety permeates all our work and is consistent with our service to the community – the same risk management and leadership principles apply. However, as part of our continual improvement we seek to enhance and strengthen risk and hazard management in MFB.

To achieve our work health and safety aims we have established key programs. These include:

- enhancing our incident investigation and reporting system
- improving exposure prevention procedures for operational employees
- implementing a revised fitness program
- effective management of operational risks
- continual improvement of our Occupational Health and Safety Management System and retention of AS/NZS 4801 certification
- improving claims management, rehabilitation and return to work
- enhancing communication to ensure communications on workplace health and safety are timely and relevant to improve performance
- improving our medical and employee support programs.

The following strategies and activities occurred during the year to reduce the number of injuries at work.

- Enterprise risk management software was purchased and developed. It will replace the OHS incident reporting and investigation software, and provide greater functionality and assurance that risk controls arising from incident investigations are closed out in a timely manner.
- A new Health and Fitness Strategy was developed and is being implemented.
- Three video-on-demand exercise and injury prevention videos were developed. The videos are supplementary to the programs delivered by health and fitness staff and fitness leaders on shift.
- A Functional Stability Program to address the movement patterns that increase the risk of personal injury was developed and implemented.
- All fitness leaders (64) were re-certified, which included skills maintenance training.
- QRae gas detection equipment was introduced.
- Certification under AS/NZS 4801 was maintained. MFB is the only Australian Fire and Emergency Service certified under this standard.
- Bi-annual station OHS audits were enhanced.
- Ergonomic Guidelines were developed and applied to new appliance builds.
- Skills maintenance for firefighters was increased through practical drills at sites assessed with help from Health and Safety Representatives.
- A dedicated fireground rehabilitation vehicle has been commissioned to assist the on-scene rehabilitation of firefighters after protracted and difficult incidents.
- Kieser Training is a specialised physiotherapy program designed to help the rehabilitation and prevention of lower back injuries. A pilot program demonstrated the effectiveness of the training, which enables members to return to independent training while on shift and in station gyms to avoid future back-related injuries.
- More than 700 operational staff were trained in Safe Work at Heights. All primary appliances have been equipped to implement higher level risk controls, significantly enhancing MFB's capability and compliance.

## WorkCover claims

MFB WorkCover claims experience continues to be an area we would like to improve. While the number of injuries remains relatively consistent with previous years, the time taken to recover from injuries, especially for older firefighters, has increased recently.

However, our rehabilitation and return to work performance compares well against industry benchmarks.

The following table details MFB's WorkCover performance.

Year	Claims	Days Lost	No. of Lost Time Injuries	Severity Rate*
2009-10	352	4,601	218	21.1
2010-11	298	4,768	204	23.4
2011-12	310	4,190	187	22.4

\* severity rate is calculated as an average days lost per lost time injury

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## Diversity

MFB is committed to nurturing a workplace that embraces diversity and constantly looks for ways to reinforce the diversity message in the community. MFB will embrace a fit-for-purpose model, responding to community views rather than setting arbitrary diversity targets in isolation of community need.

In the past MFB managed diversity from a central unit. However, since 2011 responsibility for diversity education, influence and issues has been moved to the local level where our customers live and work. This is part of our strategy to build community resilience and work with at-risk groups. Engagement at the local level will improve cultural awareness.

Over the past 12 months MFB continued its commitment to diversity through a number of initiatives.

- Our network of five multicultural liaison officers continued to build relationships with community groups and foster a culture of interdependency.
- Our relationship with the Indigenous community was strengthened through a memorandum of understanding with the Fitzroy All Stars football and netball teams. This allowed MFB to partner with the All Stars in various community activities to raise awareness of fire safety and MFB employment opportunities amongst Indigenous communities.
- MFB supported Reconciliation and NAIDOC week, YMCA's Indigenous work readiness course and work experience for Indigenous students, Joint Harmony Day and Close the Gap on Aboriginal Health.
- MFB employees attended community events such as Cultural Diversity Week and the Oakleigh Music Festival.

- We maintained our involvement in the Moving Forward Project and the YMCA Bridge program. The Moving Forward Project aims to help young people improve their social skills, reduce risks and gain employment through insights into various industry, business, education and community organisations.
- A partnership program with Adult Migrant Education Services and the Western Bulldogs Football Club encouraged people from diverse backgrounds to meet and mingle at specially organised events.
- We provided support for over 1,000 English Second Language students and newly-arrived migrants to encourage them to consider a career in emergency services.
- We participated in youth engagement and leadership programs in partnership with councils and other emergency services, targeting young people from new and emerging communities.
- We provided ambassadorship of the White Ribbon 'Say no to violence against women' campaign.
- Fire safety material was published in 21 languages and our website provides support in 14 languages.
- Diversity training continued to be integrated into operational training.

Four new female firefighters were employed in 2011–12. As a proportion of our operational staff, women represent 3.7 per cent, an increase of 0.1 per cent since last year. This is consistent with other similar agencies. For example, Fire and Rescue New South Wales employs 3.07 per cent, Queensland Fire and Rescue 2.4 per cent, and CFA 1 per cent (based on 2011 annual reports).

## Operational training

MFB places a strong emphasis on learning and skills maintenance to ensure skilled, productive and motivated employees, equipped to deliver services that meet our legislative obligations and the needs of the community.

Ongoing training of MFB staff members and recruits is paramount to the success of the organisation and the security of the Metropolitan District. It also enables MFB to work seamlessly with other emergency service organisations in Victoria, interstate and abroad.

During the year, the entire annual training program was delivered, including recruit, promotional, leadership and development programs for senior station officers and station officers; and specialist training programs.

We also integrated 96 new level-one firefighters. Each of these recruits successfully completed a comprehensive, 17-week recruit course. Station Officer courses saw the development of 47 new Station Officers. MFB also developed 16 new Senior Station Officers.

Other training included:

- 20 Leading Firefighter promotional courses
- three long duration breathing apparatus courses
- a hazmat technician course that included participants from Victoria Police and Fire and Rescue NSW.

MFB is also continuing to strengthen working relationships with universities to develop and deliver specific leadership and management components of the Station Officers, Senior Station Officers and Commander programs.

The facilities at the Burnley complex have been improved to include an additional mess room, lockers and PPC cages to allow concurrent recruit courses to be conducted on-site. Additional fencing has been erected to enable use of yard space at the Burnley complex for wet hose drills. This significantly reduces off-site training costs and minimises the inconvenience and impact on employees.

MFB is leading other emergency services organisations in the research, design and development of a marine firefighting course aligned to the unit of competence in Certificate III of the Public Safety Training Package.

## Training for the future

The Future of Organisational Learning and Development (FOLD) facility will deliver a new all-agencies training facility that will provide various emergency response and management learning environments. This will include the development of standard theoretical training facilities and a number of unique purpose-built structures that support fire, specialist rescue, safety and other forms of practical emergency management training.

An 18.6-hectare site has been acquired in Craigieburn for the \$109 million development. The project is currently in the design and development stage. Key principles of this phase include engagement with our employees and sector partners, flexible and versatile design, and the ability to facilitate multi-agency use. In the past year the Head Consultant Design Team has been engaged to lead the design of the master plan and schematic design. Construction is expected to commence before the end of 2012.



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## Fallen Firefighters Memorial

Firefighters lost in the line of duty were honoured with the unveiling of a memorial at the Burnley Complex in December 2011.

In a project driven by Commander Peter Egan, the memorial acknowledges the 27 men who have died in MFB's 120-year history. Deputy Premier and Minister for Emergency Services Peter Ryan officially unveiled the memorial.

Designed by artists Tim and Deborah Edwards, the memorial features 21 rusted modules, which represent the number of individuals belonging to an MFB squad drill formation. Throughout the memorial are bronze touchstones emblazoned with the names of the fallen firefighters.

The ceremony attracted hundreds of people from across the country. Family, friends, former colleagues and retired firefighters gathered to remember those they had lost and to walk through the memorial.

The memorial is open to the public. For those interested to know more about the 27 fallen firefighters, an information kiosk has been set up in the Burnley complex foyer.



## Testing MFB resilience

In December 2011 there was a large spill of diesel from a third floor storage tank at MFB's Albert Street headquarters. The diesel seeped through to the basement, leaving a strong odour which caused the building to be closed for over a week while remedial works were undertaken. MFB staff who normally work at Albert Street headquarters were relocated to other MFB properties.

MFB maintained high levels of performance during the disruption and ensured there was no inconvenience to the community. The event demonstrated MFB employees' resilience and also tested our business continuity plans, which worked well.

## New breathing apparatus and Hazmat units

During 2011–12, as part of its ongoing fleet replacement program, MFB delivered two new breathing apparatus and Hazmat units. These new appliances will significantly increase MFB's ability to respond to large scale fires and Hazmat incidents. They will also accommodate new equipment and technology in the future.

The two very high standard vehicles have exceeded the expectations of operational crews involved in their design. It is expected they will be commissioned in the second half of 2012 and stationed at the South Melbourne fire station.

## Honours and Awards

### Australian Fire Service Medal

#### Senior Station Officer Allan J. Morton (Australia Day 2012)

For outstanding service and exceptional leadership to MFB, particularly in the delivery of emergency medical response and best practice standards in the areas of operational systems, training, skills maintenance and automated and improved patient data transfer. Through his passionate, diligent and hard-working approach, SSO Morton has driven change and improvements to MFB's interoperability with other agencies, and enhanced pre-hospital response services to the Victorian community.

#### Commander Peter Egan (Queens Birthday 2012)

In recognition of the professionalism, leadership, initiative and engagement demonstrated in the concept, design, construction and completion of the Fallen Firefighters Memorial. This project has provided a lasting memorial that recognises the supreme sacrifice made by MFB firefighters in protecting the lives of others. It provides a place of reflection for the families of fallen firefighters and will maintain their memory in the minds of all past, present and future firefighters.

### Royal Humane Society of Australasia – Silver medal

**Leading Firefighter Callum Donoghue and Leading Firefighter Matt Collins** were nominated by MFB for a Royal Humane Society of Australasia bravery award. On Saturday 7 February 2009 firefighters Donoghue and Collins worked to save the lives of neighbours and property from the wildfires that swept through Strathewen.

### Royal Humane Society of Australasia – Certificate of merit

**Civilians Tony Morris and Warwick Todd** were nominated by MFB for a Royal Humane Society of Australasia bravery award for rescuing a six-month-old baby from a burning house in Bentleigh East on 25 May 2011.

### Executive Officer's Certificate of commendation:

#### Civilian child – Max Sicheng

In recognition of his prompt actions in alerting the members of his family to a fire in the upstairs area of the family home on 2 July 2011.

### National Medal:

Five members were nominated for the award of the National Medal and 100 personnel were nominated for the award of the first clasp to the National Medal recognising 25 years of diligent service.

Fourteen personnel were nominated for the award of the second clasp to the National Medal recognising 35 years of diligent service.

### Long and good service recognised

More than 70 MFB staff attended the Long Service and Good Conduct Awards at the MCG in November 2011. Four firefighters received awards for an impressive 40 years of service. Four academic awards were also presented.





## Working with our partners

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### Reform agenda

MFB has played a major role in contributing to the success of the fire services reform action plan. The implementation of these reforms has been achieved jointly by the Fire Services Commissioner, CFA, Department of Sustainability and Environment, and the State Emergency Service.

MFB has been engaged on 24 projects across six key themes of:

- governance and accountability
- community fire safety
- planning
- operational interoperability
- state capacity and capability
- organisational improvement.

The Fire Services Commissioner has led the reforms ensuring priorities are determined and acted on. Each agency has taken ownership of the process, with reform projects becoming part of normal agency business.

MFB has allocated a leader for each of the 24 year-one work programs which will continue in years two and three. This has ensured appropriate expertise for each project and enabled strong communication links between the Fire Services Commissioner and agencies on each work program.

A significant multi-agency project is the Information Interoperability Blueprint. It will provide a common, accessible and real-time database to facilitate information sharing amongst agencies and the community.

The formation of the State Fire and Emergency Management Executive Leadership Group is also a significant initiative. The purpose of this group is to develop a robust governance, accountability and performance management approach in order to deliver the Fire Services Reform Action Plan. The group will also oversee other change activity aimed at improving the way fire and emergency services work with the community, government and business.

This work will meet recommendation 63 of the 2009 Victorian Bushfires Royal Commission: to promote and direct reform aimed at increasing the operational capability, interoperability and resilience of Victoria's fire services.

Other reforms beyond the specific scope of the Fire Services Reform Action Plan will stem from the:

- The Victorian Flood Review
- The Victorian Government Budget Papers 2011
- The Emergency Management White Paper



### 2009 Victorian Bushfires Royal Commission

MFB has continued to implement relevant recommendations made by the 2009 Victorian Bushfires Royal Commission. MFB has reported to the Bushfires Royal Commission Implementation Monitor (BRCIM) 100 per cent compliance. The BRCIM has issued no further action requests for MFB.

### Replacement of CFA radios in MFB appliances

MFB has updated to the all-digital Tait Radios for radio communication with CFA. The portable radios will be rolled out with the training package in the near future. This will allow MFB crews to communicate with CFA crews on the fireground and is an example of common communication platforms that further achieve operational partnerships.

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## Marine Response Project

MFB works closely with other emergency service operators to manage Melbourne's marine fire risk. MFB has always had a limited capability to respond to incidents in the waterway environments of the Metropolitan District.

Current marine response capability and capacity consists of:

- two MFB four-metre aluminium vessels and two inflatable rescue boats
- access to two tugs with firefighting capacity via a contract with private operators
- access to one Victoria Police launch with MFB-provided portable firefighting capability

The growth of waterside living, recreation, business development and trade in the Port of Melbourne and Docklands precincts means MFB capability will need to be strengthened to meet growing demand.

In 2010 the Office of the Emergency Services Commissioner stated: "The marine emergency management component of the State's arrangements is deficient, particularly in relation to responding to significant marine emergencies." As a result, MFB set up the Marine Response Project to address these deficiencies, increase community confidence and safety and minimise organisational risk exposure. MFB has advanced the program to acquire a 12-metre and a 9-metre vessel. These are scheduled to be delivered in late 2013.

New personal protective equipment for marine operations has been purchased and commissioned. The project team has also developed curriculum and organised shipboard firefighting training for 100 firefighters at the Australian Maritime College in Launceston. This training has commenced and will be completed in 2012. MFB's training package is the first complete program in Australia developed for Australasian fire services to respond to marine emergencies.

MFB also introduced one of Australia's first Swift Water Rescue training programs to enhance the safety of MFB firefighters when working around water.

In 2011–12 MFB worked with Transport Safety Victoria delivering lectures at recreational boating centres across the State to create resilience amongst the boating community and improve safety awareness.

## Fire investigation training

MFB's Fire Investigation and Analysis Unit led development of the newly accredited Advanced Diploma of Fire Investigation, facilitated through the Canberra Institute of Technology.

Certificate IV of Fire Investigation is the minimum qualification for an investigator. The Advanced Diploma has been developed as the next level of learning for investigators who wish to pursue a management qualification. In addition, staff selected to undertake the role of an investigator at MFB will attain three units of this course as core subjects within their Certificate IV.

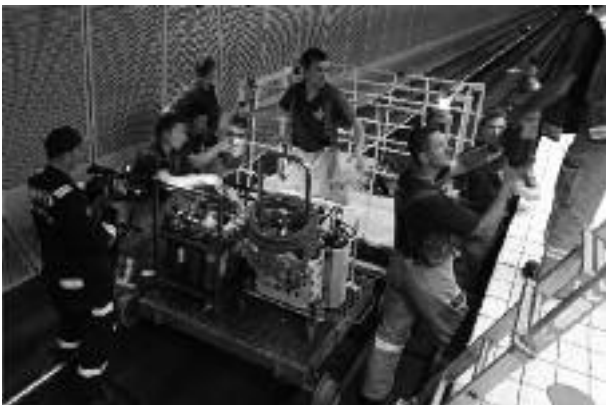
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## Melbourne Airport training exercise

MFB was the lead agency during an extensive counter-terrorism exercise, 'Hades', held at Melbourne Airport in May 2012. Exercise Hades was designed to fully test the State's capability to respond to a major event impacting on critical infrastructure, people and livelihoods.

The scenario for the exercise was an airliner en-route to Melbourne carrying a significant number of injured people. Just after 10.00 am MFB C platoon crews from North West Metro Region responded to a 4th Alarm at the airport.

MFB took a lead role for the Hazmat response component. Complexities, such as the operations control point being in a separate location to the Incident Controller, enabled MFB to operate in a different mode than normal. MFB's Emergency Command Centre was also resourced to support the operations and incident control for the exercise.



## Exercise Styx (Melbourne city loop)

MFB firefighters were among more than 130 personnel to take part in an emergency management exercise in the Melbourne underground city loop in March 2012. The exercise involved Department of Transport, MFB, Ambulance Victoria, Victoria Police and Public Transport Victoria staff. It evaluated the operational response of emergency service agencies to a major incident on the train network.

MFB firefighters trained for many months for the event, building necessary infrastructure, such as rail trolleys, and ensuring all equipment was available on the night, including Hazmat and breathing apparatus. MFB's scientific officers also developed plume modelling, which assisted Victoria Police to develop an emergency evacuation plan.

MFB demonstrated great leadership as the lead agency in the early stages of the incident before a transition of control to Victoria Police.

## Coode Island training exercise

Firefighters took part in a multi-agency exercise at Coode Island in late June 2012. The exercise tested the emergency preparedness of the Port of Melbourne Corporation under the State Emergency Management arrangements. MFB was involved due to the nature of the emergency – a hazardous leak at No.1 Berth Maribyrnong.

All exercise objectives were achieved through the professional and diligent work of all crews and the Incident Management Team. The interoperability arrangements between all emergency services and the Port were tested and worked well.



## Delivering value for money

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### Base review

During 2011–12 the Department of Treasury and Finance conducted a base review into the operations of MFB and CFA. The Fire Services Base Review assessed if the State Government was getting good value for its investment in fire services. It examined price, efficiency and effectiveness, and audited the purchaser/provider relationship.

Unlike previous reviews, the Fire Services Base Review was sector wide. The objective was to consider:

- the efficiency, effectiveness and continued relevance of outputs delivered by the fire services
- the adequacy of internal fire services strategies, systems and accountability arrangements to support ongoing identification and realisation of sustainable efficiencies, monitor financial and non-financial performance and ensure effective service delivery
- practical options for improving value for money.

The process aimed to promote a cycle of learning from past experience in order to improve in the future. The review resulted in recommendations being made to the Government which are still under consideration.

### Property Services

Property Services has embraced MFB's environmental commitment by piloting the first green star rating tool for designed and built fire stations. MFB aims to introduce this to other fire services throughout Australasia through a national subcommittee of the Australasian Fire Authorities Council, which is in the process of being established.

The new Derrimut fire station (FS49) will be the first to be certified by the Green Building Council of Australia with a 5-star rating for design and as-built. This is a major step in combining environmental priorities and service delivery and employee needs.

The commissioning of the new FS30 Templestowe fire station received extremely positive reviews and the procurement of the new sites situated at Glen Iris and Moonee Ponds have been achieved.

The new FS40 Laverton and FS46 Altona fire stations are in the final design phase with completion due in 2014. Community consultation is occurring for the new FS24 Glen Iris fire station and a new site for FS45 Spotswood is being negotiated.

Many existing fire stations are undergoing major half-life refurbishments, which incorporate the new Station Design Brief to achieve compliance with legislative and organisational design requirements. Fire stations undergoing half-life refurbishment include Greensborough, Newport, Sunshine, Ascot Vale, Keilor and Tullamarine.

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## Strategic purchasing

MFB is enhancing its approach to procurement to provide improved value for money and reduced risk. MFB's vendor list has been refined to focus on active vendors and enable closer engagement, monitoring and performance management of critical and strategic suppliers.

MFB actively participates in the Australasian Fire Authorities Council (AFAC) collaborative purchasing group. This enables MFB to identify opportunities to conduct joint tenders and to leverage contracts entered into by AFAC member agencies to achieve efficiencies in the procurement process, interoperability and standardisation. MFB also uses State Purchase Contracts to provide supplier consolidation and achieve the associated benefits of value and efficiency.

## Asset Management Strategy

MFB has adopted an Asset Management Strategy to improve its asset management capability. This refers to the policies, strategies, plans, systems and resources used to ensure the effective and efficient management of physical assets to meet service delivery requirements.

To develop the strategy, MFB undertook a detailed review of its current asset management capability. A number of specific action plans were produced to define strategy delivery. MFB uses the International Infrastructure Management Manual as a guide to best practice.

In addition, significant assets have been introduced in the past year to ensure MFB is well-equipped and maintaining state-of-the-art equipment.

## Protective equipment infrastructure

MFB's Equipment and Resource Management department is responsible for protective equipment and small gear on our appliances. Key achievements during 2011–12 are described below.

- **Thermal Imaging Camera (TIC)**

MFB and CFA conducted a joint tender resulting in both fire services selecting the same camera. The common product will increase interoperability during incidents. A TIC will be placed on all appliances and training of all firefighters will commence in 2012.

- **Breathing apparatus renewal**

MFB joined with CFA to enable both agencies to purchase common breathing apparatus. MFB has also discussed breathing apparatus renewal with Victoria Police and Ambulance Victoria so there is a sector approach. A common product will improve agency interoperability and service delivery to the community.

- **Forced entry tool**

Evaluation and trialling has begun to replace the Rabbit Tool on appliances. The new tool will have a variety of uses, including accessing vehicles at accidents and entering premises during emergencies. The proposed forced entry tool will reduce firefighter exposure to manual handling issues.

- **Foam on tug boats and Port of Melbourne Corporation**

MFB partners with the Port of Melbourne Corporation and Svitzer to provide marine firefighting capability. An upgrade of firefighting foam carried on tug boats was completed during 2011–12. The two tug boats carry 10,000 and 6,000 litres of foam concentrate respectively with another 12,000 litres stored at the Port of Melbourne for emergency use.

- **Working at heights**

The introduction of retractable lanyards has increased flexibility for firefighters working from telebooms and platforms. The new equipment will allow firefighters to access buildings and perform rescues without having to detach themselves from equipment.

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## Operations improvement

In 2011–12 the Operations Improvement department achieved the following outcomes.

- Incident management training was delivered during senior station and station officer courses, including a major incident management course to MFB commanders and other partner agencies.
- A suite of emergency response plans for significant risks (e.g., flood and earthquake) was developed. These plans are located in the Emergency Command Centre and are accessible through the MFB intranet to assist command staff if a significant event occurs.
- A number of activities were completed to ensure the community's and MFB's pre-summer preparedness. These included: a review of Victoria's Command and Control arrangements, the development of briefing and training materials, briefings to MFB staff and other agencies, a review of joint standard operating procedures, coordination of MFB's involvement in the Belenus training exercises, and a review of the summer season.
- MFB contributed to the Bushfire Multi-agency Coordination Committee (MACC) which is reviewing the roles and training needs for Incident Management Teams.
- MFB contributed to a number of multi-agency initiatives, including Victoria Police statewide evacuation training workshops and multi-agency exercises, such as Flagstaff Station, Airport and Department of Transport marine pollution and municipal exercises.

## Greenfire Energy Challenge

A trial to reduce the carbon footprint of MFB fire stations was held this year with positive results for the four stations that took part. During the 12-month Greenfire Energy Challenge all stations recorded reduced energy consumption and two of the stations decreased their energy consumption by more than 10 per cent.

MFB's Environmental Committee is working with RMIT University to analyse the results of the challenge and aims to expand the project to incorporate more trial stations and the corporate office environment.

## Environmental Performance 2011-12

MFB is committed to providing our services in an environmentally sustainable manner. mfb's environment policy and strategy supports our organisation's mission to "protect life, property and the environment", as well as detailed actions to reduce the environmental impact of our activities.

### Partnerships

#### Goal – Strengthen relationships with our emergency service organisation partners

MFB has continued quarterly meetings with representatives from CFA, Ambulance Victoria, Victoria Police and the SES. In these meetings we share knowledge about successful resource reduction programs. An example is MFB's meeting with Victoria's Commissioner for Environmental Sustainability in May 2012. This involved senior executives and staff from emergency service organisations, and examined the challenges and opportunities for environmental management in our sector.

## Improve systems

#### Goal – Improve our environmental management system

MFB has revised its environmental policies, targets and strategies for future resource reduction and behaviour change. This includes drafting MFB's revised environmental policy and strategy for release in 2012-13, a sustainable procurement policy, and guidance.

## Sustainable behaviours

#### Goal – increase employee environmental awareness and training

Our environmental policy and strategy is supported by a comprehensive communication strategy to support positive behaviour change. For example, three Fairtrade™ morning teas were held to educate our workforce on how our purchasing power can help the environmental and social sustainability of farmers and workers in the developing world.



## Increase recycling

### Goal – Increase recycling by 80 per cent by 2014

MFB has decreased the waste generated per full-time equivalent staff from 3.8 cubic metres in 2005–2006 to 2.8 cubic metres in 2011–2012. Toner cartridge recycling and battery recycling has been introduced at offices and fire stations to help reduce landfill levels and increase recycling.

## Reducing water use and impact on waterways

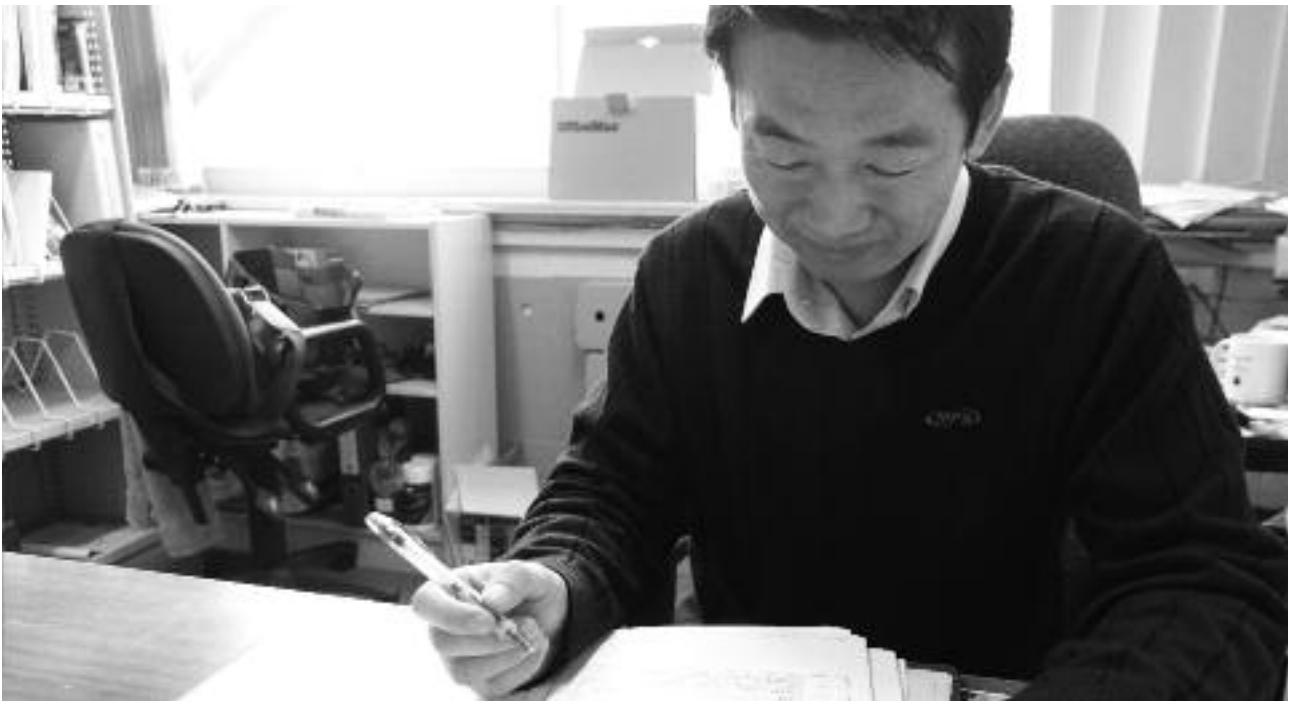
### Goal - 15 per cent water reduction by 2010 compared to 2005-2006

Since 2005–2006 MFB has reduced its mains water consumption by 17 per cent. We have achieved this through infrastructure upgrades and behaviour change. We have continued to implement low water consumption equipment with a minimum four-star rating as per the Water Efficiency Labelling and Standards (WELS) Scheme. We have also recycled water through our Water Recycling Modules for firefighter training.

## Energy efficiency and carbon reduction

### Goal – increase the energy efficiency of MFB's buildings, fleet and Information Communication Systems

Energy efficiency is a key consideration in how we use our buildings, the planning and purchasing of office and fire station refits, new builds and the leasing of new vehicles for our light fleet. All MFB appliances are built to the highest European Union standard – Euro 5 standard (2010–2011). We also purchase 25 per cent of our electricity as GreenPower™.





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

FRD 24C Reporting<sup>1</sup>

Environmental Indicator	Unit of measure	2005-06 Baseline	2007-08	2008-09	2009-10	2010-11	2011-12
<b>Water<sup>2</sup></b>							
Consumption per FTE <sup>3</sup>	kL per FTE	15.7	13.7	14.1	11.9	11	11.5
Total consumption	kL	29,171	26,732	28,047	24,620	22,504	24,323
<b>Energy (Electricity and Gas)<sup>4</sup></b>							
% Green Power purchased	Percentage	15%	15%	15%	15%	15%	25%
Energy Consumption per FTE	GJ per FTE	24.1	23.7	25.7	24.0	25	24.9
Energy consumption	GJ	44,788	46,420	51,330	49,892	50,440	52,487
<b>Greenhouse Emissions<sup>5</sup></b>							
Greenhouse emissions -waste disposa <sup>6</sup>	tonnes CO2e-	2,407	2,303	2,375	2,198	2,575	2,582
Greenhouse emissions -electricity and gas use	tonnes CO2e-	9,397	9,876	10,596	10,604	10,662	9,782
Greenhouse emissions -light fleet	tonnes CO2e-	1,140	1,193	1,271	1,233	1,187	1,417
Greenhouse emissions -operational fleet	tonnes CO2e-	1,838	2,039	1,950	1,952	1,980	1,810
Greenhouse emissions -air travel (flights) <sup>7</sup>	tonnes CO2e-	n/a	n/a	68	140	197	145
Total MFB Greenhouse emissions	tonnes CO2e-	14,782	15,411	16,260	16,127	16,601	15,736
<b>Paper<sup>8</sup></b>							
Use per FTE	Reams per FTE	4.9	4.5	4.6	4.1	3.8	3.7
Total Use	Reams	9,028	8,825	9,024	8,543	7,813	7,721
Average recycled content %	Percentage	n/a	46%	49%	49%	49%	95%
<b>Waste &amp; Recycling</b>							
Waste generated per FTE	m3 per FTE	3.8	3.2	3.4	3.3	3.5	2.7
Total Waste	m3	7,060	6,299	6,643	6,792	7,198	5,712
Total Recycled	Percentage	25%	19%	21%	21%	21%	24%
<b>Transportation (light fleet)<sup>9</sup></b>							
Fuel consumption per FTE	GJ per FTE	9.2	9.2	8.9	8.3	8	9
Total fuel consumption	GJ	17,079	17,995	17,742	17,123	16,545	19,097
Travel (light fleet) per FTE	kilometres per FTE	2,186	2,145	2,126	2,035	2,163	2,278
Total travel (light fleet)	kilometres	4,059,721	4,191,738	4,239,766	4,221,467	4,445,069	4,808,055
Employees regularly using public transport, cycling or walking to and from work <sup>10</sup>	Percentage	36%	n/a	45%	n/a	n/a	n/a

<sup>1</sup> MFB does not undertake office-based activities in isolation of operational activities (i.e., vehicle maintenance, firefighting and skills maintenance occur at sites undertaking administration and office based activity). Paper, waste, water and energy data is reported for all MFB facilities (fire stations, offices and training facilities) for the reportable period of April 2011 to March 2012 (quarterly invoice periods prevent 30 June data from being available until September 2012). Reported data excludes all usage and waste associated with direct firefighting activity.

<sup>2</sup> Water use data is metered potable water for all MFB sites inclusive of offices, workshops, training centres and fire stations. Usage does not include hydrant water use or fire water used in operations and training drills.

<sup>3</sup> FTE (full-time equivalent) staff for the reportable period (April 2011 to March 2012) of 2,111.

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

<sup>5</sup> Greenhouse gas emissions are reported using scope 1, 2 and 3 emission factor calculations from the Department of Climate Change and Energy Efficiency's National Greenhouse Account Factors July 2011. Greenhouse emissions from electricity use are calculated including the credit from 25 per cent Green Power purchase. Greenhouse emissions from operational fleet include emissions from use of fire trucks and appliances.

<sup>6</sup> MFB's 2011–12 waste greenhouse gas emissions have been calculated using a different methodology compared with previous years (it is now in accordance with the National Greenhouse Account Factors July 2011. For comparison purposes the previous four years' waste emissions (2007–08, 2008–09, 2009–10, 2010–11) as well as the baseline year of 2005–06 were recalculated using the same methodology. We have assumed the following composition of our landfill waste: 40 per cent food, 40 per cent paper and 20 per cent textiles. MFB's contractors cannot weigh our landfill or recycled waste. Therefore the reported waste figure assumes that the waste is filled to the bins' capacity (m3) which is not an accurate measure.

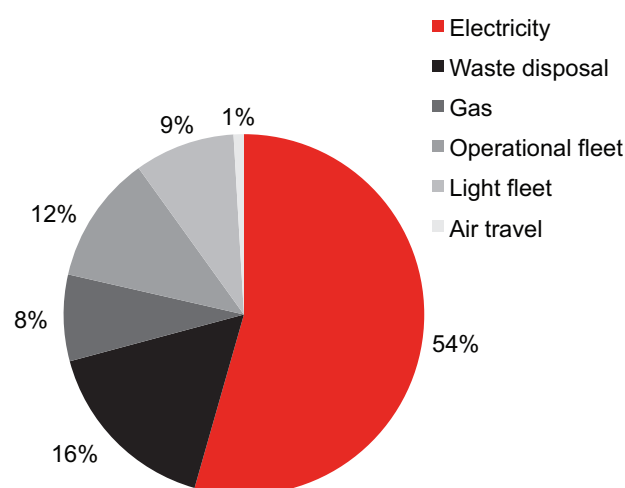
<sup>7</sup> MFB's 2011–12 domestic and international flights have been calculated using a different methodology compared with previous years (it is now in accordance with the Greenhouse Gas Protocol, 2006), including the use of the IPCC radiative forcing index 1999 of 2.7. For comparable data the three previous years' flight emissions (2008–09, 2009–10, 2010–11) were recalculated using the same methodology.

<sup>8</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>9</sup> Transportation light fleet is inclusive of all corporate administration vehicles (hybrids, LPG, diesel and unleaded petrol cars). It excludes all operational vehicles.

<sup>10</sup> Data on employee modes of transport are obtained from the 2005 and 2008 TravelSmart Survey. Sites surveyed include Eastern Hill, Thornbury, Burnley (2008) and Smith St (2005) only.

**Greenhouse gas emissions (CO2-e tonnes) 2011/12.**



## Corporate governance statement

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This statement outlines MFB's 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 Regulations), the Metropolitan Fire Brigades (Contributions) Regulations 2009, the Country Fire Authorities Act 1958, Electricity Safety Act 1998, Emergency Management Act 1986, Gas Safety Act 1997, Building Act 1993, Building Regulations 2006, Residential Tenancies (Caravan Parks and Movable Dwellings Registration and Standards) Regulations 2010 and other legislation.

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

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



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## Changes to governing legislation

On 1 May 2012 changes to the Act were introduced:

- enabling the positions of Chief Officer and Chief Executive Officer to be held by different persons
- changing MFB's right to prescribe fees and charges for services provided under other acts and regulations
- relating to the role of interstate and international fire brigades operating in Victoria
- providing for delegation of the power to issue fire prevention notices as per recommendation 54 of the 2009 Victorian Bushfires Royal Commission
- relating to the ability of the MFB Chief Officer to operate in CFA areas when CFA is unable to act, which mirrors corresponding changes to the CFA Act
- substituting 'Metropolitan District' in the place of 'metropolitan fire district'
- creating new offences relating to interference with fire indicator panels, interference with MFB property or operations, and giving false reports
- amending provisions regarding false alarms and provision of information by private alarm monitoring companies
- updating a number of penalty provisions in the Act to ensure conformity with the sentencing framework in section 109 of the Sentencing Act 1991, to increase deterrence and to better align with community expectations.

As a result, consequential changes have been made to the Regulations. These formalise the prescribed information which alarm monitoring companies must provide to MFB in relation to alarm connections, disconnections, modifications, failure of automatic monitoring service systems, isolation and testing. They also establish the fees payable to MFB by reference to fee units under the Monetary Units Act 2004, rather than specific monetary amounts.

## 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 President and another Deputy President. Board members in office for the year were:

Mr Neil Comrie (President)  
Mr Ken King (Deputy President)  
Mr Geoff Lake (term expired 22 July 2011)  
Ms Jay Bonnington  
Ms Anne Barker (resigned 30 November 2011)  
Mr Alf Long  
Mr John Lord (appointed 23 July 2011)  
Mr David Purchase (appointed 12 July 2011).

The Board met on 12 occasions in 2011–12. 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 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 performing their duties. The MFB Board and Executive Leadership Team are committed to the promotion of the Public Sector Values and Employment Principles in section 7 of the *Public Administration Act 2004*.

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## Board professional development

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

## Evaluation of Board performance

As part of its approach to corporate governance, the Board continued to implement the recommendations of the 2010–2011 Board performance review. This included a change in the composition and responsibilities of Board Committees with effect from 1 July 2011, and the appointment of independent expert advisors to the Risk and Audit and Health and Safety Committees.

## Board Committees

The Board's Committee structure is as follows.

### Risk and Audit Committee

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

During the year the membership of the committee was: Ms J Bonnington (Chair), Mr A Long (Deputy), Mr D Purchase and Mr N Comrie (ex officio). Mr Stuart Alford acted as independent expert advisor to the committee.

## Strategy, Planning and Resources Committee

The committee assists the Board to ensure the efficient and effective allocation of the organisation's resources to support the delivery of the Board's direction as articulated through the Strategy and Business Plans.

During the year the membership of the committee was: Mr K King (Chair), Mr A Long (Deputy), Ms J Bonnington, Mr J Lord and Mr N Comrie (ex officio).

## Health and Safety Committee

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

During the year the membership of the committee was: Ms A Barker (Chair to 30 November 2011), Mr J Lord (Chair from 1 December 2011), Mr K King, Mr D Purchase and Mr N Comrie (ex officio). Mr Volker Maier acted as independent expert advisor to the committee with effect from 1 August 2011.

## Executive Remuneration Committee

The Board acts as the Executive Remuneration Committee when required.

## Ad hoc Committees

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



## Attendance by Board Members

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

	Board	Risk and Audit Committee	Strategy, Planning and Resources Committee	Health and Safety Committee	Executive Remuneration Committee
Number of meetings to 30 June 2012	12	5	4	4	1
N. Comrie	11/12	4/5	4/4	3/4	1/1
A. Barker *	5/5			2/2	
J Bonnington	12/12	5/5	3/4		1/1
G. Lake*	0/0			0	
K King	12/12		4/4	4/4	1/1
A. Long	10/12	3/5	4/4		1/1
D Purchase *	11/12	5/5		2/4	1/1
J Lord *	11/12		4/4	3/4	1/1

\* appointed or resigned during 2011-12.

## 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:

- Strategic and Business Plan – the organisation’s performance in delivering 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 are prepared regularly.
- Internal audit – through the Board’s Risk and Audit Committee a comprehensive three-year rolling internal audit program is established. It includes financial, operational and system processes and controls. MFB has engaged an external service provider as its Internal Auditor.
- Investment appraisal – 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 Standard Operating Procedures which are approved by management.



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## Risk management

A review of the risk management framework and policy during 2011–12 laid the foundation for a renewed focus on the risks facing MFB. Ensuring that risk management is embedded into all our practices and processes – particularly policy development, business and strategic planning and change management – will be the focus for the coming year. The organisation is also recognising and articulating opportunity risk where the positive outcomes are harnessed and realised.

Working closely with our partners and stakeholders, a comprehensive risk profile for the Metropolitan District is being reviewed to ensure that we are continually improving the organisation's risk awareness and strategies to mitigate risks.

### Attestation of compliance with the Victorian Government Risk Management Framework

Under the Victorian Government Risk Management Framework all government agencies and departments must enter a statement in their annual report attesting to the effectiveness of three key elements of the organisational risk framework.

Direction 4.5.5 – Risk Management Compliance – of the Standing Direction of the Minister for Finance (the Standing Direction) requires the application of the Victorian Risk Management Framework by departments and agencies meeting the “public bodies” definition (section 3 of the Financial Management Act 1994), and reports in the Annual Financial Report for the State of Victoria.

The following standard Risk Attestation Statement was presented to the Risk and Audit Committee at the meeting on 16 May 2012. This statement is consistent with the template detailed in the Victorian Government Risk Management Framework.

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

## Insurance

In accordance with legislative requirements and the insurance management policy for general government sector issued by the Victorian Government, the VMIA manages 10 insurance policies on behalf of the board. These policies are reviewed annually by MFB and the VMIA for their adequacy when measured against MFB's service delivery activities and residual risk profile.

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

## Details of consultancies over \$10,000

Consultant	Purpose of Consultancy	Start date	End date	Total approved project fee (excl. GST)	Expenditure 2010-2011 (excl. GST)	Future expenditure (excl. GST)
Mercer (Australia) P/L	Organisation Realignment Project	July 2010	Dec 2011	\$500,000	\$22,365	Nil
Jo Fisher Executive Search	Recruitment of Corporate Secretary & In-house Counsel	Oct 2011	Feb 2012	\$51,750	\$51,750	Nil
David Kearney Training and Development	Training Review Project	Dec 2011	May 2012	\$15,200	\$15,200	Nil
Votar Partners	Asset Management	July 2011	May 2012	\$125,700	\$125,700	Nil
Zeal Group	Review of Safety	Feb 2012	April 2012	\$59,750	\$59,750	Nil
KWS Workplace Solutions	Workplace Investigations	Aug 2011	May 2012	\$38,870	\$38,870	Nil
Pitcher Partners	Financial Model	Sept 2011	Open	\$68,000	\$64,500	\$3,500
UXC Consulting	Next Generation Response Pilot	July 2011	Open	\$139,100	\$49,635	\$89,465

## Details of consultancies under \$10,000

In 2011-12, there were three consultants engaged where the fees for each consultant were less than \$10,000. The aggregate amount for these three consultancies was \$18,360. All figures are excluding GST.

## Major contract compliance

During 2011-12 no contracts with a value greater than \$10 million were entered into by MFB. All other contracts with a value of \$100,000 and above are placed on [www.tenders.vic.gov.au](http://www.tenders.vic.gov.au) in accordance with Victorian Government Purchasing Policy.

## Victorian Industry Participation Policy Act 2003

The Victorian Industry Participation Policy applies when contracts greater than \$3 million in the metropolitan area are entered into. During 2011-12, one contract was entered into by MFB that exceeded \$3 million. The contract was for the manufacture, supply and delivery of 10 fire appliances.

## Compliance with Building Act 1993

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

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## National Competition Policy

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

## Freedom of Information Act 1982

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

### Access

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

Freedom of Information Officer  
Metropolitan Fire and Emergency Services Board  
456 Albert Street  
East Melbourne VIC 3002

Each application must clearly identify the documents sought and be accompanied by a \$25.10 application fee (as at 1 July 2012). General enquiries about Freedom of Information can be made by contacting the Freedom of Information Officer on telephone 9662 2311 between 8.30 am and 5.00 pm, Monday to Friday.

Enquiries about 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.

## 2011-12 freedom of information statistics

During the year MFB received 306 requests for access to documents under the Freedom of Information Act.

Requests received	308
Access granted	297
Part access	4
Denied	0
Documents did not exist	5
Applicant did not proceed	0
Not finalised as at 30 June 2011	2

### Appeal Avenues:

Internal Review	0
VCAT Hearing	0

## Whistleblowers Protection Act 2001

The Corporate Secretary, Mr Blair Trask, 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 section 104 of the Whistleblowers Protection Act

In accordance with the requirements of Part 6 of the Whistleblowers Protection Act, MFB established a policy and guidelines to respond to disclosures lodged. These are available on the MFB website: [www.mfb.vic.gov.au](http://www.mfb.vic.gov.au)

## Disclosure statistics

	2011-12	2010 -11
Protected disclosures lodged.	1	0
Referred by MFB to the Ombudsman for determination as to whether they were public interest disclosures.	0	0
Disclosed matters referred to MFB by the Ombudsman.	0	0
Disclosed matters referred by MFB to the Ombudsman for investigation.	0	0
Investigations of disclosed matters taken over by the Ombudsman from MFB.	0	0
Requests made under section 74 (requests to Ombudsman by person making disclosure) during the year to the Ombudsman to investigate disclosed matters.	0	0
Disclosed matters that MFB declined to investigate.	0	0
Disclosed matters substantiated on investigation.	4	0
Recommendations of the Ombudsman under the Act.	8	0
Recommendations regarding procurement and contractual arrangements for the acquisition of IT.		

## Additional information available on request

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

- a statement that declarations of pecuniary interests have been duly completed by all relevant officers
- details of shares held by senior officers as nominee or held beneficially in the statutory authority or subsidiary
- details of publications produced by the agency about the activities of the agency and where they can be obtained
- details of changes in prices, fees, charges, rates and levies charged by the agency for its services, including services that are administered
- details of any major external reviews carried out in respect of the operation of the agency
- details of any other research and development activities undertaken by the agency that are not otherwise covered either in the report of operations or in a document which contains the financial statement and report of operations
- details of overseas visits undertaken including a summary of the objectives and outcomes of each visit
- details of major promotional, public relations and marketing activities undertaken by the agency to develop community awareness of the services provided by the agency
- details of assessments and measures undertaken to improve the occupational health and safety of employees, not otherwise detailed in the report of operations
- a general statement on industrial relations within the agency and details of time lost through industrial activity and disputes, which are not otherwise detailed in the report of operations
- a list of major committees sponsored by the agency, the purposes of each committee and the extent to which the purposes have been achieved.

The information is available on request from:  
MFB Headquarters  
456 Albert Street  
East Melbourne VIC 3002  
(03) 9662 2311



**Financial Report**  
**2011-2012**



# Management

## Discussion and Analysis

### Comprehensive Operating Statement

The comprehensive result for the 2011-12 financial year was a \$9.6 million surplus as compared to a surplus of \$25.4 million for 2010-11, a decrease of \$15.8 million. Total income increased from \$342.1 million (2010-11) to \$366.2 million (2011-12), an increase of \$24.1 million (7.0 percent) due to increased contributions (\$19.7 million), increased sales of goods and services (\$1.6 million) and increased other income (\$2.7 million).

Total expenses for the financial year increased from \$332.0 million (2010-11) to \$342.1 million (2011-12), an increase of \$10.1 million (3.0 percent) which reflects increased employee expenses of \$8.6 million relating primarily to increases provided in the Enterprise Agreement, an increase in overtime expense of \$0.9 million and other operating expenses increased by \$1.1 million.

Included in the comprehensive surplus were other economic flows of (\$14.5 million) representing a revaluation loss on financial instruments of (\$4.3 million) and revaluation loss of (\$9.9 million) in employee leave provisions caused by reduction in long term discount rates.

### Income

Income for the 2011-12 financial year was \$366.3 million, an increase of \$24.1 million (7.0 percent) compared to \$342.2 million for the previous financial year. The primary source of income is statutory contributions which increased by \$18.5 million (6.4 percent) to \$304.8 million and an increase in brokers and owners contribution of \$1.3 million.

### Contributions

Total statutory contributions are 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 statutory contributions for 2011-12 were \$304.8 million, an increase of \$18.5 million (2010-11: \$286.3 million).

The Net Annual Value of rateable property returned by 25 municipalities in the Metropolitan Fire District as at 1 July 2010 was \$37.70 billion, an increase of \$4.21 billion, or 12.6 percent on the prior year.

The contribution by municipalities increased by 6.7 percent (2010-11: 4.2 percent increase). Coupled with the movement in the net annual value of rateable property the resulting payment by municipalities was 10.13 cents for every \$100.00 of net annual value, a decrease of 5.3 percent on the prior year.

The contribution by insurers increased by 6.7 percent (2010-11: 4.2 percent increase). Gross premiums returned by 84 contributing insurance companies for the year ended on 30 June 2011 and on which the provisional contributions for the 2011-12 financial year were assessed, totalled \$551.7 million (2010-11: \$535.3 million), an increase of \$16.4 million (3.1 percent) on the prior year. The provisional contribution rate for 2011/12 was an average of \$41.82 (2010-11: \$38.93 – actual rate) for every \$100.00 of declared premium, an increase of 7.42 percent on the prior year.

Contributions by brokers and owners for 2011-12, 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 \$6.70 million as compared to \$5.43 million for 2010/11. Income from this source increased by 23.4 percent on the prior year as a result of increase of premium relating to construction insurance and slight increase in premium rates.

### **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 \$31.3 million for 2011-12 as compared to \$29.7 million in 2010-11 (5.4 percent increase) due to increased false alarm charges and increased sales of fire suppression equipment and services.

Interest and dividend income increased from \$10.0 million for 2010-11 to \$14.4 million due primarily to improved dividend returns of \$4.7 million. Sundry income decreased by \$1.5 million to \$6.7 million for 2011-12 due primarily to funding from the State Government for the Operational Staff enterprise agreement now included as part of contributions.

### **Expenses**

Expenses for the financial year totalled \$342.1 million, an increase of \$10.1 million (3.0 percent) on the previous year. The increase reflects increased salaries expense (\$6.4 million or 3.7 percent) primarily related to award increases, increase in overtime costs of \$0.9 million increased workers' compensation of \$2.0 million and superannuation expense increased by \$0.6 million (3.8 percent) to \$16.1 million.

Other operating expenses increased by \$1.1 million to \$79.2 million due primarily to increased plant and equipment maintenance of \$1.2 million, legal expenses of \$1.1 million and training and development of \$0.6 million which was partially offset by reduction in uniforms of \$1.3 million and other contract services of \$1.0 million.



## Balance Sheet

Total Assets as at 30 June 2012 were \$672.0 million as compared to \$644.7 million as at 30 June 2011. The primary reason for this movement is an increase in Treasury Corporation Victoria (TCV) term deposits of \$20.0 million caused by a reduction in capital expenditure and an increase in the fair value of the Victorian Funds Management Corporation (VFMC) investments of \$5.0 million reflecting reinvestment of interest and dividend earnings offset by the fair market revaluation.

Total Liabilities as at 30 June 2012 were \$121.4 million, an increase of \$16.9 million from \$104.5 million as at 30 June 2011. The increase reflects employee benefit provisions, which increased by \$16.0 million to \$103.5 million due to a change in discount rates applied to employee entitlements and staff award salary increases and increased payables.

Net Assets as at 30 June 2012 were \$550.6 million as compared to \$540.2 million as at 30 June 2011, an increase of \$10.4 million, reflecting the \$9.6 million surplus and the State Government contributed capital of \$0.7 million.

## Statement of Balance Sheet Ratios

- **Working Capital Ratio (Current Assets to Current Liabilities)**

As at 30 June 2012, the ratio was 72 percent (88 percent 30 June 2011). The reduced ratio is a consequence of increased current employee leave provisions and increased current payables.

- **Proprietary Ratio (Total Equity to Total Assets).**

As at 30 June 2012 this ratio was 82 percent (84 percent as at 30 June 2011).

- **Debt Ratio (Total Liabilities to Total Assets).**

As at 30 June 2012 this ratio was 18 percent (16 percent as at 30 June 2011).

## Outlook

Contributions for the 2012-13 financial year estimate of expenditure have been determined by the Minister for Police and Emergency Services and approved by the Governor in Council at \$302.7 million (\$304.8 million: 2011-12) and represents a decrease of 0.9 percent or (\$2.8 million).

## Schedule of Municipalities

### For the year ended 30 June 2012

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 2010* \$	Contributions for year ended 30 June 2012 \$
City of Banyule	1,230,127,505	1,246,346.76
City of Bayside	2,059,094,550	2,086,243.80
City of Boroondara	3,533,934,330	3,580,529.36
City of Brimbank	1,542,139,250	1,562,472.40
City of Darebin	1,696,707,528	1,719,078.68
City of Glen Eira	2,110,730,125	2,138,560.16
City of Greater Dandenong	10,933,250	11,077.40
City of Hobsons Bay	1,134,568,235	1,149,527.56
City of Hume	698,388,175	707,596.44
City of Kingston	1,267,113,000	1,283,819.92
City of Manningham	1,048,117,252	1,061,936.72
City of Maribyrnong	958,272,650	970,907.52
City of Maroondah	901,394,600	913,279.52
City of Melbourne	3,836,571,736	3,887,157.08
City of Monash	2,376,328,355	2,407,660.32
City of Moonee Valley	1,543,339,175	1,563,688.16
City of Moreland	1,748,823,230	1,771,881.52
Shire of Nillumbik	8,586,900	8,700.12
City of Port Phillip	2,266,043,618	2,295,921.48
City of Stonnington	2,746,826,244	2,783,043.24
City of Whitehorse	2,200,273,200	2,229,283.88
City of Whittlesea	800,777,924	811,336.20
City of Wyndham	236,446,435	239,564.00
City of Yarra	1,685,148,362	1,707,367.12
Shire of Yarra Ranges	57,660,367	58,420.64
<b>Total</b>	<b>37,698,345,996</b>	<b>38,195,400.00</b>

\* For the 2011-12 financial year contributions paid by municipalities were based on rateable property as at 1 July 2010, 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 2012.

- 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
- Arch Underwriting at Lloyd's (Australia)
- ASR Underwriting Agencies Pty Ltd
- AssetInsure Pty Ltd
- ATC Insurance Solutions Pty Ltd
- Austbrokers Sydney Pty Ltd
- Australian Alliance Insurance Company Limited
- Australian Associated Motor Insurers Limited
- Auto & General Insurance Company Ltd
- Axa Corporate Solutions Assurance
- Axis Speciality Europe Ltd
- Axis Underwriting Services Pty Limited
- Berkley Insurance Company
- Calliden Insurance Limited
- Catholic Church Insurances Limited
- Catlin Australia Pty Ltd
- CGU Insurance Limited
- Chartis Australia 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
- Honan Insurance Group
- 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
- Marsh Pty Ltd
- Millenium Underwriting Agencies Pty Ltd
- Miramar Underwriting Agency Pty Ltd
- Mitsui Sumitomo Insurance Company Ltd
- Mutual Community General Insurance Proprietary Limited
- Nautilus Marine Insurance Agency Ltd
- NIPPONKOA Insurance Company Pty Ltd (The)
- OAMPS Insurance Brokers Ltd
- OnePath General Insurance Pty Limited
- Pacific Underwriting Corporation Pty Ltd
- 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
- Vero Insurance Limited
- Victorian Managed Insurance Authority
- W R Berkley Insurance Australia
- Wesfarmers General Insurance Ltd
- Westpac General Insurance Limited
- 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 2012.

### 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
- Austbrokers Sydney Pty Ltd
- Australian Reliance Pty Ltd
- Brokerweb Risk Services (Auckland) Ltd
- Consolidated Insurance Agencies Pty Ltd
- Corion Pty Ltd
- Crombie Lockwood (NZ) Ltd
- FMR Risk
- Genesis Insurance Brokers Australia
- Guardian Underwriting Services Pty Ltd
- Hornibrooke Doolan Limited
- Industrial & Commercial Insurance Brokers Ltd
- Jardine Lloyd Thompson Pty Ltd
- MA Risk Solutions Pty Ltd
- MAFIP Broking Pty Ltd
- Manufactured Homes Insurance Agency
- Marsh Pty Ltd
- Midas Insurance Brokers Ltd
- Miller & Associates Insurance Broking
- Strathearn Insurance Brokers
- Tartakover General Insurance Brokers
- Terrace Insurance Brokers Pty Ltd
- Willis Australia Limited

### Property Owners who directly lodged returns

- A.A.P.T.
- Attachmate Australasia Pty Ltd
- BMW Australia Finance Ltd
- BMW Australia Ltd
- Cargill Australia Limited
- Ricegrowers Limited
- Rosemaur Properties
- Shell Company of Australia Ltd (The)
- Worth & Douglas Ltd

## Summary of Municipalities Contributions

Financial Year of Contribution	Determined Contribution	Declared Net Annual Value	Increase/(Decrease) In Annual Value Over Prior Year	Contribution Per \$100 Net Annual Value
	\$	\$	\$	¢
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
2011/2012	38,195,400	37,698,345,996	4,207,707,830	10.1

## 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
	\$	\$	\$	\$
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	535,291,545	33,911,439	38.509
2010/2011	214,782,000	551,720,450	16,428,905	38.930
2011/2012	229,172,400	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 2012 will not be available until October 2012 as a result only provisional contributions have been collected for that financial year.

## Comprehensive operating statement for the financial year ended 30 June 2012

	Notes	2012 \$000	2011 \$000
<b>Income from transactions</b>			
Contributions	2	313,827	294,116
Sales of goods and services	2	31,386	29,746
Other income	2	21,052	18,295
<b>Total income from transactions</b>		<b>366,265</b>	<b>342,157</b>
<b>Expenses from transactions</b>			
Employee expenses <sup>(a)</sup>	3	242,353	233,696
Depreciation and amortisation	3, 8, 9	20,588	20,191
Other operating expenses	3	79,165	78,110
<b>Total expenses from transactions</b>		<b>342,106</b>	<b>331,997</b>
<b>Net result from transactions (net operating balance)</b>		<b>24,159</b>	<b>10,160</b>
<b>Other economic flows included in net result</b>			
Net gain/(loss) on non-financial assets	4	(141)	415
Net gain/(loss) on financial instruments	4	(4,373)	3,708
Net gain/(loss) from revaluation of employee leave liabilities <sup>(a)</sup>	4	(9,997)	480
<b>Total other economic flows included in net result</b>		<b>(14,511)</b>	<b>4,603</b>
<b>Net Result</b>	18	<b>9,648</b>	<b>14,763</b>
<b>Other economic flows – other non-owner changes in equity</b>			
Changes in physical asset revaluation surplus	17	-	10,691
<b>Comprehensive Result</b>		<b>9,648</b>	<b>25,454</b>

<sup>(a)</sup> The net revaluation of employee leave liabilities for the prior year (2010-11) was restated from a reported loss to a net gain with a corresponding adjustment to employee expenses. The net and comprehensive result for 2010-11 remains unchanged.

The comprehensive operating statement should be read in conjunction with the accompanying notes included on pages 74 to 122.

## Balance sheet as at 30 June 2012

	Notes	2012 \$000	2011 \$000
<b>Assets</b>			
<b>Financial assets</b>			
Cash and deposits	10, 20	16,966	15,356
Receivables	5,10	7,065	9,656
Investment financial assets	10	174,624	149,592
<b>Total financial assets</b>		<b>198,655</b>	<b>174,604</b>
<b>Non-financial assets</b>			
Inventories	6	966	1,044
Other non-financial assets	7	1,844	1,041
Property, plant and equipment	8	460,569	456,478
Intangible assets	9	9,978	11,519
<b>Total non-financial assets</b>		<b>473,357</b>	<b>470,082</b>
<b>Total assets</b>		<b>672,012</b>	<b>644,686</b>
<b>Liabilities</b>			
<b>Financial liabilities</b>			
Payables	10, 11	15,567	13,886
<b>Total financial liabilities</b>		<b>15,567</b>	<b>13,886</b>
<b>Non-financial liabilities</b>			
Provisions	12, 12a	103,460	87,506
Other liabilities	13	2,433	3,108
<b>Total non-financial liabilities</b>		<b>105,893</b>	<b>90,614</b>
<b>Total liabilities</b>		<b>121,460</b>	<b>104,500</b>
<b>Net assets</b>		<b>550,552</b>	<b>540,186</b>
<b>Equity</b>			
Accumulated surplus/(deficit)	18	225,913	216,265
Physical asset revaluation surplus	17	202,862	202,862
Contributed capital	19	121,777	121,059
<b>Net worth</b>		<b>550,552</b>	<b>540,186</b>
Commitments for expenditure	15		
Contingent assets and contingent liabilities	16		

The balance sheet should be read in conjunction with the accompanying notes included on pages 74 to 122.

## Statement of changes in equity for the financial year ended 30 June 2012

	Physical Asset Revaluation Surplus \$000	Accumulated Surplus \$000	Contributions by Owner \$000	Total \$000
<b>Balance at 1 July 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
Capital appropriation	-	-	-	-
<b>Balance at 30 June 2011</b>	<b>202,862</b>	<b>216,265</b>	<b>121,059</b>	<b>540,186</b>
Net result for the year	-	9,648	-	9,648
Other comprehensive income for the year	-	-	-	-
Capital appropriation	-	-	718	718
<b>Balance at 30 June 2012</b>	<b>202,862</b>	<b>225,913</b>	<b>121,777</b>	<b>550,552</b>

The statement of changes in equity should be read in conjunction with the accompanying notes included on pages 174 to 122.



## Cash flow statement for the financial year ended 30 June 2012

	Notes	2012 \$000	2011 \$000
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Receipts from Government		37,478	38,567
Receipts from other entities		317,213	292,996
Interest received		5,288	5,544
Dividends received		8,758	4,013
Goods and Services Tax recovered from the ATO(i)		9,041	8,126
<b>Total receipts</b>		<b>377,778</b>	<b>349,246</b>
<b>Payments</b>			
Payments to suppliers and employees including legislative and tax payments		(324,204)	(310,983)
<b>Total payments</b>		<b>(324,204)</b>	<b>(310,983)</b>
<b>Net cash flows from / (used in) operating activities</b>	20	<b>53,573</b>	<b>38,263</b>
<b>Cash flows from investing activities</b>			
Payments for investments		(96,095)	(36,880)
Proceeds from sale of investments		66,692	68,011
Payments for non-financial assets		(24,196)	(58,555)
Sale of non-financial assets		918	3,078
<b>Net cash flows from / (used in) investing activities</b>		<b>(52,681)</b>	<b>(24,346)</b>
<b>Cash flows from financing activities</b>			
Owner contributions by State Government		718	-
<b>Net cash flows from / (used in) financing activities</b>		<b>718</b>	<b>-</b>
Net increase/(decrease) in cash and cash equivalents		1,610	13,917
Cash and cash equivalents at the beginning of the financial year		15,356	1,439
<b>Cash and cash equivalents at the end of the financial year</b>	20	<b>16,966</b>	<b>15,356</b>

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

The cash flow statement should be read in conjunction with the accompanying notes included in pages 74 to 122.

## Notes to the financial statements for the financial year ended 30 June 2012

### Notes to the financial statements

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# Notes to the financial statements for the financial year ended 30 June 2012

## 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 15 August 2012.

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:

## Notes to the financial statements for the financial year ended 30 June 2012

- 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;

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2012 and the comparative information presented for the year ended 30 June 2011.

### (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 and amendments to Australian system of GFS 2005 published by the Australian Bureau of Statistics (refer to Note 27).

## Notes to the financial statements for the financial year ended 30 June 2012

'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; and fair value changes of financial instruments.

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

### Balance sheet

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

Current and non-current assets and liabilities (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:

## Notes to the financial statements for the financial year ended 30 June 2012

- 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.

## Notes to the financial statements for the financial year ended 30 June 2012

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.

### 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 year:

	<b>2012</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.

### 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.

## Notes to the financial statements for the financial year ended 30 June 2012

### Bad and doubtful debts

Refer to Note 1(I) *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.

### (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.



## Notes to the financial statements for the financial year ended 30 June 2012

### 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 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.

## Notes to the financial statements for the financial year ended 30 June 2012

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

Held-to-maturity financial assets relate to investments which the MFESB have the intention to hold to maturity. AASBs require specific treatment should the MFESB reclassify more than an insignificant amount of held-to-maturity investments not close to their maturity which would result in the whole category being reclassified as available-for-sale. The 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.

## Notes to the financial statements for the financial year ended 30 June 2012

### Receivables

Receivables consist predominantly of amounts owing from debtors in relation to goods and services, including 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
- held-to-maturity.

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

Any dividend or interest earned on the financial asset is recognised in the 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.

## Notes to the financial statements for the financial year ended 30 June 2012

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.

### Other non-financial assets

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

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

The cost of 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.

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.

## Notes to the financial statements for the financial year ended 30 June 2012

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.

### (K) Liabilities Payables

Payables consist of:

- contractual payables, such as accounts payable and unearned income. 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, sick leave and long service leave for services rendered to the reporting date.

## Notes to the financial statements for the financial year ended 30 June 2012

### (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.

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

### (ii) Long service leave

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

**Unconditional LSL** is disclosed in the notes to the financial statements as a current liability, even where the 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 noncurrent 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.

## Notes to the financial statements for the financial year ended 30 June 2012

### (iv) Bonus plans

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

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

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

### Employee benefits on-costs

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

### Employee benefit provisions

Employee benefit provisions expected to be settled beyond 12 months have been apportioned on the basis of expected settlement periods in the future and adjusted to account for wage increases and discounted to present value. The average wage inflation factor applied on annual leave is 4.3% (2011: 4.6%) and 4.3% on long service leave which also covers seniority, promotion and other relevant factors (2011: 4.6%). The average end of year discount rate applied was 3.058% (2011: 5.278%). 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.

### (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.

## Notes to the financial statements for the financial year ended 30 June 2012

### **(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.

### **(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.



## Notes to the financial statements for the financial year ended 30 June 2012

### (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 2012 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 2012, 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 2012. 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 <i>Financial instruments</i>	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 <i>Financial Instruments: Recognition And Measurement</i> (AASB 139 <i>Financial Instruments: Recognition And Measurement</i> ).	1 Jan 2013	Detail of impact is still being assessed.
AASB 13 <i>Fair Value Measurement</i>	This Standard outlines the requirements for measuring the fair value of assets and liabilities and replaces the existing fair value definition and guidance in other AASs. AASB 13 includes a 'fair value hierarchy' which ranks the valuation technique inputs into three levels using unadjusted quoted prices in active markets for identical assets or liabilities; other observable inputs; and unobservable inputs.	1 Jan 2013	Disclosure for fair value measurements using unobservable inputs are relatively onerous compared to disclosure for fair value measurements using observable inputs. Consequently, the Standard may increase the disclosures for public sector entities that have assets measured using depreciated replacement cost.
AASB 119 <i>Employee Benefits</i>	In this revised Standard for defined benefit superannuation plans, there is a change to the methodology in the calculation of superannuation expenses, in particular there is now a change in the split between superannuation interest expense (classified as transactions) and actuarial gains and losses (classified as 'Other economic flows – other movements in equity') reported on the comprehensive operating statement.	1 Jan 2013	Not-for-profit entities are not permitted to apply this Standard prior to the mandatory application date. While the total superannuation expense is unchanged, the revised methodology is expected to have a negative impact on the net result from transactions of the general government sector and for those few Victorian public sector entities that report superannuation defined benefit plans.

## Notes to the financial statements for the financial year ended 30 June 2012

Standard / Interpretation	Summary	Applicable for annual reporting periods	Impact on MFESB financial statements
AASB 1053 <i>Application of Tiers of Australian Accounting Standards</i>	This Standard establishes a differential financial reporting framework consisting of two tiers of reporting requirements for preparing general purpose financial statements.	1 July 2013	The Victorian Government is currently considering the impacts of Reduced Disclosure Requirements (RDRs) for certain public sector entities and has not decided if RDRs will be implemented in the Victorian public sector.
AASB 2009-11 <i>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]</i>	This Standard gives effect to consequential changes arising from the issuance of AASB 9.	1 Jan 2013	No significant impact is expected from these consequential amendments on entity reporting.
AASB 2010-2 <i>Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements</i>	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.	1 July 2013	The Victorian Government is currently considering the impacts of Reduced Disclosure Requirements (RDRs) for certain public sector entities and has not decided if RDRs will be implemented in the Victorian public sector.
AASB 2010-7 <i>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 &amp; 1038 and Interpretations 2, 5, 10, 12, 19 &amp; 127]</i>	These consequential amendments are in relation to the introduction of AASB 9.	1 Jan 2013	No significant impact is expected from these consequential amendments on entity reporting.
AASB 2011-3 <i>Amendments to Australian Accounting Standards – Orderly Adoption of Changes to the ABS GFS Manual and Related Amendments [AASB 1049]</i>	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.	1 July 2012	This amendment provides clarification to users preparing the whole of government and general government sector financial reports 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 MFB reporting.

## Notes to the financial statements for the financial year ended 30 June 2012

Standard / Interpretation	Summary	Applicable for annual reporting periods	Impact on MFESB financial statements
AASB 2011-4 <i>Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements</i> [AASB 124]	This Standard amends AASB 124 <i>Related Party Disclosures</i> by removing the disclosure requirements in AASB 124 in relation to individual key management personnel (KMP).	1 July 2013	No significant impact is expected from these consequential amendments on entity reporting.
AASB 2011-8 <i>Amendments to Australian Accounting Standards arising from AASB 13</i> [AASB 1, 2, 3, 4, 5, 7, 9, 2009-11, 2010-7, 101, 102, 108, 110, 116, 117, 118, 119, 120, 121, 128, 131, 132, 133, 134, 136, 138, 139, 140, 141, 1004, 1023 & 1038 and Interpretations 2, 4, 12, 13, 14, 17, 19, 131 & 132]	This amending Standard makes consequential changes to a range of Standards and Interpretations arising from the issuance of AASB 13. In particular, this Standard replaces the existing definition and guidance of fair value measurements in other Australian Accounting Standards and Interpretations.	1 Jan 2013	Disclosures for fair value measurements using unobservable inputs is potentially onerous, and may increase disclosures for assets measured using depreciated replacement cost.
AASB 2011-9 <i>Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income</i> [AASB 1, 5, 7, 101, 112, 120, 121, 132, 133, 134, 1039 & 1049]	The main change resulting from this Standard is a requirement for entities to group items presented in other comprehensive income (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). These amendments do not remove the option to present profit or loss and other comprehensive income in two statements, nor change the option to present items of OCI either before tax or net of tax.	1 July 2012	This amending Standard could change the current presentation of 'Other economic flows – other movements in equity' that will be grouped on the basis of whether they are potentially reclassifiable to profit or loss subsequently. No other significant impact will be expected.
AASB 2011-10 <i>Amendments to Australian Accounting Standards arising from AASB 119</i> (September 2011) [AASB 1, AASB 8, AASB 101, AASB 124, AASB 134, AASB 1049 & AASB 2011-8 and Interpretation 14]	This Standard makes consequential changes to a range of other Australian Accounting Standards and Interpretation arising from the issuance of AASB 119 <i>Employee Benefits</i> .	1 Jan 2013	No significant impact is expected from these consequential amendments on entity reporting.
AASB 2011-11 <i>Amendments to AASB 119</i> (September 2011) <i>arising from Reduced Disclosure Requirements</i>	This Standard makes amendments to AASB 119 <i>Employee Benefits</i> (September 2011), to incorporate reduced disclosure requirements into the Standard for entities applying Tier 2 requirements in preparing general purpose financial statements.	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 in the Victorian public sector.

## Notes to the financial statements for the financial year ended 30 June 2012

Standard / Interpretation	Summary	Applicable for annual reporting periods	Impact on MFESB financial statements
2011-13 <i>Amendments to Australian Accounting Standard – Improvements to AASB 1049</i>	This standard aims to improve the AASB 1049 <i>Whole of Government and General Government Sector Financial Reporting</i> at the operational level. The main amendments clarify a number of requirements in AASB 1049, including the amendment to allow disclosure of other measures of key fiscal aggregates as long as they are clearly distinguished from the key fiscal aggregates and do not detract from the information required by AASB 1049. Furthermore, this Standard provides additional guidance and examples on the classification between 'transactions' and 'other economic flows' for GAAP items without GFS equivalents.	1 July 2012	No significant impact is expected from these consequential amendments on entity reporting.
2012-1 <i>Amendments to Australian Accounting Standards – Fair Value Measurement – Reduced Disclosure Requirements</i> [AASB 3, AASB 7, AASB 13, AASB 140 & AASB 141]	This amending Standard prescribes the reduced disclosure requirements in a number of Australian Accounting Standards as a consequence of the issuance of AASB 13 <i>Fair Value Measurement</i> .	1 July 2013	As the Victorian whole of government and the general government (GG) sector are subject to Tier 1 reporting requirements (refer to AASB 1053 <i>Application of Tiers of Australian Accounting Standards</i> ), the reduced disclosure requirements included in AASB 2012-1 will not affect the financial reporting for Victorian whole of government and GG sector.

## Notes to the financial statements for the financial year ended 30 June 2012

### 2. Income from transactions

	2012 \$000	2011 \$000
<b>Contributions</b>		
Insurance companies	229,172	214,783
Municipalities	38,195	35,797
Treasurer of Victoria	37,477	35,797
Brokers and owners	6,703	5,431
Commonwealth Government	2,280	2,308
	<b>313,827</b>	<b>294,116</b>
<b>Sales of goods and services</b>		
False alarm charges	6,695	6,259
Fire suppression equipment sales and servicing	16,646	16,367
Other sales	8,045	7,120
	<b>31,386</b>	<b>29,746</b>
<b>Other Income</b>		
<b>Interest</b>		
Interest – bank deposits	861	702
Interest – held to maturity investments	4,115	4,613
Interest – held for trading investments	646	734
	<b>5,622</b>	<b>6,049</b>
<b>Dividends</b>		
Dividends – held for trading investments	8,759	4,013
	<b>8,759</b>	<b>4,013</b>
<b>Income – sundry</b>		
Workers' compensation recovered	2,292	1,615
Property rental	701	1,183
Contribution penalties	820	253
Funding for enterprise agreement	-	2,770
Other	2,858	2,412
	<b>6,671</b>	<b>8,233</b>
	<b>21,052</b>	<b>18,295</b>
<b>Total income from transactions</b>	<b>366,265</b>	<b>342,157</b>

## Notes to the financial statements for the financial year ended 30 June 2012

### 3. Expenses from transactions

	<b>2012</b>	<b>2011</b>
	<b>\$000</b>	<b>\$000</b>
<b>Employee expenses</b>		
Salaries	179,281	172,895
Overtime	19,937	19,001
Movement in employee benefit provisions (excluding impact of present value discount rate changes)	5,957	7,550
Superannuation – defined benefit fund	14,502	13,989
Superannuation – defined contribution fund	1,635	1,530
Payroll tax	10,603	10,142
Workers' compensation	9,450	7,400
Fringe benefits tax	988	1,189
	<b>242,353</b>	<b>233,696</b>
<b>Depreciation and amortisation</b>		
Buildings	8,110	8,207
Plant and equipment	10,699	9,768
Amortisation of intangible assets	1,779	2,216
	<b>20,588</b>	<b>20,191</b>
<b>Other operating expenses</b>		
Contract services – other	16,032	17,081
Contract services – government	14,655	14,035
Property utilities, rates and maintenance	8,149	9,456
Supplies and consumables	4,641	4,575
Motor vehicle maintenance and fuel	4,085	3,903
Plant and equipment maintenance	5,796	4,582
Information technology	4,488	3,115
Uniforms	3,567	4,882
Travel	3,286	2,950
Training and development	3,956	3,340
Communications	1,831	1,809
Legal	3,130	2,025
Insurance	935	971
Advertising and promotion	143	267
Internal audit and compliance audits	466	394
Consultants	107	459
Property lease	1,116	1,118
Cost of goods sold	498	734
Other	2,284	2,414
	<b>79,165</b>	<b>78,110</b>
<b>Total expenses from transactions</b>	<b>342,106</b>	<b>331,997</b>

## Notes to the financial statements for the financial year ended 30 June 2012

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

	2012	2011
	\$000	\$000
<b>(a) Net gain/(loss) on non-financial assets</b>		
Net gain/(loss) on disposal of property, plant and equipment	(141)	415
<b>Total net gain/(loss) on non-financial assets</b>	<b>(141)</b>	<b>415</b>
<b>(b) Net gain/(loss) on financial instruments</b>		
Net gain/(loss) on disposal of financial investments	2,072	(676)
Net gain/(loss) arising from revaluation of financial assets at fair value – market risk	(6,445)	4,384
<b>Total net gain/(loss) on financial instruments</b>	<b>(4,373)</b>	<b>3,708</b>
<b>(c) Other gains/(losses) from other economic flows</b>		
Net gain/(loss) arising from revaluation of employee leave liabilities	(9,997)	480 <sup>(b)</sup>
<b>Total other gains/(losses) from other economic flows</b>	<b>(9,997)</b>	<b>480</b>
<b>Total other economic flows included in net result</b>	<b>(14,511)</b>	<b>4,603</b>

### 5. Receivables

	2012	2011
	\$000	\$000
<b>Receivables – current</b>		
<b>Contractual:</b>		
Sales of goods and services	5,343	3,640
Other receivables	882	3,348
	<b>6,225</b>	<b>6,988</b>
<b>Statutory:</b>		
Sales of goods and services	875	1,042
GST Input tax credit recoverable	409	2,040
Provision for doubtful statutory receivables	(444)	(414)
	<b>840</b>	<b>2,668</b>
<b>Total</b>	<b>7,065</b>	<b>9,656</b>

(b) The net revaluation of employee leave liabilities for the prior year (2010/11) was restated from a reported loss to a net gain with a corresponding adjustment to employee expenses.

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.

## Notes to the financial statements for the financial year ended 30 June 2012

### 5. Receivables (continued)

Receivables ageing analysis:	Unimpaired				Total
	Current	1-2 months	2-3 months	Greater than 3 months - 1 year	
	\$000	\$000	\$000	\$000	\$000
<b>2012</b>					
Receivables	4,594	1,469	98	64	6,225
<b>Total</b>	<b>4,594</b>	<b>1,469</b>	<b>98</b>	<b>64</b>	<b>6,225</b>
<b>2011</b>					
Receivables	6,058	605	53	272	6,988
<b>Total</b>	<b>6,058</b>	<b>605</b>	<b>53</b>	<b>272</b>	<b>6,988</b>

Included in the trade receivables balance as at 30 June 2012 are past due debtors with a carrying amount of \$1,631,000 of which the MFESB has provided a doubtful debt allowance of \$444,000 and the remaining balance is considered collectable and unimpaired.

Movement in the provision for doubtful receivables:	2012	2011
	\$000	\$000
Balance at beginning of the year	414	249
Amounts written off during the year	(101)	(91)
Amounts recovered during the year	16	2
Increase in allowance recognised in the net result	115	254
Balance at the end of the year	<b>444</b>	<b>414</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 MFESB 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 \$101,000 (2011: \$91,000).

Note 10 Financial Instruments outlines the nature and extent of risk arising from contractual receivables.



## Notes to the financial statements for the financial year ended 30 June 2012

### 6. Inventories

	2012	2011
	\$000	\$000
<b>Inventories – current</b>		
Supplies, spare parts and security spares	1,324	1,428
Less: allowance for obsolescence	(358)	(384)
<b>Total</b>	<b>966</b>	<b>1,044</b>

### 7. Other non-financial assets

	2012	2011
	\$000	\$000
<b>Current other assets</b>		
Prepayments	1,844	1,041

## Notes to the financial statements for the financial year ended 30 June 2012

### 8. Property, plant and equipment

	2012	2011
	\$000	\$000
<b>Freehold land</b>		
At independent valuation	157,776	157,776
At cost	37,606	36,634
<b>Total land</b>	<b>195,382</b>	<b>194,410</b>
<b>Buildings</b>		
At independent valuation	176,418	176,418
At cost	9,215	-
Less: accumulated depreciation	(8,110)	-
<b>Total buildings</b>	<b>177,523</b>	<b>176,418</b>
<b>Total land and buildings</b>	<b>372,905</b>	<b>370,828</b>
<b>Plant and equipment</b>		
At management valuation	56,796	57,884
Plant and equipment at cost	49,153	42,110
Less: accumulated depreciation	(37,802)	(28,400)
<b>Total plant and equipment</b>	<b>68,147</b>	<b>71,594</b>
<b>Construction work in progress</b>		
Buildings	6,283	7,173
Plant and equipment	13,234	6,883
<b>Total construction work in progress</b>	<b>19,517</b>	<b>14,056</b>
<b>Total property, plant and equipment</b>	<b>460,569</b>	<b>456,478</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 performed as at 30 June 2011. The revaluations of land and buildings were undertaken by Valuer-General Victoria who appointed M Cleary, Certified Practising Valuer, Australian Property Institute, Member No. 62839, of Urbis Valuations Pty Ltd to perform the independent valuation with an effective date of 30 June 2011. The revaluation movement was applied in the financial statements as at 30 June 2011.

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

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

## Notes to the financial statements for the financial year ended 30 June 2012

### 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>2012</b>					
Carrying amount at start of year	194,410	176,418	71,594	14,056	456,478
Additions	972	3,289	4,829	14,868	23,958
Disposals	-	-	(1,058)	-	(1,058)
Net revaluations increment/(decrement)	-	-	-	-	-
Transfers	-	5,926	3,481	(9,407)	-
Depreciation expense	-	(8,110)	(10,699)	-	(18,809)
<b>Carrying amount at end of year</b>	<b>195,382</b>	<b>177,523</b>	<b>68,147</b>	<b>19,517</b>	<b>460,569</b>

	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>

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.

## Notes to the financial statements for the financial year ended 30 June 2012

### 9. Intangible assets

	2012 \$000	2011 \$000
<b>Intangible assets – non-current</b>		
Licence agreements at cost	12,192	12,036
Less: accumulated amortisation	(4,970)	(4,176)
<b>Total licence agreements</b>	<b>7,222</b>	<b>7,860</b>
Software at cost	14,610	14,529
Less: accumulated amortisation	(11,854)	(10,870)
<b>Total software</b>	<b>2,756</b>	<b>3,659</b>
<b>Total intangible assets</b>	<b>9,978</b>	<b>11,519</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:

	Average Life	2012 Remaining Life	2011 Remaining Life
Optic fibre licence agreements:	15 years	8 years	9 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>2012</b>			
Carrying amount at start of year	7,860	3,659	11,519
Additions	156	82	238
Disposals	-	-	-
Amortisation expense	(794)	(985)	(1,779)
<b>Carrying amount at end of year</b>	<b>7,222</b>	<b>2,756</b>	<b>9,978</b>
<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>

# Notes to the financial statements for the financial year ended 30 June 2012

## 10. 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 and future capital works programs.

Debt security investments in the held for trading asset present a risk of capital loss. In consideration of this, the VFMC and the investment manager 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.

The VFMC held for trading investment fair value has increased from \$99,592,000 at 30 June 2011 to \$104,624,000 at 30 June 2012, this increase reflects the reinvestment of dividends and interest earnings during the reporting period and the net loss on financial instruments reported as other economic flows.

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

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

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

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.

## Notes to the financial statements for the financial year ended 30 June 2012

<b>Categorisation of financial instruments</b>	<b>2012</b>	<b>2011</b>
(The carrying amounts below also reflect fair values)	<b>\$000</b>	<b>\$000</b>
<b>Contractual financial assets:</b>		
Cash and cash equivalents	16,966	15,356
Receivables (excluding statutory receivables)	6,225	6,988
Investments and other contractual financial assets:	70,000	
Held to maturity term deposit investments (TCV)		50,000
Held for trading investments		
Short term money market (TCV)	12,763	10,544
Australian fixed interest – unlisted trust	28,695	27,204
Australian equities – unlisted trust	13,300	13,037
International equities – unlisted trust	18,667	18,365
Indexed bonds – unlisted trust	9,421	9,079
Infrastructure – unlisted trust	3,184	3,232
Property – unlisted trust	14,120	13,806
Absolute Return funds	4,474	4,325
	<b>197,815</b>	99,592
<b>Total contractual financial assets</b>		<b>171,936</b>
<b>Contractual financial liabilities:</b>	14,820	
Payables – amortised cost (excluding statutory payables)	<b>14,820</b>	12,956
<b>Total contractual financial liabilities</b>		<b>12,956</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.

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

The following table presents the MFESB's financial assets and liabilities at fair value as at 30 June 2012:

<b>Financial assets measured at fair value</b>	Carrying amount as at 30 June 2012	Fair value measurement at end of reporting period using:		
		<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
<b>2012</b>	<b>\$000</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
Fair value through profit/loss investments	104,624	74,693	26,182	3,749
Held to maturity term deposit investments	70,000	70,000	-	-
<b>Total</b>	<b>174,624</b>	<b>144,693</b>	<b>26,182</b>	<b>3,749</b>

Fair value investments in Level 1 increased and a corresponding decrease in Level 2 is due to redemption of investments in preparation for reinvestment in the new portfolio as outlined earlier in Note 10.

## Notes to the financial statements for the financial year ended 30 June 2012

Financial assets measured at fair value	Carrying amount as at 30 June 2011	Fair value measurement at end of reporting period using:		
		Level 1	Level 2	Level 3
2011	\$000	\$000	\$000	\$000
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 were no significant transfers between fair value levels in the 2011 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
	2012	2011	2012	2011
<b>Opening balance</b>	<b>3,962</b>	<b>6,478</b>	<b>3,962</b>	<b>6,478</b>
Total gains or losses recognised in:				
Net result	(213)	(2,516)	(213)	(2,516)
<b>Closing balance</b>	<b>3,749</b>	<b>3,962</b>	<b>3,749</b>	<b>3,962</b>

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

### 10.1 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>2012</b>					
<b>Contractual financial assets</b>					
Financial assets designated at fair value through profit/ loss	5,031	646	(66)	-	5,611
Financial assets – loans and receivables	-	4,115	-	-	4,115
<b>Total contractual financial assets</b>	<b>5,031</b>	<b>4,761</b>	<b>(66)</b>	<b>-</b>	<b>9,726</b>
<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>

# Notes to the financial statements for the financial year ended 30 June 2012

## 10.2 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.

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

The majority of the held for trading financial investment assets at balance date 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. At balance date a significant portion of the balanced VFMC investment was redeemed and pending settlement and reinvestment in the defensive portfolio which will have an increased exposure to interest rate risk. The interest rate risk exposure at balance date is included in the sensitivity analysis (refer to Note 10.2(iii)) below.

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

### 10.2(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 10.2(iii)).

### 10.2(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 \$499,000 (2011: \$380,000) and an increase by the same amount to equity. Conversely if interest rates decreased by 50 basis points interest income would reduce by (\$499,000) (2011: (\$380,000) and equity would reduce by the same amount.

As a consequence of the 26 June 2012 Board decision to alter the VFMC investments to a more conservative portfolio, the overall interest rate risk on the VFMC investments has increased as a significant portion of the investment going forward will be in interest related securities.



## Notes to the financial statements for the financial year ended 30 June 2012

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

Interest rate exposure of financial instruments	Weighted average interest rate %	Carrying amount \$000	Fixed interest rate \$000	Variable interest rate \$000	Non-interest bearing \$000
<b>2012</b>					
<b>Financial assets</b>					
Cash and deposits	4.22	16,966	-	16,966	-
Term deposit investments	4.53	70,000	70,000	-	-
Receivables		6,225	-	-	6,225
Investment financial assets	4.53	104,624	-	12,763	*91,861
<b>Total</b>		<b>197,815</b>	<b>70,000</b>	<b>29,729</b>	<b>98,086</b>
<b>Financial liabilities</b>					
Payables		14,820	-	-	14,820
<b>Total</b>		<b>14,820</b>	<b>-</b>	<b>-</b>	<b>14,820</b>

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

Interest rate exposure of financial instruments	Weighted average interest rate %	Carrying amount \$000	Fixed interest rate \$000	Variable interest rate \$000	Non-interest bearing \$000
<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		6,988	-	-	6,988
Investment financial assets	4.88	99,592	-	10,544	*89,048
<b>Total</b>		<b>171,936</b>	<b>50,000</b>	<b>25,900</b>	<b>96,036</b>
<b>Financial liabilities</b>					
Payables		12,956	-	-	12,956
<b>Total</b>		<b>12,956</b>	<b>-</b>	<b>-</b>	<b>12,956</b>

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

## Notes to the financial statements for the financial year ended 30 June 2012

### 10.3 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 had no foreign currency contract obligations as at the end of the financial period. Foreign currency contracts entered into are direct hedges for future commitments on vehicle purchases (2011: Euro €250,000 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 10.6).

The MFESB's overall foreign exchange risk management strategy remains substantially unchanged from 2011.

### 10.4 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.

#### 10.4(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.

#### 10.4(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.

#### 10.4(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 2011, other than present and future term deposit investments are placed with TCV.

Further information is shown in Note 5 Receivables.

## Notes to the financial statements for the financial year ended 30 June 2012

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

	Financial Institutions (not rated) \$000	Financial Institutions (AA credit rating) \$000	State Government agencies (AAA credit rating) \$000	Total \$000
<b>2012</b>				
Cash and cash equivalents	-	16,966	-	16,966
Term deposit investments	-	-	70,000	70,000
Investment financial assets	*91,861	-	12,763	104,624
<b>Total contractual financial assets</b>	<b>91,861</b>	<b>16,966</b>	<b>82,763</b>	<b>191,590</b>
<b>2011</b>				
Cash and cash equivalents	-	15,356	-	15,356
Term deposit investments	-	-	50,000	50,000
Investment financial 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>

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

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

## Notes to the financial statements for the financial year ended 30 June 2012

### 10.5 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 2011.

Maturity analysis of contractual financial liabilities	Carrying amount \$000	Nominal amount \$000	Maturity dates					
			< 1 month \$000	1-3 months \$000	3 months -1 year \$000	1-5 years \$000	5 + years \$000	
<b>2012</b>								
<b>Financial liabilities</b>								
<b>Payables</b>								
Supplies and services	10,358	10,358	4,606	5,752	-	-	-	-
Other payables	4,462	4,462	4,462	-	-	-	-	-
<b>Total</b>	<b>14,820</b>	<b>14,820</b>	<b>9,068</b>	<b>5,752</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>2011</b>								
<b>Financial liabilities</b>								
<b>Payables</b>								
Supplies and services	8,074	8,074	7,519	555	-	-	-	-
Other payables	4,882	4,882	4,882	-	-	-	-	-
<b>Total</b>	<b>12,956</b>	<b>12,956</b>	<b>12,401</b>	<b>555</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

## Notes to the financial statements for the financial year ended 30 June 2012

### 10.6 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 2012 are listed in the table below.

As a consequence of the 26 June 2012 Board decision to alter the VFMC investments to a defensive portfolio, the price risk on the VFMC investments has significantly reduced.

#### Price risk sensitivity

At 30 June 2012, 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.

## Notes to the financial statements for the financial year ended 30 June 2012

### 2012

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	28,695	2,870	2,870	(2,870)	(2,870)
Australian equities	13,300	1,330	1,330	(1,330)	(1,330)
International equities	18,667	1,867	1,867	(1,867)	(1,867)
Indexed bonds	9,421	942	942	(942)	(942)
Infrastructure	3,184	318	318	(318)	(318)
Property	14,120	1,412	1,412	(1,412)	(1,412)
Absolute return funds	4,474	447	447	(447)	(447)
<b>Total</b>	<b>91,861</b>	<b>9,186</b>	<b>9,186</b>	<b>(9,186)</b>	<b>(9,186)</b>

The effective exposure amounts above reflect the carrying amounts.

### 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)
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.

## Notes to the financial statements for the financial year ended 30 June 2012

### 10.7 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.

### 10.8 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.

## 11. Payables

	2012 \$000	2011 \$000
<b>Payables – current</b>		
Contractual:		
Supplies and services	10,358	8,074
Other payables and accrued expenses	4,462	4,882
	<b>14,820</b>	<b>12,956</b>
Statutory:		
Amounts payable to government and agencies	747	930
<b>Total</b>	<b>15,567</b>	<b>13,886</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 (2011: Nil).

Payables commitment analysis	Less than 1 month	1-3 months	Greater than 3 months	Total
	\$000	\$000	\$000	\$000
<b>2012</b>	9,815	5,752	-	<b>15,567</b>
<b>2011</b>	13,331	555	-	<b>13,886</b>

Note 10 Financial Instruments outlines the nature and extent of risk arising from payables.

## Notes to the financial statements for the financial year ended 30 June 2012

### 12. Provisions

	2012 \$000	2011 \$000
<b>Employee benefits (a)</b>		
<b>Current provisions</b>		
Unconditional and expected to be settled within 12 months (b)	20,147	17,482
Unconditional and expected to be settled after 12 months (c)	71,681	60,492
<b>Provisions related to employee benefit on-costs</b>		
Unconditional and expected to be settled within 12 months (b)	1,810	1,528
Unconditional and expected to be settled after 12 months (c)	6,182	5,086
<b>Total current provisions</b>	<b>99,820</b>	<b>84,588</b>
<b>Non-current provisions</b>		
Employee benefits	3,352	2,693
Employee benefit on-costs	289	225
<b>Total non-current provisions</b>	<b>3,641</b>	<b>2,918</b>
<b>Total provisions</b>	<b>103,460</b>	<b>87,506</b>

#### (a) Employee benefits and related on-costs

Current employee benefits		
Annual leave entitlements	26,975	23,069
Unconditional long service leave entitlements	60,318	51,031
Unconditional sick leave	4,535	3,875
Non-current employee benefits		
Conditional long service leave entitlements	3,016	2,420
Unconditional sick leave – expected to be settled after 12 months	336	273
<b>Total employee benefits</b>	<b>95,180</b>	<b>80,668</b>
Current on-costs	7,991	6,613
Non-current on-costs	289	225
<b>Total on-costs</b>	<b>8,280</b>	<b>6,838</b>
<b>Total employee benefits and related on-costs</b>	<b>103,460</b>	<b>87,506</b>

#### (b) Movement in provisions – Employee benefits on-costs

Opening balance	6,838	6,281
Additional provisions recognised	10,484	8,000
Reductions arising from payments/other sacrifices of future economic benefits	(8,350)	(7,412)
Unwind of discount and effect of changes in the discount rate	(692)	(31)
<b>Closing balance</b>	<b>8,280</b>	<b>6,838</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.



## Notes to the financial statements for the financial year ended 30 June 2012

### 13. Other liabilities

	2012 \$000	2011 \$000
Current balance	467	827
Non-current balance	1,966	2,281
<b>Total</b>	<b>2,433</b>	<b>3,108</b>

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

### 14. 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 \$16.1 million (2011: \$15.5 million) primarily to ESSS. In the current year there were no additional payments to superannuation above the contribution rate designated by ESSS for defined benefit members and the super guarantee contribution rate of 9.0% for non-defined benefit plan members.

There were no superannuation contributions outstanding at 30 June 2012. (2011: 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% (2011: 11.0%) of salary for all operational staff as well as for non-operational staff employed prior to 1 January 1994.

## Notes to the financial statements for the financial year ended 30 June 2012

### 15. Commitments

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

	2012 \$000	2011 \$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	12,079	7,043
<b>Total</b>	<b>12,079</b>	<b>7,043</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	706	735
Longer than one year but not longer than five years	768	780
<b>Total</b>	<b>1,474</b>	<b>1,515</b>
<b>Recurrent service commitments</b>		
Commitments for the acquisition of recurrent goods and services not recognised as liabilities:		
Payable:		
Within one year	14,428	14,285
Longer than one year but not longer than five years	57,132	84
<b>Total</b>	<b>71,560</b>	<b>14,369</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 2012 were \$12.0 million (2011: \$9.2 million).

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

### 16. Contingent assets and contingent liabilities

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

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

There are no contingent liabilities at reporting date (2011:Nil).

## Notes to the financial statements for the financial year ended 30 June 2012

### 17. Reserves

	2012 \$000	2011 \$000
Physical asset revaluation surplus		
<b>Land</b>		
Balance at beginning of financial year	103,352	92,750
Revaluation increments/(decrements)	-	10,602
<b>Total</b>	<b>103,352</b>	<b>103,352</b>
<b>Buildings</b>		
Balance at beginning of financial year	84,172	94,348
Revaluation increments/(decrements)	-	(10,176)
<b>Total</b>	<b>84,172</b>	<b>84,172</b>
<b>Plant and equipment</b>		
Balance at beginning of financial year	15,338	5,073
Revaluation increments/(decrements)	-	10,265
<b>Total</b>	<b>15,338</b>	<b>15,338</b>
<b>Balance at end of financial year</b>	<b>202,862</b>	<b>202,862</b>

### 18. Accumulated surplus

	2012 \$000	2011 \$000
Balance at beginning of financial year	216,265	201,502
Net result	9,648	14,763
<b>Balance at end of financial year</b>	<b>225,913</b>	<b>216,265</b>

### 19. Contributions by owners

	2012 \$000	2011 \$000
Balance at beginning of financial year	121,059	121,059
Transactions with owners in their capacity as owners	718	-
<b>Balance at end of financial year</b>	<b>121,777</b>	<b>121,059</b>
<b>Total equity at end of the financial year</b>	<b>550,552</b>	<b>540,186</b>

## Notes to the financial statements for the financial year ended 30 June 2012

### 20. Notes to the cash flow statement

#### (a) Reconciliation of cash

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

	<b>2012</b>	<b>2011</b>
	<b>\$000</b>	<b>\$000</b>
Total cash and deposits disclosed in the balance sheet	16,966	15,356
<b>Balance as per cash flow statement</b>	<b>16,966</b>	<b>15,356</b>

#### (b) Reconciliation of net result for the reporting period

<b>Net result for the period</b>	<b>9,648</b>	<b>14,763</b>
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#### Non-cash movements

(Gain)/loss on sale or disposal of non-financial assets	141	(415)
Net (gain)/loss on financial instruments	(2,072)	676
Unrealised loss/(gain) on held for trading investments	6,445	(4,385)
Depreciation and amortisation of non-financial assets	20,587	20,192
Decrease in allowance for doubtful debts	30	165
(Decrease)/increase allowance for inventory obsolescence	(25)	77

#### Movements in assets and liabilities

Decrease/(increase) in other receivables	2,560	(4,641)
Decrease in inventories	104	1
(Increase)/decrease in prepayments	(803)	203
Increase in payables	1,680	4,430
Increase in employee benefits	15,953	7,070
(Decrease)/increase in income received in advance	(675)	127

<b>Net cash inflow from operating activities</b>	<b>53,573</b>	<b>38,263</b>
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### 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 (2011: Nil).

## Notes to the financial statements for the financial year ended 30 June 2012

### 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 P Ryan MLA Minister for Police and Emergency Services	01/07/11 – 30/06/12
	The Honorable A McIntosh Acting Minister for Police and Emergency Services	15/07/11 – 31/07/11
	The Honorable R Clark Acting Minister for Police and Emergency Services	16/01/12 – 29/01/12
Board Members	M N Comrie, AO, APM – President	01/07/11 – 30/06/12
	A Barker (Retired 10/12/11)	01/07/11 – 10/12/11
	J A Bonnington	01/07/11 – 30/06/12
	K W King	01/07/11 – 30/06/12
	G T Lake (Retired 22/07/11)	01/07/11 – 22/07/11
	A Long	01/07/11 – 30/06/12
	D Purchase OAM (Appointed 12/07/11)	12/07/11 – 30/06/12
J Lord AM (Appointed 23/07/11)	23/07/11 – 30/06/12	
Accountable Officers	N Easy – Chief Executive Officer	01/07/11 – 30/06/12
	S K Wright – Acting Chief Executive Officer/Chief Officer	05/01/12 – 18/01/12

#### Related parties

M N Comrie is the 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.

J Bonnington is a Non-Executive Director of the Port of Melbourne Corporation.

K W King is a member of the Country Fire Authority (CFA) Board and Parks Victoria. 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.

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

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

During the previous reporting period (2011) the MFESB purchased land which was independently valued by the Valuer General Victoria prior to purchase from Department of Education and Early Childhood Development.

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

## Notes to the financial statements for the financial year ended 30 June 2012

### 23. Remuneration of responsible persons

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

	2012 No.	2011 No.
<b>Remuneration Band</b>		
\$ 0 – \$ 9,999	1	1
\$ 10,000 – \$ 19,999	4	4
\$ 20,000 – \$ 29,999	1	1
\$ 40,000 – \$ 49,999	1	1
	<b>7</b>	<b>7</b>
Total remuneration of Responsible Persons other than the Responsible Minister:	<b>\$000 154</b>	<b>\$000 137</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:

	2012 No.	2011 No.
<b>Remuneration Band</b>		
\$ 20,000 – \$ 29,999	-	1
\$100,000 – \$109,999	-	1
\$160,000 – \$169,999	-	1
\$320,000 – \$329,999	1	-
	<b>1</b>	<b>3</b>
Total remuneration of Accountable Officers:	<b>\$000 328</b>	<b>\$000 292</b>

## Notes to the financial statements for the financial year ended 30 June 2012

### 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	
	2012 No.	2011 No.	2012 No.	2011 No.
\$ 0 – \$ 99,999*	2	2	5	4
\$100,000 – \$109,999	1	-	-	2
\$110,000 – \$119,999	-	2	-	2
\$120,000 – \$129,999	1	3	2	-
\$130,000 – \$139,999	-	2	-	2
\$140,000 – \$149,999	-	2	1	2
\$150,000 – \$159,999	2	-	3	4
\$160,000 – \$169,999	2	5	5	13
\$170,000 – \$179,999	9	9	8	5
\$180,000 – \$189,999	2	6	3	4
\$190,000 – \$199,999	3	3	5	1
\$200,000 – \$209,999	3	2	1	-
\$210,000 – \$219,999	3	1	1	-
\$220,000 – \$229,999	1	-	-	-
\$230,000 – \$239,999	1	1	2	-
\$240,000 – \$249,999	3	-	-	-
\$250,000 – \$259,999	1	-	-	-
\$260,000 – \$269,999	-	-	1	-
\$280,000 – \$289,999	1	-	-	-
\$290,000 – \$299,999	1	-	-	-
\$440,000 – \$449,999	1	-	-	-
<b>Total number of executive officers</b>	<b>37</b>	<b>38</b>	<b>37</b>	<b>39</b>
<b>Total annualised employee equivalent (AEE)</b>	<b>34</b>	<b>37</b>	<b>34</b>	<b>37</b>
<b>Total remuneration (\$000)</b>	<b>7,264</b>	<b>(c)6,282</b>	<b>6,103</b>	<b>(c)5,671</b>

(c) Executive officer remuneration in the prior year (2010-11) was restated to include superannuation and a redetermination of the number of responsible executives.

Two new executive positions were established in December 2010 resulting in 7 months remuneration reported in 2010-11, full year remuneration impacts are included in the 2011-12 totals.

Additionally two executive officer roles from July to December 2010 were performed by non executive staff resulting in a higher comparative remuneration in 2011-12.

\* 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: \$152,151 total remuneration and \$336,312 base remuneration.

## Notes to the financial statements for the financial year ended 30 June 2012

### Notes:

The above remuneration amounts include leave or termination payments of:

	2012 \$000	2011 \$000
<b>Remuneration Band</b>		
\$ 0 – \$ 99,999	-	18
\$100,000 – \$109,999	79	-
\$110,000 – \$119,999	-	8
\$120,000 – \$129,999	-	81
\$140,000 – \$149,999	-	4
\$150,000 – \$159,999	5	-
\$160,000 – \$169,999	14	19
\$170,000 – \$179,999	34	82
\$180,000 – \$189,999	4	61
\$190,000 – \$199,999	16	68
\$200,000 – \$209,999	22	65
\$210,000 – \$219,999	74	19
\$220,000 – \$229,999	29	-
\$230,000 – \$239,999	4	66
\$240,000 – \$249,999	253	-
\$250,000 – \$259,999	130	-
\$280,000 – \$289,999	108	-
\$290,000 – \$299,999	31	-
\$440,000 – \$449,999	356	-

### 25. Remuneration of auditors

Total remuneration payable to the Auditor-General for auditing the financial statements for the year ended 30 June 2012 was \$88,000 (2011: \$83,900).

### 26. Subsequent events

The MFESB has entered into a significant contract to construct a new training complex on MFESB land at Craigieburn, Victoria for a targeted warranted maximum price of \$70 million.

There are no other material subsequent events since reporting date.



# Notes to the financial statements for the financial year ended 30 June 2012

## 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.

### Depreciation

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

### Effective interest method

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

### 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.

## Notes to the financial statements for the financial year ended 30 June 2012

### 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.

### Net worth

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

### Non-financial assets

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

### Other economic flows

Other economic flows are changes in the volume or value of an asset or liability that do not result from transactions. It includes gains and losses from disposals, revaluations and impairments of non-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.

## **Notes to the financial statements for the financial year ended 30 June 2012**

### **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 2012 and financial position of the Metropolitan Fire and Emergency Services Board as at 30 June 2012.

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 15 August 2012.



Neil Comrie AO, APM  
President  
Melbourne  
15 August 2012



Nicholas Easy  
Chief Executive Officer  
Melbourne  
15 August 2012



Russell Eddington  
Executive Director, Corporate Services  
Melbourne  
15 August 2012

**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 2012 of the Metropolitan Fire and Emergency Services Board which comprises the comprehensive operating statement, balance sheet, statement of changes in equity, cash flow statement, notes comprising a summary of significant accounting policies and other explanatory information, and the accountable officer's and chief finance and accounting officer's declaration has been audited.

*The Board Members' Responsibility for the Financial Report*

The Board Members of the Metropolitan Fire and Emergency Services Board is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards, and the financial reporting requirements of the *Financial Management Act 1994*, and for such internal control as the Board Members determines 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 Members, as well as evaluating the overall presentation of the financial report.

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

## Independent Auditor's Report (continued)

### *Independence*

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

### *Opinion*

In my opinion, the financial report presents fairly, in all material respects, the financial position of the Metropolitan Fire and Emergency Services Board as at 30 June 2012 and of its financial performance and its cash flows for the year then ended in accordance with applicable Australian Accounting Standards, and the financial reporting requirements of the *Financial Management Act 1994*.

### *Matters Relating to the Electronic Publication of the Audited Financial Report*

This auditor's report relates to the financial report of the Metropolitan Fire and Emergency Services Board for the year ended 30 June 2012 included both in the Metropolitan Fire and Emergency Services Board's annual report and on the website. The Board Members of the Metropolitan Fire and Emergency Services Board are responsible for the integrity of the Metropolitan Fire and Emergency Services Board's website. I have not been engaged to report on the integrity of the Metropolitan Fire and Emergency Services Board's website. The auditor's report refers only to the subject matter described above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of the financial report are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited financial report to confirm the information contained in the website version of the financial report.

MELBOURNE  
15 August 2012

  
D. D. R. Pearson  
Auditor-General

